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As filed with the Securities and Exchange Commission on November 22, 2006

Registration No. 333-137524

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

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CARROLS RESTAURANT GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**5812**	**16-0958146**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

968 James Street
Syracuse, New York 13203
(315) 424-0513
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Joseph A. Zirkman, Esq.
Vice-President, General Counsel, Secretary
Carrols Restaurant Group, Inc.
968 James Street
Syracuse, New York 13203
(315) 424-0513
(Name, Address Including Zip Code and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of Commencement of Proposed Sale to the Public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value $.01 per share	17,250,000	$ 276,000,000	$ 29,532

(1) Includes shares of common stock that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(3) Pursuant to Rule 457(p) promulgated under the Securities Act of 1933, as amended, $29,532 of the registration fee paid by the registrant in connection with its filing of a Registration Statement on Form S-1 on June 22, 2004, Registration No. 333-116737 (which registration statement was withdrawn on October 25, 2004), shall offset in its entirety the registration fee currently due.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a)

of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Registration Statement on Form S-1 (Registration No. 333-137524) was originally filed with the name of the registrant as Carrols Holdings Corporation. On November 21, 2006, the registrant amended its Restated Certificate of Incorporation and changed its name to Carrols Restaurant Group, Inc. from Carrols Holdings Corporation. All references to the registrant in this registration statement have been changed to Carrols Restaurant Group, Inc.

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PROSPECTUS

SUBJECT TO COMPLETION, DATED NOVEMBER 22, 2006

15,000,000 Shares

Carrols Restaurant Group, Inc.

Common Stock

This is Carrols Restaurant Group, Inc.'s initial public offering of common stock. We are offering 5,666,666 shares of our common stock and the selling stockholders identified in this prospectus are offering an additional 9,333,334 shares of our common stock. We currently estimate that the initial public offering price will be between $14.00 and $16.00 per share. We will not receive any proceeds from the sale of the shares offered by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. We have filed an application for our common stock to be listed on The NASDAQ Global Market under the symbol "TAST".

Investing in our common stock involves risks. See " Risk Factors" beginning on page 14.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Carrols Restaurant Group, Inc.	$	$
Proceeds to the Selling Stockholders	$	$

Delivery of the shares of our common stock will be made on or about , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The selling stockholders have granted the underwriters an option to purchase a maximum of 2,250,000 additional shares of our common stock to cover over-allotments, if any, exercisable at any time until 30 days after the date of this prospectus.

Wachovia Securities **Banc of America Securities LLC**

RBC Capital Markets **Raymond James**

The date of this prospectus is , 2006.

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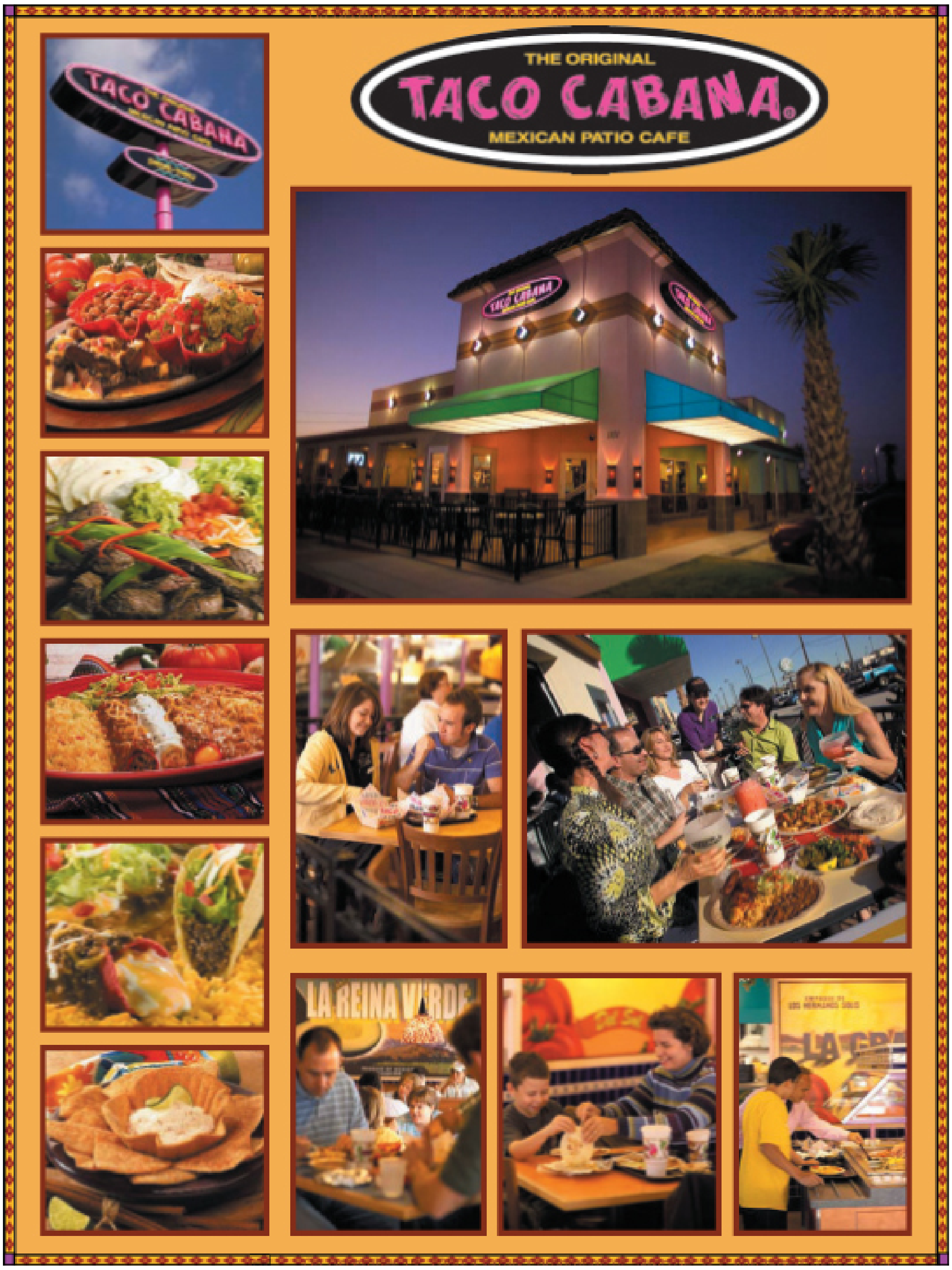

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You should rely only upon the information contained in this prospectus or in any free writing prospectus that we may provide you in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell or seeking offers to buy these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus and you should assume that the information appearing in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates.

No action has or will be taken in any jurisdiction by us or by any underwriter that would permit a public offering of the common stock or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. In this prospectus references to "dollars" and "$" are to United States dollars.

This prospectus has been prepared on the basis that all offers of our common stock within the European Economic Area will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area, from the requirement to produce a prospectus for offers of our common stock. Accordingly, any person making or intending to make any offer within the European Economic Area of shares of our common stock which are the subject of the offering contemplated in this prospectus should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor any of the underwriters has authorized, nor do we or they authorize, the making of any offer of our common stock in the European Economic Area through any financial intermediary, other than offers made by underwriters which constitute the final offering of our common stock contemplated in this prospectus.

Industry and Market Data

In this prospectus we refer to information, forecasts and statistics regarding the restaurant industry. Unless otherwise indicated, all restaurant industry data in this prospectus refers to the U.S. restaurant industry and is taken from or based upon the Technomic Information Services (Technomic) report entitled "2006 Technomic Top 500 Chain Restaurant Report." In addition, statements in this prospectus concerning the "increasing disposable income" of the Hispanic consumer base are based on an article appearing in the third quarter 2004 edition of "Georgia Business and Economic Conditions", a publication of the Terry College of Business, The University of Georgia. In this prospectus we also refer to information, forecasts and statistics from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics and regarding BKC, as defined below. Unless otherwise indicated, information regarding BKC in this prospectus has been made publicly available by BKC. We believe that all of these sources are reliable, but we have not independently verified any of this information and cannot guarantee its accuracy or completeness. The information, forecasts and statistics we have used from Technomic may reflect rounding adjustments.

Throughout this prospectus, any reference to BKC refers to Burger King Holdings, Inc. (NYSE: BKC) and its wholly-owned subsidiaries, including Burger King Corporation.

Burger King® is a registered trademark and service mark and Whopper® is a registered trademark of Burger King Brands, Inc., a wholly-owned subsidiary of BKC. Neither BKC nor any of its subsidiaries, affiliates, officers, directors, agents, employees, accountants or attorneys are in any way participating in, approving or endorsing this offering, any of the underwriting or accounting procedures used in this offering, or any representations made in connection with this offering. The grant by BKC of any franchise or other rights to us is not intended as, and should not be interpreted as, an express or implied approval, endorsement or adoption of any statement regarding financial or other performance which may be contained in this prospectus. All financial information in this prospectus is our sole responsibility.

Any review by BKC of this prospectus or the information included in this prospectus has been conducted solely for the benefit of BKC to determine conformance with BKC internal policies, and not to benefit or protect any other person. No investor should interpret such review by BKC as an internal approval, endorsement, acceptance or adoption of any representation, warranty, covenant or projection contained in this prospectus.

The enforcement or waiver of any obligation of ours under any agreement between us and BKC or BKC affiliates is a matter of BKC or BKC affiliates' sole discretion. No investor should rely on any representation, assumption or belief that BKC or BKC affiliates will enforce or waive particular obligations of ours under those agreements.

Throughout this prospectus, we refer to Carrols Restaurant Group, Inc., a Delaware corporation, as "Carrols Restaurant Group" and, together with its consolidated subsidiaries, as "we," "our" and "us," unless otherwise indicated or the context otherwise requires. Any reference to "Carrols" refers to our wholly-owned subsidiary, Carrols Corporation, a Delaware corporation, and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.

We use a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. In this prospectus, we sometimes refer to the fiscal years ended December 30, 2001, December 29, 2002, December 28, 2003, January 2, 2005 and January 1, 2006 as 2001, 2002, 2003, 2004 and 2005, respectively, or as the years ended December 31, 2001, 2002, 2003, 2004 and 2005, respectively. All of such fiscal years consisted of 52 weeks except for 2004, which consisted of 53 weeks. Similarly, in this prospectus, the 13 weeks and 39 weeks ended October 2, 2005 and October 1, 2006 are referred to as the three months (or the quarter) and the nine months ended September 30, 2005 and 2006, respectively. Financial information and other data about us as of December 30, 2001, December 29, 2002, December 28, 2003, January 2, 2005, January 1, 2006, October 2, 2005 and October 1, 2006 is referred to in this prospectus as being as of December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004, December 31, 2005, September 30, 2005 and September 30, 2006, respectively.

PROSPECTUS SUMMARY

The following summary highlights selected information about our business and our common stock being sold in this offering. This is a summary of information contained elsewhere in this prospectus and does not contain all of the information that may be important to you. For a more complete understanding of our business and our common stock being sold in this offering, you should read this entire prospectus, including the section entitled "Risk Factors" and the Consolidated Financial Statements and related notes.

Throughout this prospectus, we use the terms "Segment EBITDA" and "Segment EBITDA margin" because they are financial indicators that are reported to our chief operating decision maker for purposes of allocating resources to our segments and assessing their performance. Segment EBITDA (defined as earnings attributable to the applicable segment before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions (as defined herein), other income and expense and loss on extinguishment of debt) may not be necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. The calculation of Segment EBITDA for our Burger King restaurants includes general and administrative expenses related directly to our Burger King segment, as well as the expenses associated with administrative support for all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions. Segment EBITDA margin means Segment EBITDA as a percentage of the total revenues of the applicable segment. We consider our Pollo Tropical restaurants, Taco Cabana restaurants and Burger King restaurants to each constitute a separate segment. See Note 14 to our Consolidated Financial Statements included elsewhere in this prospectus.

Throughout this prospectus, we use the terms "Consolidated Adjusted EBITDA" and "Consolidated Adjusted EBITDA margin" because we believe they are useful financial indicators for measuring our ability, on a consolidated basis, to service and/or incur indebtedness. Consolidated Adjusted EBITDA (defined as earnings before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions, other income and expense and loss on extinguishment of debt) should not be considered as an alternative to consolidated cash flows as a measure of liquidity in accordance with generally accepted accounting principles ("GAAP"). Consolidated Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Management believes the most directly comparable measure to Consolidated Adjusted EBITDA calculated in accordance with GAAP is net cash provided from operating activities. Consolidated Adjusted EBITDA margin means Consolidated Adjusted EBITDA as a percentage of consolidated revenues. Our utilization of a non-GAAP financial measure is not meant to be considered in isolation or as a substitute for net income, income from operations, cash flow, gross margin and other measures of financial performance prepared in accordance with GAAP. See footnote 6 in "Selected Historical Financial and Operating Data" for a reconciliation of non-GAAP financial measures.

Our Company

We are one of the largest restaurant companies in the United States operating three restaurant brands in the quick-casual and quick-service restaurant segments with 542 restaurants located in 16 states as of September 30, 2006. We have been operating restaurants for more than 45 years. We own and operate two Hispanic restaurant brands, Pollo Tropical® and Taco Cabana® (together referred to by us as our Hispanic Brands), which we acquired in 1998 and 2000, respectively. We are also the largest Burger King franchisee, based on the number of restaurants, and have operated Burger King restaurants since 1976. As of September 30, 2006, our company-owned restaurants included 73 Pollo Tropical restaurants and 141 Taco Cabana restaurants, and we operated 328 Burger King restaurants under franchise agreements. We also franchise our Hispanic Brand restaurants with 29 franchised restaurants located in Puerto Rico, Ecuador and the United States as of September 30, 2006. We believe that the diversification and strength of our restaurant brands as well as the geographic dispersion of our restaurants provide us with stability and enhanced growth opportunities. Our primary growth strategy is to develop new company-owned Hispanic Brand restaurants. For the year ended December 31, 2005 and the nine months ended September 30, 2006, we had total revenues of $706.9 million and $562.7 million, respectively, and a net loss of $4.4 million and net income of $9.7 million, respectively.

***Hispanic Brands*.** Our Hispanic Brands operate in the quick-casual restaurant segment, combining the convenience and value of quick-service restaurants with the menu variety, use of fresh ingredients and food quality more typical of casual dining restaurants. For the year ended December 31, 2005, our company-owned Pollo Tropical and Taco Cabana restaurants generated average annual sales per restaurant of $2.1 million and $1.6 million, respectively, which we believe are among the highest in the quick-casual segment. For the year ended December 31, 2005 and the nine months ended September 30, 2006, aggregate revenues for our Hispanic Brands were $346.8 million and $287.3 million, respectively, which represented 49.1% and 51.1%, respectively, of our total consolidated revenues.

Pollo Tropical: Our Pollo Tropical restaurants are known for their fresh grilled chicken marinated in our own blend of tropical fruit juices and spices. Our menu also features other items including roast pork, sandwiches, grilled ribs offered with a selection of sauces, Caribbean style "made from scratch" side dishes and salads. Most menu items are made fresh daily in each of our Pollo Tropical restaurants, which feature open display cooking that enables customers to observe the preparation of menu items, including chicken grilled on large, open-flame grills. Pollo Tropical opened its first restaurant in 1988 in Miami. As of September 30, 2006, we owned and operated a total of 73 Pollo Tropical restaurants, of which 72 were located in Florida, including 60 in South Florida, and one of which was located in the New York City metropolitan area, in northern New Jersey. For the year ended December 31, 2005, the average sales transaction at our company-owned Pollo Tropical restaurants was $8.72 reflecting, in part, strong dinner traffic, with dinner sales representing the largest sales day-part of Pollo Tropical restaurant sales. For the year ended December 31, 2005 and the nine months ended September 30, 2006, Pollo Tropical generated total revenues of $137.0 million and $115.3 million, respectively, Segment EBITDA of $28.7 million and $21.8 million, respectively, and Segment EBITDA margins of 20.9% and 18.9%, respectively.

Taco Cabana: Our Taco Cabana restaurants serve fresh Tex-Mex and traditional Mexican style food, including sizzling fajitas, quesadillas, enchiladas, burritos, tacos, other Tex-Mex dishes, fresh-made flour tortillas, frozen margaritas and beer. Most menu items are made fresh daily in each of our Taco Cabana restaurants, which feature open display cooking that enables customers to observe the preparation of menu items, including fajitas cooking on a grill and a machine making fresh tortillas. A majority of our Taco Cabana restaurants are open 24 hours a day, generating customer traffic and restaurant sales across multiple day-parts by offering a convenient and quality experience to our customers. Taco Cabana pioneered the Mexican patio café concept with its first restaurant in San Antonio, Texas in 1978. As of September 30, 2006, we owned and operated 141 Taco Cabana restaurants located in Texas, Oklahoma and New Mexico, of which 135 were located in Texas. For the year ended December 31, 2005, the average sales transaction at our company-owned Taco Cabana restaurants was $7.08 with dinner sales representing the largest sales day-part of Taco Cabana restaurant sales. For the year ended December 31, 2005 and the nine months ended September 30, 2006, Taco Cabana generated total revenues of $209.8 million and $172.0 million, respectively, Segment EBITDA of $31.9 million and $25.7 million, respectively, and Segment EBITDA margins of 15.2% and 14.9%, respectively.

***Burger King*.** Burger King is the second largest hamburger restaurant chain in the world (as measured by the number of restaurants and system-wide sales) and we are the largest franchisee in the Burger King system, based on number of restaurants. Burger King restaurants are part of the quick-service restaurant segment which is the largest of the five major segments of the U.S. restaurant industry based on 2005 sales. Burger King restaurants feature the popular flame-broiled Whopper sandwich, as well as a variety of hamburgers and other sandwiches, fries, salads, breakfast items and other offerings. According to BKC, historically it has spent between 4% and 5% of its annual system sales on marketing, advertising and promotion to sustain and increase its high brand awareness. We benefit from BKC's marketing initiatives as well as its development and introduction of new menu items. As of September 30, 2006, we operated 328 Burger King restaurants located in 12 Northeastern, Midwestern and Southeastern states. For the year ended December 31, 2005, the average sales transaction at our Burger King restaurants was $5.03. Our Burger King restaurants generated average annual sales per restaurant of $1.0 million for the year ended December 31, 2005. In addition, for the year ended December 31, 2005 and the nine months ended September 30, 2006, our Burger King restaurants generated total revenues of $360.1 million and $275.4 million, respectively, Segment EBITDA of $31.8 million and $26.3 million, respectively, and Segment EBITDA margins of 8.8% and 9.6%, respectively.

Our Competitive Strengths

We believe we have the following strengths:

Strong Hispanic Brands. We believe that the following factors have contributed, and will continue to contribute, to the success of our Hispanic Brands:

- freshly-prepared food at competitive prices with convenience and value;
- a variety of menu items including signature dishes with Hispanic flavor profiles designed to appeal to consumers' desire for freshly-prepared food and menu variety;
- successful dinner day-part representing the largest sales day-part at both of our Hispanic Brands, providing a higher average check size than other day-parts;
- broad consumer appeal that attracts both the growing Hispanic consumer base, with increasing disposable income to spend on items such as traditional foods prepared at restaurants rather than at home, and non-Hispanic consumers in search of new flavor profiles, grilled rather than fried entree choices and varied product offerings at competitive prices in an appealing atmosphere;
- ability to control the consistency and quality of the customer experience and the strategic growth of our restaurant operations through our system consisting of primarily company-owned restaurants compared to competing brands that focus on franchising;
- high market penetration of company-owned restaurants in our core markets that provides operating and marketing efficiencies, convenience for our customers and the ability to effectively manage and enhance brand awareness;
- well positioned to continue to benefit from the projected population growth in Florida and Texas;
- established infrastructure at our Hispanic Brands to manage operations and develop and introduce new menu offerings, positioning us to build customer frequency and broaden our customer base; and
- well positioned to continue to capitalize on the home meal replacement trend.

For the year ended December 31, 2005 and the nine months ended September 30, 2006, aggregate revenues for our Hispanic Brands were $346.8 million and $287.3 million, respectively, which represented 49.1% and 51.1%, respectively, of our total consolidated revenues.

Strong Restaurant Level Economics and Operating Metrics for our Hispanic Brands. We believe that the strong average annual sales at our company-owned Hispanic Brand restaurants are among the highest in the quick-casual segment. We also believe that the operating margins of our Hispanic Brands generate unit economics and returns on invested capital which will enable us to accelerate and sustain new unit growth.

Largest Burger King Franchisee. We are Burger King's largest franchisee and are well positioned to leverage the scale and marketing of one of the most recognized brands in the restaurant industry. The size of our Burger King business has contributed significantly to our large aggregate restaurant base, enabling us to enhance operating efficiencies and realize benefits across all three of our brands from economies of scale with respect to our management team and management information and operating systems. In addition, our Burger King business has significantly contributed, and is expected to continue to significantly contribute, to our consolidated operating cash flows. For the year ended December 31, 2005 and the nine months ended September 30, 2006, revenues for our Burger King restaurants were $360.1 million and $275.4 million, respectively, which represented 50.9% and 48.9%, respectively, of our total consolidated revenues.

Infrastructure in Place for Growth. We believe that our operating disciplines, seasoned management, operational infrastructure and marketing and product development capabilities, supported by our corporate and restaurant management information systems and comprehensive training and development programs, will support significant expansion.

Experienced Management Team. We believe that our senior management team's extensive experience in the restaurant industry, knowledge of the demographic and other characteristics of our core markets and its long and successful history of developing, acquiring, integrating and operating quick-service and quick-casual restaurants, provide us with a competitive advantage.

Our Growth Strategy

Our primary growth strategy is as follows:

- ***Develop New Hispanic Brand Restaurants in Core and Other Markets*.** We believe that we have significant opportunities to develop new Pollo Tropical and Taco Cabana restaurants in their respective core markets within Florida and Texas and expand into new markets both within Florida and Texas as well as other regions of the United States. By increasing the number of restaurants we operate in a particular market, we believe that we can continue to increase brand awareness and effectively leverage our field supervision, corporate infrastructure and marketing expenditures. We also believe that the appeal of our Hispanic Brands and our high brand recognition in our core markets provide us with opportunities to expand into other markets in Florida and Texas. In addition, we believe that there are a number of geographic regions in the United States outside of Florida and Texas where the size of the Hispanic population and its influence on the non-Hispanic population provide significant opportunities for development of additional Hispanic Brand restaurants. In March 2006, we opened our first Pollo Tropical restaurant in the New York City metropolitan area. In 2005, we opened a total of six new Pollo Tropical restaurants in Florida and six new Taco Cabana restaurants in Texas and we acquired four additional Taco Cabana restaurants in Texas from a franchisee. During the nine months ended September 30, 2006, we opened four Pollo Tropical restaurants (including one restaurant in the New York City metropolitan area) and seven Taco Cabana restaurants in Texas and we currently plan to open four Pollo Tropical restaurants (including one restaurant in the New York City metropolitan area) and three Taco Cabana restaurants in Texas in the fourth quarter of 2006. In 2007, we currently plan to open between eight and ten Pollo Tropical restaurants and between ten and twelve Taco Cabana restaurants.
- ***Increase Comparable Restaurant Sales.*** Our strategy is to grow sales in our existing restaurants by continuing to develop new menu offerings and enhance the effectiveness of our proprietary advertising and promotional programs for our Hispanic Brands, further capitalize on attractive industry and demographic trends and enhance the quality of the customer experience at our restaurants. We also believe that our Burger King restaurants are well-positioned to benefit from BKC's initiatives with respect to the Burger King brand.
- ***Continue to Improve Income from Operations and Leverage Existing Infrastructure.*** We believe that our continuing development of new company-owned Hispanic Brand restaurants, combined with our strategy to increase sales at our existing Hispanic Brand restaurants, will increase revenues generated by our Hispanic Brands as a percentage of our consolidated revenues, positioning us to continue to improve our overall income from operations. We also believe that our large restaurant

base, skilled management team, sophisticated management information and operating systems, and training and development programs support our strategy of enhancing operating efficiencies for our existing restaurants and profitably growing our restaurant base.

- ***Utilize Financial Leverage to Maintain an Efficient Capital Structure to Support Growth***. We intend to continue utilizing financial leverage in an effort to enhance returns to our stockholders. We believe our operating cash flows will allow us to allocate sufficient capital towards new store development and repayment of our outstanding indebtedness as part of our strategy to support earnings growth, while providing the flexibility to alter our capital allocation depending on changes in market conditions and available expansion opportunities.

Recent Developments

We have, in the past, entered into sale-leaseback transactions involving certain restaurant properties that did not qualify for sale-leaseback accounting and, as a result, have been classified as financing transactions under Statement of Financial Accounting Standards No. 98, “Accounting for Leases” (“SFAS 98”). Under the financing method, the assets remain on our consolidated balance sheet and continue to be depreciated and proceeds received by us from these transactions are recorded as a financing liability. Payments under these leases are applied as payments of imputed interest and deemed principal on the underlying financing obligations.

During the nine months ended September 30, 2006, we exercised our right of first refusal under the leases for 14 restaurant properties subject to lease financing obligations and purchased these 14 restaurant properties from the respective lessors. Concurrently with these purchases, the properties were sold in qualified sale-leaseback transactions. We recorded deferred gains representing the amounts by which the sales prices exceeded the net book value of the underlying assets. Deferred gains are being amortized as an adjustment to rent expense over the term of the leases, which is generally 20 years.

We also amended lease agreements for 21 restaurant properties in the second quarter of 2006 and amended a master lease agreement covering 13 restaurant properties in the third quarter of 2006, all of which were previously accounted for as lease financing obligations, to eliminate or otherwise cure the provisions that precluded the original sale-leaseback accounting under SFAS 98. As a result of such amendments, we recorded these sale-leaseback transactions as sales, removed all of the respective assets under lease financing obligations and related liabilities from our consolidated balance sheet and recognized gains from the sales, which were generally deferred and are being amortized as an adjustment to rent expense over the remaining term of the underlying leases.

As a result of the above transactions that occurred during the nine months ended September 30, 2006, we reduced our lease financing obligations by $52.8 million, reduced our assets under lease financing obligations by $36.2 million and recorded deferred gains of $18.3 million. We also recorded interest expense of $2.0 million which represents the net amount by which the purchase price for the restaurant properties sold exceeded the lease financing obligations. Of these amounts, $37.5 million of lease financing obligations and $24.7 million of assets under lease financing obligations have been reflected as non-cash transactions in the consolidated statements of cash flows for the nine months ended September 30, 2006.

Beginning in the third quarter of 2006 the effect of the recharacterization of all of the transactions described above as qualified sales under SFAS 98 and the payments associated with the related operating leases as restaurant rent expense, rather than as payments of interest and principal associated with lease financing obligations, has been to reduce interest expense, reduce depreciation expense and increase restaurant rent expense. See Note 9 to our Consolidated Financial Statements included elsewhere in this prospectus.

Interest expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 was $43.0 million, $31.8 million and $34.6 million, respectively. On a pro forma basis, after giving effect to the leasing transactions and the lease amendments described above as if these transactions and amendments occurred at the beginning of the respective periods, interest expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 would have been $37.7 million, $27.8 million and $32.0 million, respectively, or a reduction of $5.3 million, $4.0 million and $2.6 million, respectively, from historical interest expense for these periods.

Depreciation and amortization expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 was $33.1 million, $24.9 million and $25.2 million, respectively. On a pro forma basis, after giving effect to the leasing transactions and the lease amendments described above as if these transactions and amendments occurred at the beginning of the respective periods, depreciation and amortization expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 would have been $31.8 million, $23.9 million and $24.5 million, respectively, or a reduction of $1.3 million, $1.0 million and $0.7 million, respectively, from historical depreciation and amortization expense for these periods.

Restaurant rent expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 was $34.7 million, $25.8 million and $27.2 million, respectively. On a pro forma basis, after giving effect to the leasing transactions and the lease amendments described above as if these transactions and amendments occurred at the beginning of the respective periods, restaurant rent expense for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 would have been $38.4 million, $28.6 million and $29.0 million, respectively, or an increase of $3.7 million, $2.8 million and $1.8 million, respectively, from historical restaurant rent expense for these periods.

On a pro forma basis, after giving effect to the leasing transactions and lease amendments described above as if these transactions and amendments occurred at the beginning of the respective periods, operating income for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006 would have increased $2.8 million, $2.2 million and $1.5 million, respectively, from historical operating income for those periods.

Equity Ownership

Our executive officers, including Alan Vituli, our Chairman and Chief Executive Officer, and Daniel T. Accordino, our President and Chief Operating Officer, will, upon consummation of this offering, own a total of 2,343,769 shares representing approximately 10.8% of our outstanding common stock, based on shares outstanding as of September 30, 2006 (excluding shares of common stock issuable upon the exercise of options to be granted in connection with this offering under our 2006 Stock Incentive Plan). Our other equity investors are BIB Holdings (Bermuda) Ltd., which we refer to as “BIB,” and funds managed by entities affiliated with Madison Dearborn Partners, LLC, which we refer to as “Madison Dearborn,” which will each own shares representing approximately 8.0% of our outstanding common stock upon consummation of this offering (or approximately 2.8% if the over-allotment option granted to the underwriters is exercised in full). BIB acquired a controlling interest in our company in 1996 and Madison Dearborn acquired its interest in our company in 1997. Both BIB and Madison Dearborn are the only selling stockholders participating in this offering and are sometimes referred to as the “selling stockholders.” BIB is a wholly-owned subsidiary of Bahrain International Bank (E.C.). Madison Dearborn is a leading private equity firm.

Corporate Information

Our principal executive offices are located at 968 James Street, Syracuse, New York 13203 and our telephone number at that address is (315) 424-0513. Our corporate website address is www.carrols.com. Such website address is a textual reference only, meaning that the information contained on our website is not a part of this prospectus and is not incorporated by reference in this prospectus. Carrols Restaurant Group is a Delaware corporation, incorporated in 1986. Carrols Restaurant Group conducts all of its operations through its direct and indirect subsidiaries and has no assets other than the shares of Carrols, its direct wholly-owned subsidiary. Prior to November 21, 2006 we were known as Carrols Holdings Corporation. On November 21, 2006, we amended our certificate of incorporation to change our name to Carrols Restaurant Group, Inc.

The Offering

Common stock offered by us	5,666,666 shares
Common stock offered by the selling stockholders	9,333,334 shares
Common stock outstanding immediately after this offering	21,625,540 shares
Use of proceeds	We intend to contribute the net proceeds we receive from this offering to Carrols, which will use it to repay approximately $76.0 million principal amount of term loan borrowings under the senior credit facility. We will not receive any of the proceeds from the sale of shares by the selling stockholders, including any shares that may be sold upon exercise by the underwriters of the over-allotment option granted by the selling stockholders. See "Use of Proceeds" and "Certain Relationships and Related Party Transactions."
Proposed NASDAQ Global Market symbol	"TAST"

The number of shares of common stock that will be outstanding immediately after this offering includes an aggregate of 20,100 shares of restricted common stock to be issued to three of our outside directors and an aggregate of 54,900 shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan, and excludes the following:

- an aggregate of 1,300,000 shares issuable upon the exercise of options to be issued in connection with this offering under our 2006 Stock Incentive Plan at an exercise price equal to the initial public offering price for our common stock in this offering, with respect to 50% of such stock options, and an exercise price equal to 120% of the initial public offering price of our common stock in this offering with respect to the other 50% of such options; and
- an aggregate of 1,925,000 additional shares that will be available for future awards under our 2006 Stock Incentive Plan.

Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus:

- gives effect to an 11.288 for one split of our outstanding common stock that we will effect prior to completion of this offering;
- assumes no exercise of the underwriters' over-allotment option to purchase up to 2,250,000 additional shares of common stock from the selling stockholders;
- assumes the effectiveness of our 2006 Stock Incentive Plan, which occurred on November 21, 2006; and
- assumes the filing of our restated certificate of incorporation with the State of Delaware and the effectiveness of our amended and restated bylaws, which will occur prior to completion of this offering.

Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus regarding or based on the number of our shares to be outstanding immediately after this offering is based on the number of shares outstanding as of September 30, 2006 and includes an aggregate of 20,100 shares of restricted common stock to be issued to three of our outside directors and an aggregate of 54,900 additional shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan.

Risk Factors

Investing in our common stock involves substantial risk. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under “Risk Factors” in deciding whether to invest in our common stock.

Summary Financial and Operating Data

The following table sets forth summary historical financial data derived from our audited consolidated financial statements for each of the years ended December 31, 2003, 2004 and 2005 and our unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006 which are included elsewhere in this prospectus. As described on page ii, we use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. All of the fiscal years reflected in the following table consisted of 52 weeks except for 2004 which consisted of 53 weeks. As a result, some of the variations between 2004 and the other fiscal years reflected in the following table may be due to the additional week included in 2004. Each of the nine months ended September 30, 2005 and 2006 reflected in the following table consisted of 39 weeks.

The unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006, included elsewhere in this prospectus, include all adjustments, consisting of normal recurring adjustments, which, in our opinion, are necessary for a fair presentation of our results of operations for these periods. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

We restated our consolidated financial statements for the periods presented below that ended prior to January 1, 2005. See “Selected Historical Financial and Operating Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Restatements” and Note 2 to our Consolidated Financial Statements included elsewhere in this prospectus for a discussion of the restatement. All amounts affected by the restatement that appear in this prospectus have also been restated.

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The information in the table below is only a summary and should be read together with our Consolidated Financial Statements, "Selected Historical Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included elsewhere in this prospectus. The amounts in the table below reflect rounding adjustments.

	Year Ended December 31,			Nine Months Ended September 30,	
	Restated 2003(1)	Restated 2004(1)(2)	2005	2005	2006
	(dollar amounts in thousands, except share and per share data)				
Statements of Operations Data:					
Revenues:					
Restaurant sales	$ 643,579	$ 696,343	$ 705,422	$ 531,442	$ 561,719
Franchise royalty revenues and fees	1,406	1,536	1,488	1,160	1,002
Total revenues	644,985	697,879	706,910	532,602	562,721
Costs and expenses:					
Cost of sales	181,182	202,624	204,620	154,424	158,299
Restaurant wages and related expenses	194,315	206,732	204,611	153,740	164,400
Restaurant rent expense	31,089	34,606	34,668	25,818	27,183
Other restaurant operating expenses	89,880	92,891	102,921	75,976	82,466
Advertising expense	27,351	24,711	25,523	19,791	20,768
General and administrative(3)	37,388	43,585	58,621	47,837	35,799
Depreciation and amortization	40,228	38,521	33,096	24,929	25,177
Impairment losses	4,151	1,544	1,468	1,427	832
Bonus to employees and a director(4)	—	20,860	—	—	—
Other expense (income)(5)	—	2,320	—	—	(1,389)
Total operating expenses	605,584	668,394	665,528	503,942	513,535
Income from operations	39,401	29,485	41,382	28,660	49,186
Interest expense	37,334	35,383	42,972	31,830	34,616
Loss on extinguishment of debt	—	8,913	—	—	—
Income (loss) before income taxes	2,067	(14,811)	(1,590)	(3,170)	14,570
Provision (benefit) for income taxes	741	(6,720)	2,760	2,054	4,828
Net income (loss)	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742
Per Share Data:					
Basic and diluted net income (loss) per share	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)	$ 0.61
Weighted average shares outstanding:					
Basic and diluted	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147
Other Financial Data:					
Net cash provided from operating activities	$ 46,349	$ 59,211	$ 22,008	$ 10,623	$ 36,852
Net cash provided from (used for) investing activities	14,581	(8,489)	(33,908)	(27,452)	(3,027)
Net cash used for financing activities	(61,054)	(21,670)	(10,235)	(9,339)	(40,370)
Total capital expenditures	30,371	19,073	38,849	28,983	32,057
Consolidated Adjusted EBITDA(6)	84,033	94,548	92,378	71,448	73,806
Consolidated Adjusted EBITDA margin(7)	13.0%	13.5%	13.1%	13.4%	13.1%
Ratio of earnings to fixed charges(8)	1.04x	—	—	—	1.33x

	Year Ended December 31,			Nine Months Ended September 30,	
	Restated 2003(1)	Restated 2004(1)(2)	2005	2005	2006
	(dollar amounts in thousands, except share and per share data)				
Operating Data:					
Total company-owned restaurants (at end of period)	532	537	540	536	542
Pollo Tropical:					
Company-owned restaurants (at end of period)	60	63	69	66	73
Average number of company-owned restaurants	59.4	60.3	64.9	64.5	70.6
Revenues:					
Restaurant sales	$109,201	$ 124,000	$135,787	$103,036	$114,463
Franchise royalty revenues and fees	993	1,101	1,196	918	840
Total revenues	110,194	125,101	136,983	103,954	115,303
Average annual sales per company-owned restaurant(9)	1,838	2,018	2,092		
Segment EBITDA(10)(11)	22,477	27,884	28,684	22,369	21,792
Segment EBITDA margin(12)	20.4%	22.3%	20.9%	21.5%	18.9%
Change in comparable company-owned restaurant sales(13)	2.3%	10.6%	4.7%	7.5%	2.6%
Taco Cabana:					
Company-owned restaurants (at end of period)	121	126	135	132	141
Average number of company-owned restaurants	118.9	123.9	129.8	128.5	137.7
Revenues:					
Restaurant sales	$181,068	$ 202,506	$209,539	$156,554	$171,821
Franchise royalty revenues and fees	413	435	292	242	162
Total revenues	181,481	202,941	209,831	156,796	171,983
Average annual sales per company-owned restaurant(9)	1,523	1,604	1,614		
Segment EBITDA(10)(14)	24,206	30,082	31,927	23,584	25,669
Segment EBITDA margin(12)	13.3%	14.8%	15.2%	15.0%	14.9%
Change in comparable company-owned restaurant sales(13)	(3.0)%	4.8%	1.2%	1.3%	2.4%
Burger King:					
Restaurants (at end of period)	351	348	336	338	328
Average number of restaurants	352.2	350.9	343.5	344.6	334.5
Restaurant sales	$353,310	$ 369,837	$360,096	$271,852	$275,435
Average annual sales per restaurant(9)	1,003	1,034	1,048		
Segment EBITDA(10)(15)	37,350	36,582	31,767	25,495	26,345
Segment EBITDA margin(12)	10.6%	9.9%	8.8%	9.4%	9.6%
Change in comparable restaurant sales(13)	(7.2)%	2.9%	1.0%	1.3%	3.1%

	As of September 30, 2006	
	Actual	As Adjusted(16)
	(dollars in thousands)	
Balance Sheet Data:		
Total assets	$453,726	$ 453,726
Working capital	(35,819)	(35,819)
Debt:		
Senior and senior subordinated debt (including current portion of $2,200)	$366,950	$ 290,975
Capital leases (including current portion of $299)	1,590	1,590
Lease financing obligations	58,440	58,440
Total debt	$426,980	$ 351,005
Stockholders' deficit	$ (93,936)	$ (17,961)

(1) For information as to the effect of the restatement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Restatements" and Note 2 to our Consolidated Financial Statements included elsewhere in this prospectus.

(2) We use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. All of the fiscal years reflected in the table above consisted of 52 weeks except for 2004 which consisted of 53 weeks. As a result, some of the variations between 2004 and the other fiscal years reflected in the table above may be due to the additional week included in 2004.

(3) Includes stock-based compensation expense for 2003, 2004 and 2005 and the nine months ended September 30, 2005 and 2006 of $0.3 million, $1.8 million, $16.4 million, $16.4 million and $0, respectively.

(4) In conjunction with the December 2004 Transactions (as defined below), we approved a compensatory bonus payment to certain employees (including management) and a director. See Note 12 to our Consolidated Financial Statements included elsewhere in this prospectus.

(5) Other expense in 2004 resulted from the write off of costs incurred in connection with a registration statement on Form S-1 for a proposed offering by us of Enhanced Yield Securities comprised of common stock and senior subordinated notes, which registration statement was withdrawn by us in 2004. See Note 10 to our Consolidated Financial Statements included elsewhere in this prospectus. Other income for the nine months ended September 30, 2006 resulted from a reduction in collection reserves previously established for a $1.1 million note receivable related to the sale of leasehold improvements at two of the closed restaurant locations that were written off as part of the restructuring charge in 2001 and a reduction in lease liability reserves of $0.3 million for such locations due to an increase in the estimates for future sublease income. See Note 6 to our Consolidated Financial Statements included elsewhere in this prospectus.

(6) For a reconciliation of Consolidated Adjusted EBITDA to net cash provided from operating activities, see footnote 5 in “Selected Historical Financial and Operating Data” below. Consolidated Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions, other income and expense and loss on extinguishment of debt.

(7) Consolidated Adjusted EBITDA margin means Consolidated Adjusted EBITDA as a percentage of total consolidated revenues.

(8) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including lease financing obligations and amortization of deferred financing costs) and one-third of rental expense on operating leases representing that portion of rental expense that we deemed to be attributable to interest. Our earnings were insufficient to cover our fixed charges for 2004, 2005 and the nine months ended September 30, 2005 by $14.8 million, $1.6 million and $3.2 million, respectively.

(9) Average annual sales per restaurant are derived by dividing restaurant sales for such year for the applicable segment by the average number of company-owned restaurants for the applicable segment for such year. For comparative purposes, the calculation of average annual sales per restaurant is based on a 52-week year. 2004 was a 53-week fiscal year. For purposes of calculating average annual sales per restaurant for 2004, we have excluded restaurant sales data for the extra week of 2004 for purposes of such calculation.

(10) Segment EBITDA is defined as earnings attributable to the applicable segment before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions, other income and expense and loss on extinguishment of debt. The calculation of Segment EBITDA for our Burger King restaurants includes general and administrative expenses related directly to our Burger King segment, as well as the expenses associated with administrative support for all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions. See Note 14 to our Consolidated Financial Statements included elsewhere in this prospectus.

(11) Includes general and administrative expenses related directly to our Pollo Tropical segment of approximately $6.0 million, $7.3 million and $7.2 million for the years ended December 31, 2003, 2004 and 2005, respectively, and $5.5 million and $5.9 million for the nine months ended September 30, 2005 and 2006, respectively.

(12) Segment EBITDA margin means Segment EBITDA as a percentage of the total revenues of the applicable segment.

(13) The changes in comparable restaurant sales are calculated using only those company-owned restaurants open since the beginning of the earliest period being compared and for the entirety of both periods being compared. Restaurants are included in comparable restaurant sales after they have been open for 12 months for our Burger King restaurants and 18 months for our Pollo Tropical and Taco Cabana restaurants.

(14) Includes general and administrative expenses related directly to our Taco Cabana segment of approximately $11.1 million, $11.1 million and $10.2 million for the years ended December 31, 2003, 2004 and 2005, respectively, and $7.7 million and $8.6 million for the nine months ended September 30, 2005 and 2006, respectively.

(15) Includes general and administrative expenses related directly to our Burger King segment as well as expenses associated with administrative support to all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions. All of such expenses totaled approximately $20.0 million, $23.4 million and $24.9 million for the years ended December 31, 2003, 2004 and 2005, respectively, and $18.2 million and $21.3 million for the nine months ended September 30, 2005 and 2006, respectively.

(16) The as adjusted data gives effect to our sale of common stock in this offering and the application of the estimated net proceeds we receive therefrom, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, to repay term loan borrowings as described under “Use of Proceeds” as if those transactions had occurred as of September 30, 2006. The as adjusted data has been prepared using an assumed initial public offering price of $15.00 per share (which is the mid-point of the price range appearing on the cover page of this preliminary prospectus) and also assumes that we will issue a number of shares of common stock in this offering equal to the number of shares appearing on the cover page of this preliminary prospectus. A $1.00 increase or decrease in the assumed initial public offering price per share or a 100,000 share increase or decrease in the number of shares that we issue in this offering would increase or decrease, respectively, certain items appearing in the as adjusted column of the above table. For additional information, see “Use of Proceeds,” “Capitalization” and “Dilution” included elsewhere in this prospectus.

December 2004 Transactions

On December 15, 2004, Carrols, one of our wholly owned subsidiaries, completed the private placement of $180 million of its 9% Senior Subordinated Notes due 2013, which we refer to in this prospectus as the “debt offering.” In connection with the debt offering, Carrols, certain subsidiaries of Carrols, and the Bank of New York, as trustee, entered into an indenture, which we refer to in this prospectus as the “Indenture,” which governs the 9% Senior Subordinated Notes due 2013, which we refer to in this prospectus as the “Notes.” Concurrently with the completion of the debt offering, Carrols repaid all outstanding borrowings under its prior senior secured credit facility, which we refer to in this prospectus as the “prior senior credit facility,” and amended and restated the prior senior credit facility with a new syndicate of lenders, including J.P. Morgan Securities Inc., as lead arranger and bookrunner, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, Bank of America, N.A., as syndication agent and Wachovia Bank, National Association, as one of the documentation agents. In this prospectus, we refer to the amended and restated senior secured credit facility as the “senior credit facility.” The senior credit facility is comprised of a secured revolving credit facility providing for aggregate borrowings of up to $50.0 million (including $20.0 million available for letters of credit) and $220.0 million aggregate principal amount of secured term loan borrowings. Concurrently with the completion of the debt offering, Carrols borrowed all $220.0 million aggregate principal amount of the term loans. See “Description of Certain Indebtedness—Senior Credit Facility.”

Carrols received approximately $391.1 million in total net proceeds from the issuance of the Notes and from the term loan borrowings under the senior credit facility, after deducting commissions and other expenses payable by Carrols in connection with those transactions. Carrols used those net proceeds as follows:

- approximately $74.4 million was used to repay borrowings outstanding under the prior senior credit facility;
- approximately $3.1 million was paid to repurchase stock options held by a former employee;
- approximately $175.9 million was used to retire all $170 million aggregate principal amount of Carrols’ 9 $^{1}/_{2}$% Senior Subordinated Notes due 2008, which we refer to in this prospectus as the “old notes,” that were then outstanding;
- approximately $116.8 million was used to pay a dividend to our stockholders; and
- approximately $20.9 million was distributed to our employees (including management) and a director who owned options to purchase our common stock on a pro rata basis in proportion to the number of shares of our common stock issuable upon the exercise of options owned by those persons (which included $0.6 million in employer payroll taxes).

In this prospectus we refer to the debt offering, Carrols entering into the senior credit facility and the term loan borrowings thereunder, the repayment of all outstanding borrowings under the prior senior credit facility, the retirement of all of the outstanding old notes, the payment of the dividend to our stockholders and the distribution to our employees (including management) and a director as the “December 2004 Transactions.”

RISK FACTORS

You should carefully consider the risks described below, as well as other information and data included in this prospectus, before deciding whether to invest in our common stock. Any of the following risks could materially adversely affect our business, financial condition or results of operations, which may result in your loss of all or part of your original investment.

Risks Related to the Restaurant Industry and Our Business

Intense competition in the restaurant industry could make it more difficult to expand our business and could also have a negative impact on our operating results if customers favor our competitors or we are forced to change our pricing and other marketing strategies.

The restaurant industry is highly competitive. In each of our markets, our restaurants compete with a large number of national and regional restaurant chains, as well as locally owned restaurants, offering low and medium-priced fare. We also compete with convenience stores, delicatessens and prepared food counters in grocery stores, supermarkets, cafeterias and other purveyors of moderately priced and quickly prepared food.

Pollo Tropical's competitors include national chicken-based concepts, such as Boston Market and Kentucky Fried Chicken (KFC), and regional chicken-based concepts as well as quick-service hamburger restaurant chains and other types of quick-casual restaurants. Our Taco Cabana restaurants, although part of the quick-casual segment of the restaurant industry, compete with quick-service restaurants, including those in the quick-service Mexican segment such as Taco Bell, other quick-casual restaurants and traditional casual dining Mexican restaurants. With respect to our Burger King restaurants, our largest competitors are McDonald's and Wendy's restaurants.

To remain competitive, we, as well as certain other major quick-casual and quick-service restaurant chains, have increasingly offered selected food items and combination meals at discounted prices. These changes in pricing and other marketing strategies have had, and in the future may continue to have, a negative impact on our sales and earnings.

Factors specific to the quick-casual and quick-service restaurant segments may adversely affect our results of operations, which may cause a decrease in earnings and revenues.

The quick-casual and quick-service restaurant segments are highly competitive and can be materially adversely affected by many factors, including:

- changes in local, regional or national economic conditions;
- changes in demographic trends;
- changes in consumer tastes;
- changes in traffic patterns;
- increases in fuel prices, including a continuation of the current relatively higher levels of gasoline prices;
- consumer concerns about health and nutrition;
- increases in the number of, and particular locations of, competing restaurants;
- inflation;
- increases in utility costs;
- increases in the cost of food, such as beef and chicken, and packaging;
- consumer dietary considerations;

- increased labor costs, including healthcare and minimum wage requirements;
- regional weather conditions; and
- the availability of experienced management and hourly-paid employees.

Our continued growth depends on our ability to open and operate new restaurants profitably, which in turn depends on our continued access to capital, and newly acquired or developed restaurants may not perform as we expect and we cannot assure you that our growth and development plans will be achieved.

Our continued growth depends on our ability to develop additional Pollo Tropical and Taco Cabana restaurants and to selectively acquire and develop additional Burger King restaurants. Development involves substantial risks, including the following:

- the inability to fund development;
- development costs that exceed budgeted amounts;
- delays in completion of construction;
- the inability to obtain all necessary zoning and construction permits;
- the inability to identify, or the unavailability of, suitable sites on acceptable leasing or purchase terms;
- developed restaurants that do not achieve desired revenue or cash flow levels once opened;
- incurring substantial unrecoverable costs in the event a development project is abandoned prior to completion;
- the inability to recruit, train and retain managers and other employees necessary to staff each new restaurant;
- changes in governmental rules, regulations and interpretations; and
- changes in general economic and business conditions.

We cannot assure you that our growth and development plans can be achieved. Our development plans will require additional management, operational and financial resources. For example, we will be required to recruit and train managers and other personnel for each new restaurant. We cannot assure you that we will be able to manage our expanding operations effectively and our failure to do so could adversely affect our results of operations. In addition, our ability to open new restaurants and to grow, as well as our ability to meet other anticipated capital needs, will depend on our continued access to external financing, including borrowings under our senior credit facility. We cannot assure you that we will have access to the capital we need on acceptable terms or at all, which could materially adversely affect our business.

Additionally, we may encounter difficulties growing beyond our presence in our existing core markets. We cannot assure you that we will be able to successfully grow our market presence beyond the current key regions within our existing markets, as we may encounter well-established competitors in new areas. In addition, we may be unable to find attractive locations or successfully market our products as we attempt to expand beyond our existing core markets, as the competitive circumstances and consumer characteristics in these new areas may differ substantially from those in areas in which we currently operate. As a result of the foregoing, we cannot assure you that we will be able to successfully integrate or profitably operate new restaurants outside our core markets.

Our expansion into new markets may present increased risks due to our unfamiliarity with the area.

Some of our new restaurants are and will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than restaurants in our existing markets or to incur losses. An additional risk of expanding into new markets is the lack of market awareness of the Pollo Tropical or Taco Cabana brand. Restaurants opened in new markets may open at lower average weekly sales volumes than restaurants opened in existing markets, and may have higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach, or may never reach, average unit volumes, thereby adversely affecting our operating results. Opening new restaurants in areas in which we have little or no operating experience and in which potential customers may not be familiar with our restaurants may include costs related to the opening, operation and promotion of those restaurants that are substantially greater than those incurred by our restaurants in other areas. Even though we may incur substantial additional costs with respect to these new restaurants, they may attract fewer customers than our more established restaurants in existing markets.

We could be adversely affected by additional instances of "mad cow" disease, "avian" flu or other food-borne illness, as well as widespread negative publicity regarding food quality, illness, injury or other health concerns.

Negative publicity about food quality, illness, injury or other health concerns (including health implications of obesity and transfatty acids) or similar issues stemming from one restaurant or a number of restaurants could materially adversely affect us, regardless of whether they pertain to our own restaurants or to restaurants owned or operated by other companies. For example, health concerns about the consumption of beef or chicken or specific events such as the outbreak of "mad cow" disease or "avian" flu could lead to changes in consumer preferences, reduce consumption of our products and adversely affect our financial performance. These events could reduce the available supply of beef or chicken or significantly raise the price of beef or chicken.

In addition, we cannot guarantee that our operational controls and employee training will be effective in preventing food-borne illnesses, food tampering and other food safety issues that may affect our restaurants. Food-borne illness or food tampering incidents could be caused by customers, employees or food suppliers and transporters and, therefore, could be outside of our control. Any publicity relating to health concerns or the perceived or specific outbreaks of food-borne illnesses, food tampering or other food safety issues attributed to one or more of our restaurants could result in a significant decrease in guest traffic in all of our restaurants and could have a material adverse effect on our results of operations. In addition, similar publicity or occurrences with respect to other restaurants or restaurant chains could also decrease our guest traffic and have a similar material adverse effect on us.

Our substantial indebtedness could adversely affect our financial condition and our ability to operate our business.

We have a substantial amount of indebtedness. As of September 30, 2006, after giving pro forma effect to this offering, assuming a public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus), and the application of the estimated net proceeds that we receive in this offering to repay indebtedness as described under "Use of Proceeds" as if all of those transactions had occurred as of that date, we would have had $351.0 million of outstanding indebtedness, including $111.0 million of indebtedness under our senior credit facility (excluding $14.6 million of outstanding letters of credit and $35.4 million of unused revolving credit borrowing availability under our senior credit facility), $180.0 million of Notes, $58.4 million of lease financing obligations and $1.6 million of capital leases. As a result, we are a highly leveraged company. This level of indebtedness could have important consequences to you, including the following:

- it will limit our ability to borrow money to fund our working capital, capital expenditures, acquisitions and debt service requirements and other financing needs;
- our interest expense would increase if interest rates in general increase because a substantial portion of our indebtedness, including all of our indebtedness under our senior credit facility, bears interest at floating rates;

- it may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;
- we are more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to a downturn in our business, industry or the economy in general;
- a substantial portion of our Consolidated Adjusted EBITDA will be dedicated to the repayment of our indebtedness and related interest, including indebtedness we may incur in the future, and will not be available for other purposes; for instance, for the year ended December 31, 2005, interest expense and scheduled principal payments on our indebtedness (including on our lease financing obligations) accounted for 48.9% of our Consolidated Adjusted EBITDA for such period; and
- there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing as needed.

Despite our substantial indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above.

Although covenants under our senior credit facility and the Indenture governing the Notes limit our ability and the ability of our present and future restricted subsidiaries to incur additional indebtedness, the terms of our senior credit facility and the Indenture governing the Notes permit us to incur significant additional indebtedness, including unused availability under our revolving credit facility. As of September 30, 2006, on a pro forma basis after giving effect to this offering (assuming a public offering price of $15.00 per share, which is the mid-point of the price range set forth on the cover page of this preliminary prospectus) and the application of the estimated net proceeds that we receive in this offering to repay indebtedness as described under "Use of Proceeds" as if all of those transactions had occurred as of that date, we would have had $35.4 million available for additional revolving credit borrowings under our senior credit facility (after reserving for $14.6 million of letters of credit outstanding), subject to compliance with customary borrowing conditions. Also under the terms of the senior credit facility, we may borrow an additional $100.0 million, subject to certain conditions. In addition, neither the senior credit facility nor the Indenture governing the Notes prevent us from incurring obligations that do not constitute indebtedness as defined in those documents. To the extent that we incur additional indebtedness or other obligations, the risks associated with our substantial leverage described above, including our possible inability to service our debt, would increase. See "Description of Certain Indebtedness."

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash from our future operations and on our continued access to external sources of financing. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not generate sufficient cash flow from operations and future borrowings under the senior credit facility or from other sources may not be available to us in an amount sufficient to enable us to repay our indebtedness or to fund our other liquidity needs, including capital expenditure requirements. If we complete an acquisition, our debt service requirements could increase. A substantial portion of our indebtedness, including all of our indebtedness under the senior credit facility, bears interest at floating rates, and therefore if interest rates increase, our debt service requirements will increase. We may need to refinance or restructure all or a portion of our indebtedness on or before maturity. We may not be able to refinance or restructure any of our indebtedness, including the senior credit facility and the Notes, on commercially reasonable terms, or at all. If we cannot service or refinance or restructure our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our operations. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

In addition, upon the occurrence of specific kinds of change of control events, we must offer to purchase the Notes at 101% of the principal amount thereof plus accrued and unpaid interest to the purchase date. We may not have sufficient funds available to make any required repurchases of the Notes, and restrictions under our senior credit facility may not allow that repurchase. If we fail to repurchase the Notes in that circumstance, we will be in default under the Indenture governing the Notes and, under cross-default clauses, we will also be in default under the senior credit facility. In addition, certain change of control events will constitute an event of default under the senior credit facility. A default under the senior credit facility could result in an event of default under the Indenture if the administrative agent or the lenders accelerate the debt under the senior credit facility. In the event of a default under our senior credit facility or the Indenture, the holders of the applicable indebtedness generally would be able to declare all of that indebtedness to be due and payable as described in the following risk factor. Upon the occurrence of a change of control we could seek to refinance the indebtedness under the senior credit facility and the Notes or obtain a waiver from the lenders or the noteholders. We cannot assure you, however, that we would be able to obtain a waiver or refinance our indebtedness on commercially reasonable terms, if at all, in which case we might be required to sell assets to satisfy our repayment obligations. Any future debt that we incur may also contain provisions requiring the repayments of that debt upon the occurrence of similar change of control events or restrictions on repayment of the Notes or borrowings under our senior credit facility upon a change of control.

Restrictive covenants in the senior credit facility and the Indenture governing the Notes may restrict our ability to operate our business and to pursue our business strategies; and defaults under our debt instruments may allow the lenders to declare borrowings due and payable.

The senior credit facility and the Indenture governing the Notes limit our ability, among other things, to:

- incur additional indebtedness or issue preferred stock;
- pay dividends or make distributions in respect of our capital stock or make certain other restricted payments or investments;
- sell assets, including capital stock of restricted subsidiaries;
- agree to limitations on our ability and the ability of our restricted subsidiaries to make distributions;
- enter into transactions with our subsidiaries and affiliates;
- incur liens;
- enter into new lines of business; and
- engage in consolidations, mergers or sales of substantially all of our assets.

In addition, the senior credit facility requires us to comply with various operational and other covenants and restricts our ability to prepay our subordinated indebtedness. The senior credit facility also requires us to maintain compliance with specified financial ratios, including fixed charge coverage, senior leverage and total leverage ratios (as such terms are defined in the senior credit facility). At September 30, 2006, we were in compliance with such covenants. At September 30, 2006, our fixed charge coverage ratio was 1.40 to 1.00 which was in excess of the required minimum fixed charge coverage ratio under the senior credit facility at September 30, 2006 of 1.25 to 1.00, our senior leverage ratio was 2.21 to 1.00 which was lower than the maximum allowable senior leverage ratio under the senior credit facility at September 30, 2006 of 2.50 to 1.00 and our total leverage ratio was 4.29 to 1.00 which was lower than the maximum allowable total leverage ratio under the senior credit facility at September 30, 2006 of 5.00 to 1.00. However, our ability to comply with these ratios may be affected by events beyond our control. Any other debt instruments we enter into in the future may also have provisions similar to those described above.

The restrictions contained in the Indenture governing the Notes and the senior credit facility and in any other debt instruments we may enter into in the future could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

As noted above, our ability to remain in compliance with agreements and covenants in our debt instruments depends upon our results of operations and may be affected by events beyond our control, including economic, financial and industry conditions. Accordingly, there can be no assurance that we will remain in compliance with those agreements and covenants. As a result of prior restatements of our financial statements, we have in the past been in default under our senior credit facility (which defaults have been waived) and, more recently, we were in default under our senior credit facility by failing to timely furnish to our lenders our annual audited financial statements for 2005 and our unaudited quarterly financial statements for the third quarter of 2005 and the first quarter of 2006. On December 6, 2005, we obtained a consent and waiver from our lenders under the senior credit facility that permitted us to extend the time to deliver our consolidated financial statements for the third quarter of 2005 to February 15, 2006. On February 15, 2006, we obtained a waiver of such default from our lenders that extended the time period to deliver those financial statements to June 30, 2006 and we filed such financial statements prior to the expiration of such extension. Accordingly there can be no assurance that we will remain in compliance with agreements and covenants in our debt instruments.

In the event of a default under our senior credit facility or the Indenture and in any other debt instruments we may enter into in the future, the holders of the applicable indebtedness generally would be able to declare all of that indebtedness, together with accrued interest, to be due and payable. In addition, borrowings under the senior credit facility are secured by a first priority lien on all of our assets and, in the event of a default under that facility, the lenders generally would be entitled to seize the collateral. In addition, default under one debt instrument could in turn permit lenders under other debt instruments to declare borrowings outstanding under those other instruments to be due and payable pursuant to cross default clauses. Moreover, upon the occurrence of an event of default under the senior credit facility, the commitment of the lenders to make any further loans to us would be terminated. Any such actions or events could force us into bankruptcy and liquidation and we cannot provide any assurance that we could repay our obligations under the senior credit facility or the Notes or any other indebtedness we may incur in the future. Moreover, our assets and cash flow may not be sufficient to fully repay borrowings under our debt instruments, either upon maturity or if accelerated following a default. Accordingly, the occurrence of a default under any debt instrument, unless cured or waived, would likely have a material adverse effect on our business. See “Description of Certain Indebtedness.”

We are highly dependent on the Burger King system and our ability to renew our franchise agreements with Burger King Corporation. The failure to renew our franchise agreements or Burger King’s failure to compete effectively could materially adversely affect our results of operations.

Due to the nature of franchising and our agreements with BKC, our success is, to a large extent, directly related to the success of the nationwide Burger King system. In turn, the ability of the nationwide Burger King system to compete effectively depends upon the success of the management of the Burger King system and the success of its advertising programs and new products. We cannot assure you that Burger King will be able to compete effectively with other quick-service restaurants. As a result, any failure of Burger King to compete effectively would likely have a material adverse effect on our operating results.

Under each of our franchise agreements with BKC, we are required to comply with operational programs established by BKC. For example, our franchise agreements with BKC require that our restaurants comply with specified design criteria. In addition, BKC generally has the right to require us during the tenth year of a franchise agreement to remodel our restaurants to conform to the current image of Burger King, which may require the expenditure of considerable funds. In addition, although not required by the franchise agreements, we may not be able to avoid adopting menu price discount promotions instituted by BKC that may be unprofitable.

Our franchise agreements typically have a 20 year term after which BKC’s consent is required to receive a successor franchise agreement. Our franchise agreements with BKC that are set to expire over the next three years are as follows:

- two of our franchise agreements with BKC are due to expire in the fourth quarter of 2006;

- 17 of our franchise agreements with BKC are due to expire in 2007; and
- 27 of our franchise agreements with BKC are due to expire in 2008.

We cannot assure you that BKC will grant each of our future requests for successor franchise agreements, and any failure of BKC to renew our franchise agreements could adversely affect our operating results. In addition, as a condition of approval of a successor franchise agreement, BKC may require us to make capital improvements to particular restaurants to bring them up to Burger King current image standards, which may require us to incur substantial costs.

In addition, our franchise agreements with BKC do not give us exclusive rights to operate Burger King restaurants in any defined territory. Although we believe that BKC generally seeks to ensure that newly granted franchises do not materially adversely affect the operations of existing Burger King restaurants, we cannot assure you that franchises granted by BKC to third parties will not adversely affect any Burger King restaurants that we operate. For further information, see “Business—Operations—Burger King Franchise Agreements” and “—Franchise Fees, Royalties and Early Successor Program.”

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In the past, we have identified and reported material weaknesses in our internal control over financial reporting and concluded that our disclosure controls and procedures were ineffective. For a discussion of such identified and reported material weaknesses in our internal controls and our disclosure controls and procedures, including our remediation of identified material weaknesses, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Restatements.” In addition, we may in the future discover areas of our internal controls that need improvement or that constitute material weaknesses. A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board Auditing Standard No. 2), or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. Any failure to remediate any future material weaknesses in our internal control over financial reporting or to implement and maintain effective internal controls, or difficulties encountered in their implementation, could cause us to fail to timely meet our reporting obligations, result in material misstatements in our financial statements or could result in defaults under our senior credit facility, the Indenture governing the Notes or under any other debt instruments we may enter into in the future. Deficiencies in our internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

There can be no assurance that we will not have to restate our financial statements in the future.

We have undergone several restatements of our financial statements. For discussion of the most recent restatements of our financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Restatements.”

In response to this situation, we have taken what we believe to be the necessary measures to ensure that restatements will not occur in the future. However, there can be no assurance that future restatements will not be necessary due to evolving policies, revised or new accounting pronouncements or other factors. Any future restatements of our financial statements could cause us to fail to timely meet our reporting obligations or could result in defaults under our senior credit facility, the Indenture governing the Notes or under any other debt instruments we may enter into in the future. Future restatements of our financial statements could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We may incur significant liability or reputational harm if claims are brought against us or against our franchisees.

We or our franchisees may be subject to complaints, regulatory proceedings or litigation from guests or other persons alleging food-related illness, injuries suffered in our premises or other food quality, health or operational concerns, including environmental claims. In addition, in recent years a number of restaurant companies have been subject to lawsuits, including class action lawsuits, alleging, among other things, violations of federal and state law regarding workplace and employment matters, discrimination, harassment, wrongful termination and wage, rest break, meal break and overtime compensation issues and, in the case of quick-service restaurants, alleging that they have failed to disclose the health risks associated with high-fat foods and that their marketing practices have encouraged obesity. We may also be subject to litigation or other actions initiated by governmental authorities, our employees and our franchisees, among others, based upon these and other matters. For example, in November 1998, the Equal Employment Opportunity Commission (the “EEOC”) filed suit in the United States District Court for the Northern District of New York against Carrols, alleging that Carrols engaged in a pattern and practice of unlawful discrimination, harassment and retaliation against former and current female employees. Although the case was dismissed by the court, subject to possible appeal by the EEOC, the court noted that it was not ruling on the claims, if any, that individual employees might have against Carrols. A significant judgment against us could have a material adverse effect on our financial performance or liquidity. Adverse publicity resulting from such allegations or occurrences or alleged discrimination or other operating issues stemming from one of our locations, a number of our locations or our franchisees could adversely affect our business, regardless of whether the allegations are true, or whether we are ultimately held liable. Any cases filed against us could materially adversely affect us if we lose such cases and have to pay substantial damages or if we settle such cases. In addition, any such cases may materially and adversely affect our operations by increasing our litigation costs and diverting our attention and resources to address such actions. In addition, if a claim is successful, our insurance coverage may not cover or be adequate to cover all liabilities or losses and we may not be able to continue to maintain such insurance, or to obtain comparable insurance at a reasonable cost, if at all. If we suffer losses, liabilities or loss of income in excess of our insurance coverage or if our insurance does not cover such loss, liability or loss of income, there could be a material adverse effect on our results of operations. See “Business—Legal Proceedings.”

Our franchisees could take actions that harm our reputation and reduce our franchise revenues.

As of September 30, 2006, a total of 29 Pollo Tropical and Taco Cabana restaurants were owned and operated by our franchisees. We do not exercise control of the day-to-day operations of our franchisees. While we attempt to ensure that franchisee-owned restaurants maintain the same high operating standards as our company-owned restaurants, one or more of these franchisees may fail to meet these standards. Any shortcomings at our franchisee-owned restaurants are likely to be attributed to our company as a whole and could adversely affect our reputation and damage our brands, as well as have a direct negative impact on franchise revenues we receive from these franchisees.

If the sale-leaseback market requires significantly higher yields, we may not enter into sale-leaseback transactions and as a result would not receive the related net proceeds.

From time to time, we sell our restaurant properties in sale-leaseback transactions. We historically have used, and intend to use, the net proceeds from such transactions to reduce outstanding debt and fund future capital expenditures for new restaurant development. However, the sale-leaseback market may cease to be a reliable source of additional cash flows for us in the future if capitalization rates become less attractive or other unfavorable market conditions develop. For example, should the sale-leaseback market require significantly higher yields (which may occur as interest rates rise), we may not enter into sale-leaseback transactions, which could adversely affect our ability to reduce outstanding debt and fund new capital expenditures for future restaurant development.

Changes in consumer taste could negatively impact our business.

We obtain a significant portion of our revenues from the sale of hamburgers, chicken, various types of sandwiches and Mexican and other ethnic foods. The quick-casual and quick-service restaurant segments are characterized by the frequent introduction of new products, often accompanied by substantial promotional campaigns and are subject to changing consumer preferences, tastes, and eating and purchasing habits. Our success depends on our ability to anticipate and respond to changing consumer preferences, tastes and eating and purchasing habits, as well other factors affecting the restaurant industry, including new market entrants and demographic changes. We may be forced to make changes in our menu items in order to respond to changes in consumer tastes or dining patterns, and we may lose customers who do not prefer the new menu items. In recent years, numerous companies in the quick-casual and quick-service restaurant segments have introduced products positioned to capitalize on the growing consumer preference for food products that are, or are perceived to be, healthy, nutritious, low in calories and low in fat content. If we do not or, in the case of our Burger King restaurants, if BKC does not, continually develop and successfully introduce new menu offerings that appeal to changing consumer preferences or if we do not timely capitalize on new products, our operating results will suffer. In addition, any significant event that adversely affects consumption of our products, such as cost, changing tastes or health concerns, could adversely affect our financial performance.

If a significant disruption in service or supply by any of our suppliers or distributors were to occur, it could create disruptions in the operations of our restaurants, which could have a material adverse effect on our business.

Our financial performance is dependent on our continuing ability to offer fresh, quality food at competitive prices. If a significant disruption in service or supply by certain of our suppliers or distributors were to occur, it could create disruptions in the operations of our restaurants, which could have a material adverse effect on us.

For our Pollo Tropical and Taco Cabana restaurants, we have negotiated directly with local and national suppliers for the purchase of food and beverage products and supplies. Pollo Tropical and Taco Cabana restaurants' food and supplies are ordered from approved suppliers and are shipped via distributors to the restaurants. For our Pollo Tropical restaurants, Henry Lee, a division of Gordon Food Service, serves as our primary distributor of food and paper products under an agreement that expires on March 16, 2007. For our Taco Cabana restaurants, SYGMA Network, Inc. serves as our primary distributor of food and beverage products and supplies under a distribution services agreement that expires on June 1, 2009. We also rely on Gold Kist under an agreement that expires on December 31, 2007 as our supplier and distributor of chicken for our Pollo Tropical restaurants and if Gold Kist is unable to service us, this could lead to a material disruption of service or supply until a new supplier is engaged which could have a material adverse effect on our business. With respect to our distributors for our Pollo Tropical and Taco Cabana restaurants, if any of our distributors is unable to service us, this could lead to a material disruption of service or supply until a new distributor is engaged, which could have a material adverse effect on our business. For our Burger King restaurants, we are a member of a national purchasing cooperative, Restaurant Services, Inc., which serves as the purchasing agent for approved distributors to the Burger King system. We are required to purchase all of our foodstuffs, paper goods and packaging materials from BKC-approved suppliers for our Burger King restaurants. We currently utilize three distributors, Maines Paper & Food Service, Inc., Reinhart Food Service L.L.C. and MBM Food Service Inc., to supply our Burger King restaurants with the majority of their foodstuffs in various geographical areas and, as of October 15, 2006, such distributors supplied 63%, 32% and 5%, respectively of our Burger King restaurants. Although we believe that we have alternative sources of supply available to our Burger King restaurants, in the event any distributors or suppliers for our Burger King restaurants are unable to service us, this could lead to a disruption of service or supply at our Burger King restaurants until a new distributor or supplier is engaged, which could have an adverse effect on our business.

If labor costs increase, we may not be able to make a corresponding increase in our prices and our operating results may be adversely affected.

Wage rates for a substantial number of our employees are at or slightly above the minimum wage. As federal and/or state minimum wage rates increase, we may need to increase not only the wage rates of our minimum wage employees but also the wages paid to the employees at wage rates which are above the minimum wage, which will increase our costs. To the extent that we are not able to raise our prices to compensate for increases in wage rates, this could have a material adverse effect on our operating results.

The efficiency and quality of our competitors' advertising and promotional programs and the extent and cost of our advertising programs could have a material adverse effect on our results of operations and financial condition.

Should our competitors increase spending on advertising and promotion, should the cost of television or radio advertising increase, should our advertising funds materially decrease for any reason, or should our advertising and promotion be less effective than our competitors', there could be a material adverse effect on our results of operations and financial condition. In that regard, the success of our Burger King restaurants also depends in part upon advertising campaigns and promotions by BKC.

Newly acquired or developed restaurants may reduce sales at our neighboring restaurants.

We intend to continue to open restaurants in our existing core markets, particularly the core markets served by our Pollo Tropical and Taco Cabana restaurants. To the extent that we open a new restaurant in the vicinity of one or more of our existing restaurants within the same chain, it is possible that some of the customers who previously patronized those existing restaurants may choose to patronize the new restaurant instead, reducing sales at those existing restaurants. Accordingly, to the extent we open new restaurants in our existing markets, sales at some of our existing restaurants in those markets may decline.

Our business is regional and we therefore face risks related to reliance on certain markets.

As of September 30, 2006, excluding our franchised locations, all but one of our Pollo Tropical restaurants were located in Florida and approximately 96% of our Taco Cabana restaurants were located in Texas. Also, as of September 30, 2006, 64% of our Burger King restaurants were located in New York and Ohio. Therefore, the economic conditions, state and local government regulations, weather conditions or other conditions affecting Florida, Texas, New York and Ohio and the tourism industry affecting Florida may have a material impact on the success of our restaurants in those locations. For example, the events of September 11, 2001 had a significant negative impact on tourism in Florida, which adversely impacted the revenues and operating results at our Pollo Tropical restaurants.

Many of our restaurants are located in regions that may be susceptible to severe weather conditions. As a result, adverse weather conditions in any of these areas could damage these restaurants, result in fewer guest visits to these restaurants and otherwise have a material adverse impact on our business. For example, our business was adversely impacted in the fourth quarter of 2005 and in the future may be adversely affected by hurricanes and severe weather in Florida and Texas.

We cannot assure you that the current locations of our existing restaurants will continue to be economically viable or that additional locations will be acquired at reasonable costs.

The location of our restaurants has significant influence on their success. We cannot assure you that current locations will continue to be economically viable or that additional locations can be acquired at reasonable costs. In addition, the economic environment where restaurants are located could decline in the future, which could result in reduced sales in those locations. We cannot assure you that new sites will be profitable or as profitable as existing sites.

The loss of the services of our senior executives could have a material adverse effect on our business, financial condition or results of operations.

Our success depends to a large extent upon the continued services of our senior management, including Alan Vituli, Chairman of the Board and Chief Executive Officer, and Daniel T. Accordino, President and Chief Operating Officer, who have substantial experience in the restaurant industry. We believe that it would be extremely difficult to replace Messrs. Vituli and Accordino with individuals having comparable experience. Consequently, the loss of the services of Mr. Vituli or Mr. Accordino could have a material adverse effect on our business, financial condition or results of operations.

Government regulation could adversely affect our financial condition and results of operations.

We are subject to extensive laws and regulations relating to the development and operation of restaurants, including regulations relating to the following:

- zoning;
- the preparation and sale of food;
- liquor licenses which allow us to serve alcoholic beverages at our Taco Cabana restaurants;
- employer/employee relationships, including minimum wage requirements, overtime, working and safety conditions, and citizenship requirements;
- federal and state laws that prohibit discrimination and laws regulating design and operation of facilities, such as the Americans With Disabilities Act of 1990; and
- federal and state regulations governing the operations of franchises, including rules promulgated by the Federal Trade Commission.

In the event that legislation having a negative impact on our business is adopted, you should be aware that it could have a material adverse impact on us. For example, substantial increases in the minimum wage could adversely affect our financial condition and results of operations. Local zoning or building codes or regulations and liquor license approvals can cause substantial delays in our ability to build and open new restaurants. Local authorities may revoke, suspend or deny renewal of our liquor licenses if they determine that our conduct violates applicable regulations. Any failure to obtain and maintain required licenses, permits and approvals could adversely affect our operating results.

If one of our employees sells alcoholic beverages to an intoxicated or minor patron, we may be liable to third parties for the acts of the patron.

We serve alcoholic beverages at our Taco Cabana restaurants and are subject to the “dram-shop” statutes of the jurisdictions in which we serve alcoholic beverages. “Dram-shop” statutes generally provide that serving alcohol to an intoxicated or minor patron is a violation of the law.

In most jurisdictions, if one of our employees sells alcoholic beverages to an intoxicated or minor patron we may be liable to third parties for the acts of the patron. We cannot guarantee that those patrons will not be served or that we will not be subject to liability for their acts. Our liquor liability insurance coverage may not be adequate to cover any potential liability and insurance may not continue to be available on commercially acceptable terms or at all, or we may face increased deductibles on such insurance. Any increase in the number or size of “dram-shop” claims could have a material adverse effect on us as a result of the costs of defending against such claims; paying deductibles and increased insurance premium amounts; implementing improved training and heightened control procedures for our employees; and paying any damages or settlements on such claims.

Federal, state and local environmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials could expose us to liabilities, which could adversely affect our results of operations.

We are subject to a variety of federal, state and local environmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. We own and lease numerous parcels of real estate on which our restaurants are located.

Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law that could adversely affect our operations. Also, if contamination is discovered on properties owned or operated by us, including properties we owned or operated in the past, we can be held liable for severe penalties and costs of remediation. These penalties could adversely affect our results of operations.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases.

Our leases generally have initial terms of 20 years, and typically provide for renewal options in five year increments as well as for rent escalations. Generally, our leases are "net" leases, which require us to pay all of the costs of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. If an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our monetary obligations under the applicable lease including, among other things, paying all amounts due for the balance of the lease term. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close restaurants in desirable locations.

We may, in the future, seek to pursue acquisitions and we may not find restaurant companies that are suitable acquisition candidates or successfully operate or integrate any restaurant companies we may acquire.

We may in the future seek to acquire other restaurant chains. Although we believe that opportunities for future acquisitions may be available from time to time, increased competition for acquisition candidates exists and may continue in the future. Consequently, there may be fewer acquisition opportunities available to us as well as higher acquisition prices. There can be no assurance that we will be able to identify, acquire, manage or successfully integrate acquired restaurant companies without substantial costs, delays or operational or financial problems. In the event we are able to acquire other restaurant companies, the integration and operation of the acquired restaurants may place significant demands on our management, which could adversely affect our ability to manage our existing restaurants. We also face the risk that our existing systems, procedures and financial controls will be inadequate to support any restaurant chains we may acquire and that we may be unable to successfully integrate the operations and financial systems of any chains we may acquire with our own systems. While we may evaluate and discuss potential acquisitions from time to time, we currently have no understandings, commitments or agreements with respect to any acquisitions. We may be required to obtain additional financing to fund future acquisitions. There can be no assurance that we will be able to obtain additional financing on acceptable terms or at all. Both the senior credit facility and the Indenture governing the Notes contain restrictive covenants that may prevent us from incurring additional debt or acquiring additional restaurant chains. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

We own certain common law trademark rights and a number of federal and international trademark and service mark registrations, including the Pollo Tropical name and logo and Taco Cabana name and logo, and proprietary rights relating to certain of our core menu offerings. We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We, therefore, devote appropriate resources to the protection of our trademarks and proprietary rights. The protective actions that we take, however, may not be enough to prevent unauthorized usage or imitation by others, which could harm our image, brand or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal fees.

We are not aware of any assertions that our trademarks or menu offerings infringe upon the proprietary rights of third parties, but we cannot assure you that third parties will not claim infringement by us in the future. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause delays in introducing new menu items in the future or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to this Offering

There is no established trading market for our common stock, and the market price of our common stock may be highly volatile or may decline regardless of our operating performance. You may never be able to sell your shares at or above the initial public offering price and you may suffer a loss of all or part of your investment.

There has not been a public market for our common stock prior to this offering. We cannot predict the extent to which a trading market for our common stock will develop or how liquid that market might become. If you purchase shares of common stock in this offering, you will pay a price that was not established in the public trading markets. The initial public offering price will be determined by negotiations between representatives of the underwriters and us. You may not be able to resell your shares above the initial public offering price and you may suffer a loss of all or part of your investment.

The trading price of our common stock following this offering may fluctuate substantially. The price of our common stock that will prevail in the market after this offering may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. The fluctuations could cause you to lose all or part of your investment in our shares of common stock. Factors that could cause fluctuation in the trading price of our common stock may include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of companies generally or restaurant companies (including BKC) in particular;
- actual or anticipated variations in the earnings or operating results of our company or our competitors;
- actual or anticipated changes in financial estimates by us or by any securities analysts who might cover our stock or the stock of other companies in our industry;
- market conditions or trends in our industry and the economy as a whole;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- capital commitments;
- changes in accounting principles;
- additions or departures of key personnel; and
- sales of our common stock, including sales of large blocks of our common stock or sales by our directors and officers.

In addition, if the market for restaurant company stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry (including BKC) or related industries even if these events do not directly affect us.

In the past, following periods of volatility in the market price of a company's securities, class action securities litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

The concentrated ownership of our capital stock by insiders upon the completion of this offering will likely limit your ability to influence corporate matters.

We anticipate that our executive officers, directors and current 5% or greater stockholders will together own approximately 27.1% of our common stock outstanding immediately after this offering (or approximately 16.7% if the underwriters' over-allotment option is exercised in full), based on shares outstanding as of September 30, 2006. In particular, BIB and funds managed by affiliates of Madison Dearborn, who are our largest stockholders and who are the selling stockholders in this offering, will in the aggregate each own approximately 8.0% of our common stock outstanding immediately after this offering (or approximately 2.8% if the underwriters' over-allotment option is exercised in full), based on shares outstanding as of September 30, 2006. In addition, our executive officers and directors (excluding directors affiliated with the selling stockholders) will together own approximately 11.1% of our common stock outstanding immediately after this offering, based on shares outstanding as of September 30, 2006. As a result, our executive officers and these directors, if they act as a group, and BIB and the funds managed by affiliates of Madison Dearborn, if acting together, will be able to significantly influence matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions such as mergers and acquisitions. The directors will have the authority to make decisions affecting our capital structure, including the issuance of additional debt and the declaration of dividends. BIB and the funds managed by Madison Dearborn may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. Corporate action might be taken even if other stockholders, including those who purchase shares in this offering, oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately depress the market price of our common stock.

A substantial number of shares of our common stock will be eligible for sale in the near future, which could cause our common stock price to decline significantly.

If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our common stock in the public market following this offering, the market price of our common stock could decline significantly. These sales may also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Immediately after completion of this offering, we will have 21,625,540 shares of our common stock outstanding. Of these shares, the shares sold in this offering will be freely tradable, 466,521 additional shares of common stock will be available for sale in the public market approximately 90 days after the date of this prospectus, and 6,159,019 additional shares of common stock will be available for sale in the public markets 180 days after the date of this prospectus (subject to possible extension by up to an additional 34 days) following the expiration of the lock-up agreements entered into by our officers and directors and some of our stockholders. However, Wachovia Capital Markets, LLC and Banc of America Securities LLC may, in their sole discretion and at any time or from time to time, without notice, release all or any portion of the shares subject to the lock-up agreements.

In addition, immediately after completion of this offering, holders of 5,561,382 shares of our common stock (3,311,382 shares of our common stock if the underwriters' over-allotment option is exercised in full) will have the right to require us to register those shares under the Securities Act or to include those shares in subsequent registration statements we may file with the SEC, in each case to enable the holders to sell those shares in the public markets. In addition, immediately after completion of this offering an aggregate of 75,000 shares of restricted common stock and options to purchase an aggregate of 1,300,000 shares of our common stock will be outstanding under our 2006 Stock Incentive Plan, and we intend to register these shares of restricted stock and the shares issuable upon exercise of those options, as well as the other shares available for issuance under our 2006 Stock Incentive Plan, following completion of this offering. For additional information, see "Shares Eligible for Future Sale."

You will suffer an immediate and substantial dilution in the net tangible book value of the common stock you purchase.

Prior investors have paid substantially less per share for our common stock than the price in this offering, and we define dilution as the difference between the initial public offering price per share set forth on the cover page of this prospectus and the pro forma net tangible book deficit per share of our common stock immediately after this offering. Therefore, based on an assumed offering price of $15.00 per share, which is the mid-point of the price range appearing on the cover page of this preliminary prospectus, and our net tangible book deficit and the number of shares of our common stock outstanding as of September 30, 2006, if you purchase our common stock in this offering at that initial public offering price, you will suffer immediate and substantial dilution of approximately $25.60 per share. Any future equity issuances may result in even further dilution to holders of our common stock.

We do not expect to pay any cash dividends for the foreseeable future, and the Indenture governing the Notes and the senior credit facility limit Carrols' ability to pay dividends to us and consequently our ability to pay dividends to our stockholders.

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. The absence of a dividend on our common stock may increase the volatility of the market price of our common stock or make it more likely that the market price of our common stock will decrease in the event of adverse economic conditions or adverse developments affecting our company. We are a holding company and conduct all of our operations through our direct and indirect subsidiaries. As a result, for us to pay dividends, we would need to rely on dividends or distributions to us from Carrols and indirectly from subsidiaries of Carrols. The Indenture governing the Notes and the senior credit facility limit, and debt instruments that we and our subsidiaries may enter into in the future may limit, the ability of Carrols and its subsidiaries to pay dividends to us and our ability to pay dividends to our stockholders.

We will use all of the net proceeds received by us from this offering to repay indebtedness and such proceeds will not be available for us to use in expanding or investing in our business.

We will contribute all of the net proceeds received by us from this offering to Carrols, which will use such proceeds to repay a portion of the principal amount of term loan borrowings under the senior credit facility. Consequently, the net proceeds received by us in this offering will not be available for us to use in expanding or investing in our business. See "Use of Proceeds." Accordingly, these proceeds will not be available for working capital, capital expenditures, acquisitions, use in the execution of our business strategy or for other purposes.

If securities analysts do not publish research or reports about our business or if they downgrade our stock, the price of our stock could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We cannot assure you that these analysts will publish research or reports about us or that any analysts that do so will not discontinue publishing research or reports about us in the future. If one or more analysts who cover us downgrade our stock, our stock price could decline rapidly. If analysts do not publish reports about us or if one or more analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

Provisions in our restated certificate of incorporation and amended and restated bylaws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Delaware corporate law and our restated certificate of incorporation and amended and restated bylaws contain provisions that could discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- require that special meetings of our stockholders be called only by our board of directors or certain of our officers, thus prohibiting our stockholders from calling special meetings;
- deny holders of our common stock cumulative voting rights in the election of directors, meaning that stockholders owning a majority of our outstanding shares of common stock will be able to elect all of our directors;
- authorize the issuance of "blank check" preferred stock that our board could issue to dilute the voting and economic rights of our common stock and to discourage a takeover attempt;
- provide that approval of our board of directors or a supermajority of stockholders is necessary to make, alter or repeal our amended and restated bylaws and that approval of a supermajority of stockholders is necessary to amend, alter or change certain provisions of our restated certificate of incorporation;
- establish advance notice requirements for stockholder nominations for election to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- divide our board into three classes of directors, with each class serving a staggered 3-year term, which generally increases the difficulty of replacing a majority of the directors;
- directors only may be removed for cause by a majority of the board or by a supermajority of our stockholders; and
- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 and related rules of the Securities and Exchange Commission, or SEC, and The NASDAQ Stock Market regulate corporate governance practices of public companies. We expect that compliance with these public company requirements will increase our costs and make some activities more time-consuming. For example, we will be required to adopt additional internal controls and disclosure controls and procedures. In addition, we will incur additional expenses associated with our SEC reporting requirements. A number of those requirements will require us to carry out activities we have not done previously. For example, under Section 404 of the Sarbanes-Oxley Act, for our annual report on Form 10-K for the year ended December 31, 2007 we will need to document and test our internal control procedures, our management will need to assess and report on our internal control over financial reporting and our independent accountants will need to issue an opinion on that assessment and the effectiveness of those controls. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our accountants identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. We also expect that it will be difficult and expensive to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Advocacy efforts by stockholders and third parties may also prompt even more changes in governance and reporting requirements. We cannot predict or estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus constitute forward-looking statements, including, without limitation, some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business." Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words "may," "might," "will," "should," "anticipate," "believe," "expect," "intend," "estimate," "hope" or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward-looking statements. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown. You are cautioned not to place undue reliance on these forward-looking statements which speak only as of their date. There are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected or implied in the forward-looking statements. We believe important factors that could cause actual results to differ materially from our expectations include the following:

- competitive conditions;
- regulatory factors;
- environmental conditions and regulations;
- general economic conditions, particularly at the retail level;
- weather conditions;
- fuel prices;
- significant disruptions in service or supply by any of our suppliers or distributors;
- changes in consumer perception of dietary health and food safety;
- labor and employment benefit costs;
- the outcome of pending or future legal proceedings;
- our ability to manage our growth and successfully implement our business strategy;
- the risks associated with the expansion of our business;
- general risks associated with the restaurant industry;
- our inability to integrate any businesses we acquire;
- our borrowing costs and credit ratings, which may be influenced by the credit ratings of our competitors;
- the availability and terms of necessary or desirable financing or refinancing and other related risks and uncertainties;
- the risk of events similar to those of September 11, 2001 or an outbreak or escalation of any insurrection or armed conflict involving the United States or any other national or international calamity;
- factors that affect the restaurant industry generally, including recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations, reports of cases of "mad cow" disease and avian flu, and the possibility that consumers could lose confidence in the safety and quality of certain food products, as well as recent publicity concerning the health implications of obesity and transfatty acids; and
- other factors discussed under "Risk Factors" or elsewhere in this prospectus.

All forward-looking statements included in this prospectus are based on information available to us on the date of this prospectus. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that we will receive net proceeds from our sale of shares of common stock in this offering of approximately $76.0 million, assuming an initial public offering price of $15.00 per share (which is the mid-point of the price range appearing on the cover page of this preliminary prospectus), and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We will not receive any of the proceeds from the sale of shares by the selling stockholders in this offering, including any shares that they may sell if the underwriters exercise their over allotment option.

We intend to contribute all of the net proceeds we receive from this offering to Carrols, which will use such proceeds to repay approximately $76.0 million principal amount of term loan borrowings under the senior credit facility. As of September 30, 2006, borrowings under the term loan bore interest at a rate of 8.0% per annum.

The amount of our estimated net proceeds appearing above has been calculated using an assumed initial public offering price of $15.00 per share (which is the mid-point of the range appearing on the cover page of this preliminary prospectus). A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease, respectively, the estimated net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $5.3 million, in each case assuming that the number of shares offered by us as set forth on the cover page of this preliminary prospectus remains the same. Likewise, the amount of our estimated net proceeds appearing in the first paragraph above has been calculated assuming that we will issue 5,666,666 shares of common stock in this offering. A 100,000 share increase or decrease in the number of shares of common stock that we issue in this offering would increase or decrease, respectively, our estimated net proceeds by approximately $1.4 million, assuming an initial public offering price of $15.00 per share (which is the mid-point of the range appearing on the cover page of this preliminary prospectus).

Affiliates of Wachovia Capital Markets, LLC and Banc of America Securities LLC, each an underwriter in this offering, are agents and lenders under the senior credit facility. The senior credit facility is comprised of a secured revolving credit facility providing for aggregate borrowings of up to $50.0 million (including $20.0 million available for letters of credit) and $220.0 million aggregate principal amount of secured term loan borrowings. Under the senior credit facility, the revolving credit facility expires on December 31, 2009 and term loan borrowings mature on December 31, 2010. As of September 30, 2006, there were no outstanding borrowings under the revolving credit facility (excluding $14.6 million reserved for outstanding letters of credit), and there was $187.0 million principal amount of term loan borrowings outstanding. The proceeds we received from the term loan borrowings under the senior credit facility were applied, together with the net proceeds we received from the issuance of the Notes, for the purposes described under “Prospectus Summary—December 2004 Transactions.” For further information about our senior credit facility, see “Description of Certain Indebtedness—Senior Credit Facility.”

DIVIDEND POLICY

We do not anticipate paying any cash dividend on our common stock in the foreseeable future. We currently intend to retain all available funds to fund the development and growth of our business. In addition, we are a holding company and conduct all of our operations through our direct and indirect subsidiaries. As a result, for us to pay dividends, we need to rely on dividends or distributions to us from Carrols and indirectly from subsidiaries of Carrols. The Indenture governing the Notes and the senior credit facility limit, and debt instruments that we and our subsidiaries may enter into in the future may limit, the ability of Carrols and its subsidiaries to pay dividends to us and our ability to pay dividends to our stockholders.

In December 2004, in connection with the December 2004 Transactions, we made a one-time special distribution, in the form of a dividend, to our stockholders of approximately $116.8 million and distributed approximately $20.3 million to the holders of certain options to purchase common stock using a portion of the net proceeds from the debt offering and the term loan borrowings under the senior credit facility. See “Prospectus Summary—December 2004 Transactions.” We received the money that was distributed to our stockholders pursuant to a dividend from Carrols.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2006:

- on an actual basis; and
- on an as adjusted basis to give effect to (i) our sale of the shares of common stock to be sold by us in this offering at an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus) and the application of the net proceeds therefrom (after deducting underwriting discounts and commissions and estimated offering expenses payable by us) to repay term loan borrowings under the senior credit facility as described under "Use of Proceeds," and (ii) the issuance by us of an aggregate of 20,100 shares of restricted common stock to be issued to three of our outside directors and an aggregate of 54,900 shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan, as if these transactions had occurred as of September 30, 2006.

You should read this table in conjunction with "Use of Proceeds," "Selected Historical Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Consolidated Financial Statements and the notes to those statements included elsewhere in this prospectus.

	As of September 30, 2006	
	Actual	As Adjusted(1)
	(Dollars in thousands)	
Long-term debt, including current portion:		
Senior credit facility(2) (including current portion of $2,200)	$186,950	$ 110,975
Notes	180,000	180,000
Lease financing obligations	58,440	58,440
Capital leases (including current portion of $299)	1,590	1,590
Total long-term debt	426,980	351,005
Stockholders' deficit:		
Preferred stock, par value $0.01 per share; authorized—20,000,000 shares; issued and outstanding—none, actual and as adjusted	—	—
Voting common stock, par value $0.01 per share; authorized—100,000,000 shares; issued and outstanding—15,883,874 shares, actual: 21,625,540 shares, as adjusted(3)	159	216
Additional paid-in-capital	(68,539)	7,379
Accumulated deficit	(25,415)	(25,415)
Treasury stock, at cost	(141)	(141)
Total stockholders' deficit	(93,936)	(17,961)
Total capitalization	$333,044	$ 333,044

(1) As described above, the as adjusted data appearing above has been calculated using an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus). A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease, respectively, the following items appearing in the as adjusted column of the above table by the following amounts, assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same:

	Increase (Decrease) in As Adjusted Amount	
	$1.00 Increase in Assumed Initial Public Offering Price Per Share	$1.00 Decrease in Assumed Initial Public Offering Price Per Share
	(Dollars in thousands)	
Senior credit facility	$ (5,298)	$ 5,298
Total long-term debt	(5,298)	5,298
Additional paid-in capital	5,298	(5,298)
Total stockholders' equity (deficit)	5,298	(5,298)

Likewise, the as adjusted data appearing above has been calculated assuming that we will issue a number of shares of common stock in this offering equal to the number of shares appearing on the cover page of this preliminary prospectus. A 100,000 share increase or decrease in the number of shares of common stock that we issue in this offering would increase or decrease, respectively, the following items appearing in the as adjusted column of the above table by the following amounts, assuming an initial public offering of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus):

	Increase (Decrease) in As Adjusted Amount	
	100,000 Share Increase in Number of Shares Issued	100,000 Share Decrease in Number of Shares Issued
	(Dollars in thousands)	
Senior credit facility	$ (1,403)	$ 1,403
Total long-term debt	(1,403)	1,403
Voting common stock	1	(1)
Additional paid-in capital	1,402	(1,402)
Total stockholders' equity (deficit)	1,403	(1,403)

(2) In addition to the indebtedness reflected in this table, as of September 30, 2006 we had approximately $14.6 million of letters of credit outstanding under our senior credit facility. At September 30, 2006, we had no borrowings outstanding under our revolving credit facility and $35.4 million available for borrowings.

(3) The information as to outstanding shares of our common stock in this table excludes (i) an aggregate of 1,300,000 shares issuable upon the exercise of options to be issued in connection with this offering under our 2006 Stock Incentive Plan and (ii) an aggregate of 1,925,000 additional shares that will be available for future awards under our 2006 Stock Incentive Plan.

DILUTION

Dilution represents the difference between the initial public offering price per share set forth on the cover page of this prospectus and the pro forma net tangible book deficit per share of our common stock immediately after this offering. Net tangible book deficit per share as of September 30, 2006 represented the amount of our total tangible assets less the amount of our total liabilities, divided by the number of shares of common stock outstanding at September 30, 2006. Our net tangible book deficit as of September 30, 2006 was $(305.1) million, or $(19.21) per share of common stock.

After giving effect to our sale of the shares of common stock offered by us in this offering, based upon an assumed initial public offering price of $15.00 per share (the midpoint of the price range set forth on the cover page of this preliminary prospectus), and our receipt of the net proceeds therefrom after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the issuance by us of an aggregate of 20,100 shares of restricted common stock to be issued to three of our outside directors and an aggregate of 54,900 shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan, our pro forma net tangible book deficit as of September 30, 2006 would have been approximately $(229.1) million, or $(10.60) per share of common stock. This represents an immediate decrease in pro forma net tangible book deficit to our existing stockholders of $8.61 per share and an immediate dilution to new investors in this offering of $25.60 per share. The following table illustrates this per share dilution in pro forma net tangible book deficit to new investors:

Assumed initial public offering price per share		$ 15.00
Net tangible book deficit per share as of September 30, 2006	$(19.21)	
Decrease in net tangible book deficit per share attributable to new investors	8.61	
Pro forma net tangible book deficit per share after this offering		(10.60)
Dilution per share to new investors		$ 25.60

The information in the preceding table has been calculated using an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus). A $1.00 increase or decrease in the assumed initial public offering price per share would decrease or increase, respectively, the pro forma net tangible book deficit per share of common stock after this offering by $0.25 per share and increase or decrease, respectively, the dilution per share of common stock to new investors in this offering by $0.25 per share, in each case calculated as described above and assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same. Likewise, the information in the preceding table has been calculated assuming that we issue a number of shares of common stock in this offering equal to the number of shares appearing on the cover of this preliminary prospectus. A 100,000 share increase or decrease in the number of shares of common stock that we issue in this offering would decrease or increase, respectively, the pro forma net tangible book deficit per share of common stock after this offering by $0.11 per share and increase or decrease, respectively, the dilution per share of common stock to new investors in this offering by $0.11 per share, in each case calculated as described above and assuming an initial public offering price of $15.00 per share.

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The following table summarizes, as of September 30, 2006 on a pro forma basis, the total number and percentage of shares of common stock purchased from us, the aggregate consideration paid to us and the average price per share paid to us by existing stockholders and by new investors purchasing shares of common stock in this offering, before deducting estimated underwriting discounts and commissions and our estimated offering expenses. The calculation below is based on an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus) and includes, in data regarding shares purchased by existing stockholders, an aggregate of 20,100 shares of restricted stock to be issued to three of our outside directors and an aggregate of 54,900 shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	15,958,874	73.8%	$ 113,459,735	57.2%	$ 7.11
New investors	5,666,666	26.2%	84,990,990	42.8%	$ 15.00
Total	21,625,540	100%	$ 198,450,725	100%	

The information in the preceding table has been calculated using an assumed public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this preliminary prospectus). A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease, respectively, the consideration paid by new investors by $5.7 million and the total consideration paid by all shareholders by $5.7 million, would decrease or increase, respectively, the percentage of total consideration paid by existing stockholders by 160 basis points, and would increase or decrease, respectively, the percentage of total consideration paid by new investors by 160 basis points, in each case assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same. Likewise, the information in the preceding table has been calculated assuming that we will issue a number of shares of common stock in this offering equal to the number of shares appearing on the cover of this preliminary prospectus. A 100,000 share increase or decrease in the number of shares of common stock that we issue in this offering would decrease or increase, respectively, the percentage of shares purchased by existing stockholders by 30 basis points, would increase or decrease, respectively, the percentage of shares purchased by new investors by 30 basis points, would increase or decrease, respectively, the total consideration paid by new investors by $1.5 million and the total consideration paid by all shareholders by $1.5 million, would decrease or increase, respectively, the percentage of total consideration paid by existing stockholders by 40 basis points, and would increase or decrease, respectively, the percentage of total consideration paid by new investors by 40 basis points, in each case assuming an initial public offering price of $15.00 per share.

If the underwriters exercise their over-allotment option in full, our existing stockholders would own approximately 63.4% and our new investors would own approximately 36.6% of the total number of shares of our common stock outstanding immediately after this offering based on shares outstanding as of September 30, 2006 and including, in the percentage of shares owned by existing stockholders, an aggregate of 20,100 shares of restricted stock to be issued to three of our outside directors and an aggregate of 54,900 shares of restricted common stock to be issued to certain of our employees in connection with this offering under our 2006 Stock Incentive Plan.

The foregoing discussion and tables do not include:

- an aggregate of 1,300,000 shares issuable upon exercise of options to be issued in connection with this offering under our 2006 Stock Incentive Plan; and
- an aggregate of 1,925,000 additional shares that will be initially available for future awards under our 2006 Stock Incentive Plan.

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth selected historical financial data derived from our consolidated financial statements for each of the years ended December 31, 2001, 2002, 2003, 2004 and 2005, of which the audited consolidated financial statements for the years ended December 31, 2003, 2004 and 2005 and as of December 31, 2004 and 2005 are included elsewhere in this prospectus. Our selected consolidated financial data for the nine months ended September 30, 2005 and 2006 have been derived from our unaudited consolidated interim financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006 include all adjustments, consisting of normal recurring adjustments, which, in our opinion, are necessary for a fair presentation of our financial position and results of operations for these periods. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

As described on page ii, we use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. All of the years reflected in the following table consisted of 52 weeks except for 2004 which consisted of 53 weeks. As a result, some of the variations between 2004 and the other years reflected in the following table may be due to the additional week included in 2004. Each of the nine months ended September 30, 2005 and 2006 reflected in the following table consisted of 39 weeks.

The information in the following table should be read together with our audited consolidated financial statements for 2003, 2004 and 2005 and the related notes, our unaudited consolidated financial statements for the nine months ended September 30, 2005 and 2006 and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included elsewhere in this prospectus. The amounts in the table below reflect rounding adjustments.

We restated our consolidated financial statements for the periods presented below that ended prior to January 1, 2005 (the “2005 Restatement”) and for the periods presented below that ended prior to October 1, 2004 (the “2004 Restatement”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Restatements” for a discussion of the 2005 Restatement and 2004 Restatement and Note 2 to our Consolidated Financial Statements for a discussion of the 2005 Restatement. All amounts affected by the restatements that appear in this prospectus have also been restated.

	Year Ended December 31,					Nine Months Ended September 30,	
	Restated 2001(1)	Restated 2002(1)	Restated 2003(1)	Restated 2004(1)(2)	2005	2005	2006
	(dollar amounts in thousands, except share and per share data)						
Statements of Operations Data:							
Revenues:							
Restaurant sales	$ 654,710	$ 655,545	$ 643,579	$ 696,343	$ 705,422	$ 531,442	$ 561,719
Franchise royalty revenues and fees	1,579	1,482	1,406	1,536	1,488	1,160	1,002
Total revenues	656,289	657,027	644,985	697,879	706,910	532,602	562,721
Costs and expenses:							
Cost of sales	189,947	183,976	181,182	202,624	204,620	154,424	158,299
Restaurant wages and related expenses	192,918	196,258	194,315	206,732	204,611	153,740	164,400
Restaurant rent expense	31,459	30,940	31,089	34,606	34,668	25,818	27,183
Other restaurant operating expenses	86,435	87,335	89,880	92,891	102,921	75,976	82,466
Advertising expense	28,830	28,041	27,351	24,711	25,523	19,791	20,768
General and administrative(3)	35,494	36,460	37,388	43,585	58,621	47,837	35,799
Depreciation and amortization	45,461	39,434	40,228	38,521	33,096	24,929	25,177
Impairment losses	578	1,285	4,151	1,544	1,468	1,427	832
Bonus to employees and a director(4)	—	—	—	20,860	—	—	—
Other expense (income)(5)	8,841	—	—	2,320	—	—	(1,389)
Total operating expenses	619,963	603,729	605,584	668,394	665,528	503,942	513,535
Income from operations	36,326	53,298	39,401	29,485	41,382	28,660	49,186
Interest expense	44,559	39,329	37,334	35,383	42,972	31,830	34,616
Loss on extinguishment of debt	—	—	—	8,913	—	—	—
Income (loss) before income taxes	(8,233)	13,969	2,067	(14,811)	(1,590)	(3,170)	14,570
Provision (benefit) for income taxes	(1,428)	4,929	741	(6,720)	2,760	2,054	4,828
Net income (loss)	$ (6,805)	$ 9,040	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742
Per Share Data:							
Basic and diluted net income (loss) per share	$ (0.53)	$ 0.70	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)	$ 0.61
Weighted average shares outstanding:							
Basic and diluted	12,915,095	12,915,095	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147
Other Financial Data:							
Net cash provided from operating activities	$ 46,435	$ 54,194	$ 46,349	$ 59,211	$ 22,008	$ 10,623	$ 36,852
Net cash provided from (used for) investing activities	(49,156)	(46,636)	14,581	(8,489)	(33,908)	(27,452)	(3,027)
Net cash provided from (used for) financing activities	2,414	(7,425)	(61,054)	(21,670)	(10,235)	(9,339)	(40,370)
Total capital expenditures	47,575	54,155	30,371	19,073	38,849	28,983	32,057
Consolidated Adjusted EBITDA(6)	91,307	93,867	84,033	94,548	92,378	71,448	73,806
Consolidated Adjusted EBITDA margin(7)	13.9%	14.3%	13.0%	13.5%	13.1%	13.4%	13.1%
Ratio of earnings to fixed charges(8)	—	1.28x	1.04x	—	—	—	1.33x

	Year Ended December 31,					Nine Months Ended September 30,	
	Restated 2001(1)	Restated 2002(1)	Restated 2003(1)	Restated 2004(1)(2)	2005	2005	2006
	(dollar amounts in thousands, except share and per share data)						
Operating Data:							
Total company-owned restaurants (at end of period)	532	529	532	537	540	536	542
Pollo Tropical:							
Company-owned restaurants (at end of period)	53	58	60	63	69	66	73
Average number of company-owned restaurants	50.4	55.6	59.4	60.3	64.9	64.5	70.6
Revenues:							
Restaurant sales	$ 96,437	$100,444	$109,201	$ 124,000	$ 135,787	$ 103,036	$114,463
Franchise royalty revenues and fees	1,174	1,053	993	1,101	1,196	918	840
Total revenues	97,611	101,497	110,194	125,101	136,983	103,954	115,303
Average annual sales per company-owned restaurant(9)	1,913	1,807	1,838	2,018	2,092		
Segment EBITDA(10)(11)	21,987	21,946	22,477	27,884	28,684	22,369	21,792
Segment EBITDA margin(12)	22.5%	21.6%	20.4%	22.3%	20.9%	21.5%	18.9%
Change in comparable company-owned restaurant sales(13)	(0.3)%	(4.2)%	2.3%	10.6%	4.7%	7.5%	2.6%
Taco Cabana:							
Company-owned restaurants (at end of period)	120	116	121	126	135	132	141
Average number of company-owned restaurants	120.3	114.6	118.9	123.9	129.8	128.5	137.7
Revenues:							
Restaurant sales	$177,398	$174,982	$181,068	$ 202,506	$ 209,539	$ 156,554	$171,821
Franchise royalty revenues and fees	405	429	413	435	292	242	162
Total revenues	177,803	175,411	181,481	202,941	209,831	156,796	171,983
Average annual sales per company-owned restaurant(9)	1,475	1,527	1,523	1,604	1,614		
Segment EBITDA(10)(14)	26,032	27,989	24,206	30,082	31,927	23,584	25,669
Segment EBITDA margin(12)	14.6%	16.0%	13.3%	14.8%	15.2%	15.0%	14.9%
Change in comparable company-owned restaurant sales(13)	1.6%	(0.2)%	(3.0)%	4.8%	1.2%	1.3%	2.4%
Burger King:							
Restaurants (at end of period)	359	355	351	348	336	338	328
Average number of restaurants	353.3	355.6	352.2	350.9	343.5	344.6	334.5
Restaurant sales	$380,875	$380,119	$353,310	$ 369,837	$ 360,096	$ 271,852	$275,435
Average annual sales per restaurant(9)	1,078	1,069	1,003	1,034	1,048		
Segment EBITDA(10)(15)	43,288	43,932	37,350	36,582	31,767	25,495	26,345
Segment EBITDA margin(12)	11.4%	11.6%	10.6%	9.9%	8.8%	9.4%	9.6%
Change in comparable restaurant sales(13)	1.3%	(1.3)%	(7.2)%	2.9%	1.0%	1.3%	3.1%
Balance Sheet Data (at end of period):							
Total assets	$552,884	$554,787	$499,054	$ 516,246	$ 496,945	$ 493,157	$453,726
Working capital	(34,362)	(33,971)	(39,835)	(24,515)	(25,441)	(27,365)	(35,819)
Debt:							
Senior and senior subordinated debt	$368,500	$357,300	$294,100	$ 400,000	$ 391,800	$ 392,350	$366,950
Capital leases and other debt	4,575	3,045	1,732	1,225	1,896	1,901	1,590
Lease financing obligations	96,660	102,738	106,808	111,715	110,898	110,810	58,440
Total debt	$469,735	$463,083	$402,640	$ 512,940	$ 504,594	$ 505,061	$426,980
Stockholders' equity (deficit)	$ (1,029)	$ 8,011	$ 9,337	$ (115,548)	$(103,537)	$(104,411)	$ (93,936)

(1) For information as to the effect of the restatements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Restatements" and Note 2 to our Consolidated Financial Statements included elsewhere in this prospectus.

(2) We use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. All of the fiscal years reflected in the table above consisted of 52 weeks except for 2004 which consisted of 53 weeks. As a result, some of the variations between 2004 and the other fiscal years reflected in the table above may be due to the additional week included in 2004.

(3) Includes stock-based compensation expense (income) for 2001, 2002, 2003, 2004 and 2005 and the nine months ended September 30, 2005 and 2006 of $0.1 million, $(0.2 million), $0.3 million, $1.8 million, $16.4 million, $16.4 million and $0, respectively.

(4) In conjunction with the December 2004 Transactions, we approved a compensatory bonus payment to certain employees (including management) and a director. See Note 12 to our Consolidated Financial Statements included elsewhere in this prospectus.

(5) Other expense in 2001 resulted from the closure of seven Taco Cabana restaurants in the Phoenix, Arizona market and the discontinuance of restaurant development in that market. See Note 6 to our Consolidated Financial Statements included elsewhere in this prospectus. Other expense in 2004 resulted from the write off of costs incurred in connection with a registration statement on Form S-1 for a proposed offering by us of Enhanced Yield Securities comprised of common stock and senior subordinated notes, which registration statement was withdrawn by us in 2004. See Note 10 to our Consolidated Financial Statements included elsewhere in this prospectus. Other income for the nine months ended September 30, 2006 resulted from a reduction in collection reserves previously established for a $1.1 million note receivable related to the sale of leasehold improvements at two of the closed restaurant locations that were written off as part of the restructuring charge in 2001 and a reduction in lease liability reserves of $0.3 million for such locations due to an increase in the estimates for future sublease income. See Note 6 to our Consolidated Financial Statements included elsewhere in this prospectus.

(6) Reconciliation of Non-GAAP Financial Measures

Consolidated Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in conjunction with the December 2004 Transactions, other income and expense and loss on extinguishment of debt. Consolidated Adjusted EBITDA is presented because we believe it is a useful financial indicator for measuring the ability, on a consolidated basis, to service and/or incur indebtedness. Our utilization of a non-GAAP financial measure is not meant to be considered in isolation or as a substitute for net income, income from operations, cash flow, gross margin and other measures of financial performance prepared in accordance with GAAP. Consolidated Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Management believes the most directly comparable measure to Consolidated Adjusted EBITDA calculated in accordance with GAAP is net cash provided from operating activities. However, Consolidated Adjusted EBITDA should not be considered as an alternative to consolidated cash flows as a measure of liquidity in accordance with generally accepted accounting principles.

A reconciliation of Consolidated Adjusted EBITDA to net cash provided from (used for) operating activities is presented below.

	Year Ended December 31,					Nine Months Ended September 30,	
	Restated 2001	Restated 2002	Restated 2003	Restated 2004	2005	2005	2006
	(dollar amounts in thousands)						
Consolidated Adjusted EBITDA, as defined	$ 91,307	$ 93,867	$ 84,033	$ 94,548	$ 92,378	$ 71,448	$ 73,806
Adjustments to reconcile Consolidated Adjusted EBITDA to net cash provided from (used for) operating activities:							
Loss (gain) on disposal of property and equipment	390	24	(386)	(176)	(620)	(585)	—
Cash portion of stock-based compensation expense	—	—	—	—	(122)	(122)	—
Interest expense	(44,559)	(39,329)	(37,334)	(35,383)	(42,972)	(31,830)	(34,616)
Amortization of deferred financing costs	1,527	1,528	1,540	1,527	1,529	1,154	1,098
Amortization of unearned purchase discounts	(2,014)	(2,155)	(2,146)	(2,154)	(2,156)	(1,616)	(1,616)
Amortization of deferred gains from sale-leaseback transactions	(13)	(21)	(180)	(458)	(481)	(377)	(897)
Accretion of interest on lease financing obligations	521	478	443	406	344	257	281
Gain on settlement of lease financing obligations	—	—	—	—	—	—	(120)
Benefit (provision) for income taxes	1,428	(4,929)	(741)	6,720	(2,760)	(2,054)	(4,828)
Deferred income taxes	(3,117)	4,888	(1,156)	(6,466)	1,036	(876)	159
Change in operating assets and liabilities	965	(157)	2,276	2,967	(3,308)	(3,916)	3,585
Accrued bonus to employees and a director	—	—	—	—	(20,860)	(20,860)	—
Other expense	—	—	—	(2,320)	—	—	—
Net cash provided from (used for) operating activities	$ 46,435	$ 54,194	$ 46,349	$ 59,211	$ 22,008	$ 10,623	$ 36,852

(7) Consolidated Adjusted EBITDA margin means Consolidated Adjusted EBITDA as a percentage of total consolidated revenues.

(8) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including lease financing obligations and amortization of deferred financing costs) and one-third of rental expense on operating leases representing that portion of rental expense that we deemed to be attributable to interest. Our earnings were insufficient to cover our fixed charges for 2001, 2004, 2005 and the nine months ended September 30, 2005 by $8.2 million, $14.8 million, $1.6 million and $3.2 million, respectively.

(9) Average annual sales per restaurant are derived by dividing restaurant sales for such year for the applicable segment by the average number of company-owned restaurants for the applicable segment for such year. For comparative purposes, the calculation of average annual sales per restaurant is based on a 52-week year. 2004 was a 53-week fiscal year. For purposes of calculating average annual sales per restaurant for 2004, we have excluded restaurant sales data for the extra week of 2004 for purposes of such calculation.

(10) Segment EBITDA is defined as earnings attributable to the applicable segment before interest, income taxes, depreciation and amortization, impairment losses, stock based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions, other income and expense and loss on extinguishment of debt. The calculation of Segment EBITDA for our Burger King restaurants includes general and administrative expenses related directly to our Burger King segment, as well as the expenses associated with administrative support for all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions. See Note 14 to our Consolidated Financial Statements included elsewhere in this prospectus.

(11) Includes general and administrative expenses related directly to our Pollo Tropical segment of approximately $5.1 million, $5.0 million, $6.0 million, $7.3 million and $7.2 million for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, respectively, and $5.5 million and $5.9 million for the nine months ended September 30, 2005 and 2006, respectively.

(12) Segment EBITDA margin means Segment EBITDA as a percentage of the total revenues of the applicable segment.

(13) The changes in comparable restaurant sales are calculated using only those company-owned restaurants open since the beginning of the earliest period being compared and for the entirety of both periods being compared. Restaurants are included in comparable restaurant sales after they have been open for 12 months for our Burger King restaurants and 18 months for our Pollo Tropical and Taco Cabana restaurants.

(14) Includes general and administrative expenses related directly to our Taco Cabana segment of approximately $9.7 million, $9.2 million, $11.1 million, $11.1 million and $10.2 million for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, respectively, and $7.7 million and $8.6 million for the nine months ended September 30, 2005 and 2006, respectively.

(15) Includes general and administrative expenses related directly to our Burger King segment as well as expenses associated with administrative support to all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions. All of such expenses totaled approximately $20.6 million, $22.3 million, $20.0 million, $23.4 million and $24.9 million for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, respectively, and $18.2 million and $21.3 million for the nine months ended September 30, 2005 and 2006, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is written to help the reader understand our company. The MD&A is provided as a supplement to, and should be read in conjunction with our Consolidated Financial Statements and the accompanying financial statement notes appearing elsewhere in this prospectus. The overview provides our perspective on the individual sections of MD&A, which include the following:

Company Overview—a general description of our business and our key financial measures.

Recent and Future Events Affecting Our Results of Operations—a description of recent events that affect, and future events that may affect, our results of operations, including in connection with this offering.

Executive Summary—an executive review of our performance for the three and nine months ended September 30, 2006 and the year ended December 31, 2005.

Liquidity and Capital Resources—an analysis of historical information regarding our sources of cash and capital expenditures, the existence and timing of commitments and contingencies, changes in capital resources and a discussion of cash flow items affecting liquidity.

Results of Operations—an analysis of our results of operations for the nine months ended September 30, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003.

Application of Critical Accounting Policies—an overview of accounting policies that require critical judgments and estimates.

Effects of New Accounting Standards—a discussion of new accounting standards and any implications related to our financial statements.

Restatements—a description of recent restatements to our previously issued consolidated financial statements and a description of material weaknesses in our internal control over financial reporting and disclosure controls and procedures. All amounts affected by the restatements that appear in this prospectus have also been restated.

Company Overview

We are one of the largest restaurant companies in the United States operating three restaurant brands in the quick-casual and quick-service restaurant segments with 542 restaurants located in 16 states as of September 30, 2006. We have been operating restaurants for more than 45 years. We own and operate two Hispanic restaurant brands, Pollo Tropical and Taco Cabana (together referred to by us as our Hispanic Brands), which we acquired in 1998 and 2000, respectively. We are also the largest Burger King franchisee, based on the number of restaurants, and have operated Burger King restaurants since 1976. As of September 30, 2006, our company-owned restaurants included 73 Pollo Tropical restaurants and 141 Taco Cabana restaurants, and we operated 328 Burger King restaurants under franchise agreements. We also franchise our Hispanic Brand restaurants with 29 franchised restaurants located in Puerto Rico, Ecuador and the United States as of September 30, 2006. We believe that the diversification and strength of our restaurant brands as well as the geographic dispersion of our restaurants provide us with stability and enhanced growth opportunities. Our primary growth strategy is to develop new company-owned Hispanic Brand restaurants. For the year ended December 31, 2005 and the nine months ended September 30, 2006, we had total revenues of $706.9 million and $562.7 million, respectively, and a net loss of $4.4 million and net income of $9.7 million, respectively.

The following is an overview of the key financial measures discussed in our results of operations:

- *Restaurant sales* consist of food and beverage sales, net of discounts, at our company-owned Hispanic Brand restaurants and the Burger King restaurants we operated under franchise agreements. Restaurant sales are influenced by menu price increases, new restaurant openings, closures of underperforming restaurants, and changes in comparable restaurant sales. The changes in comparable restaurant sales noted below are calculated using only those restaurants open since the beginning of the earliest period being compared and for the entirety of both periods being compared. Restaurants are included in comparable restaurant sales after they have been open for 12 months for our Burger King restaurants and 18 months for our Pollo Tropical and Taco Cabana restaurants.
- *Cost of sales* consists of food, paper and beverage costs including packaging costs, less purchase discounts. Cost of sales is generally influenced by changes in commodity costs and the effectiveness of our restaurant-level controls to manage food and paper costs. For our Pollo Tropical and Taco Cabana restaurants, we have negotiated directly with local and national suppliers for the purchase of food and beverage products and supplies. Pollo Tropical and Taco Cabana restaurants' food and supplies are ordered from approved suppliers and are shipped via distributors to our restaurants. Key commodities for Pollo Tropical and Taco Cabana restaurants are generally purchased under annual contracts. We are a member of a national purchasing cooperative, Restaurant Services, Inc., a non-profit independent cooperative that serves as the purchasing agent for most of the commodities for the Burger King franchise system and which also contracts with various distributors to receive and ship orders for our Burger King restaurants.
- *Restaurant wages and related expenses* include all restaurant management and hourly productive labor costs, employer payroll taxes, restaurant-level bonuses and benefits. Payroll and benefits are subject to inflation, including minimum wage increases and expenses for health insurance and workers' compensation insurance. A significant number of our hourly staff is paid at rates consistent with the applicable state minimum wage and, accordingly, increases in minimum wage rates will increase our labor costs. We are insured for workers' compensation, general liability and medical insurance claims under policies where we pay all claims, subject to annual stop-loss limitations both for individual claims and claims in the aggregate.
- *Restaurant rent expense* includes base rent, contingent rent, common area maintenance on our leases characterized as operating leases, reduced by the amortization of gains on sale-leaseback transactions.
- *Other restaurant operating expenses* include all other restaurant-level operating costs, the major components of which are royalty expenses for our Burger King restaurants, utilities, repairs and maintenance, real estate taxes and credit card fees.
- *Advertising expense* includes all promotional expenses including television, radio, billboards and other media. Pollo Tropical and Taco Cabana utilize an integrated, multi-level marketing approach that includes periodic chain-wide promotions, direct mail, in-store promotions, local store marketing and other strategies, including the use of radio and television advertising in their major markets. We are generally required to contribute 4% of restaurant sales from our Burger King restaurants to an advertising fund utilized by the Burger King franchise system for its advertising, promotional programs and public relations activities.
- *General and administrative expenses* are comprised primarily of (1) salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, (2) legal and professional fees, including external auditing costs, and (3) stock-based compensation expense.
- *Segment EBITDA*, which is the measure of segment profit or loss used by our chief operating decision maker for purposes of allocating resources to our segments and assessing their performance, is defined as earnings attributable to the applicable segment before interest, income

taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the December 2004 Transactions, other income and expense and loss on extinguishment of debt. Segment EBITDA may not be necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Segment EBITDA for our Burger King restaurants includes general and administrative expenses related directly to the Burger King segment as well as the expenses associated with administrative support to all three of our segments including executive management, information systems and certain accounting, legal and other administrative functions.

- *Depreciation and amortization* primarily includes the depreciation of fixed assets, including equipment and leasehold improvements, depreciation of assets under lease financing obligations and the amortization of Burger King franchise rights and franchise fees.
- *Interest expense* consists primarily of interest expense associated with the Notes and on borrowings under our senior credit facility, and imputed interest expense on certain leases entered into in connection with sale-leaseback transactions which are accounted for as lease financing obligations. Interest expense may also include gains and losses from the settlement of lease financing obligations.

As described under “Prospectus Summary”, we use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. The years ended December 31, 2003 and 2005 each consisted of 52 weeks and the year ended December 31, 2004 consisted of 53 weeks. As a result, some of the variations in our results of operations between 2004 and the other fiscal years may be due to the additional week included in 2004. Both the nine months ended September 30, 2005 and 2006 consisted of 39 weeks.

Recent and Future Events Affecting our Results of Operations

Lease Financing Obligations

We have, in the past, entered into sale-leaseback transactions involving certain restaurant properties that did not qualify for sale-leaseback accounting and, as a result, have been classified as financing transactions under SFAS 98. Under the financing method, the assets remain on our consolidated balance sheet and continue to be depreciated and proceeds received by us from these transactions are recorded as a financing liability. Payments under these leases are applied as payments of imputed interest and deemed principal on the underlying financing obligations.

During the nine months ended September 30, 2006, we exercised our right of first refusal under the leases for 14 restaurant properties subject to lease financing obligations and purchased these 14 restaurant properties from the respective lessors. Concurrently with these purchases, the properties were sold in qualified sale-leaseback transactions. We recorded deferred gains representing the amounts by which the sales prices exceeded the net book value of the underlying assets. Deferred gains are being amortized as an adjustment to rent expense over the term of the leases, which is generally 20 years.

We also amended lease agreements for 21 restaurant properties in the second quarter of 2006 and amended a master lease agreement covering 13 restaurant properties in the third quarter of 2006, all of which were previously accounted for as lease financing obligations, to eliminate or otherwise cure the provisions that precluded the original sale-leaseback accounting under SFAS 98. As a result of such amendments, we recorded these sale-leaseback transactions as sales, removed all of the respective assets under lease financing obligations and related liabilities from our consolidated balance sheet and recognized gains from the sales, which were generally deferred and are being amortized as an adjustment to rent expense over the remaining term of the underlying leases.

As a result of the above transactions that occurred during the nine months ended September 30, 2006, we reduced our lease financing obligations by $52.8 million, reduced our assets under lease financing obligations by $36.2 million and recorded deferred gains of $18.3 million. We also recorded interest expense of $2.0 million which represents the net amount by which the purchase price for the restaurant properties sold exceeded the lease financing obligations. Of these amounts, $37.5 million of lease financing obligations and $24.7 million of assets under lease financing obligations have been reflected as non-cash transactions in the consolidated statements of cash flows for the nine months ended September 30, 2006.

Beginning in the third quarter of 2006 the effect of the recharacterization of all of the transactions described above as qualified sales under SFAS 98 and the payments associated with the related operating leases as restaurant rent expense, rather than as payments of interest and principal associated with lease financing obligations, has been to reduce interest expense, reduce depreciation expense and increase restaurant rent expense. See Note 9 to our Consolidated Financial Statements included elsewhere in this prospectus.

For information on the pro forma effect of the lease transactions and lease amendments described above on our interest expense, depreciation and amortization expense, restaurant rent expense and operating income for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006, as if such transactions and amendments had occurred at the beginning of the respective periods, see “Prospectus Summary—Recent Developments”.

Stock Compensation Expense

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), “Share-Based Payment” (“SFAS 123R”) which requires companies to measure and recognize compensation expense for all share-based payments at fair value. Share-based payments include stock option grants and other equity-based awards granted under any long-term incentive and stock option plans we may have. SFAS 123R was effective for us beginning January 1, 2006. We used the modified prospective transition method, which requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption (the “Existing Awards”) and requires that prior periods not be restated. However, as all shares of stock issued in the stock award in the second quarter of 2005 were fully vested and we did not have any stock options outstanding at December 31, 2005 and September 30, 2006, we have not recorded any stock-based compensation expense related to our adoption of SFAS 123R.

We intend to grant options to purchase 1,300,000 shares of our common stock and to issue 75,000 shares of restricted stock under our 2006 Stock Incentive Plan in connection with this offering, which will result in our incurring substantial stock-based compensation expense in periods ending after the closing of this offering. In addition, we intend to grant additional stock options and issue additional shares of restricted stock in the future, which will result in our incurring additional stock-based compensation expenses in future periods, which may be substantial.

Future Burger King Restaurant Closures

We evaluate the performance of our Burger King restaurants on an ongoing basis. Such evaluation depends on many factors, including our assessment of the anticipated future operating results of the subject restaurants and the cost of required capital improvements that we would need to commit for such restaurants. If we determine that a Burger King restaurant is underperforming, we may elect to close such restaurant. We closed eight Burger King restaurants in the first nine months of 2006. We currently anticipate that we will likely elect to close approximately four Burger King restaurants in 2007. These restaurant closures will reduce total restaurant sales for our Burger King restaurants. However, based on the current operating results of such restaurants, we believe that the impact on our results of operations as a result of such restaurant closures will not be material, although there can be no assurance in this regard. Our determination of whether to close such restaurants is not final and is subject to further evaluation and may change. We may also elect to close additional Burger King restaurants in the future.

Public Company Costs

As a public company, we will incur significant legal, accounting and other costs that we have not previously incurred as a private company. The Sarbanes-Oxley Act of 2002 and related rules of the SEC and The NASDAQ Stock Market regulate corporate governance practices of public companies. We expect that compliance with these public company requirements, including ongoing costs to comply with Section 404 of the Sarbanes-Oxley Act, which includes documenting, reviewing and testing our internal controls, will increase our general and administrative costs. These costs will also include the costs of our independent accounting firm to issue an opinion on our assessment and the effectiveness of our internal controls on an annual basis. We also may incur higher costs for director and officer liability insurance. We cannot predict or estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

Executive Summary

Operating Performance for the Three and Nine Months Ended September 30, 2006

Total revenues for the first nine months of 2006 increased 5.7% to $562.7 million from $532.6 million in the first nine months of 2005, and Consolidated Adjusted EBITDA increased 3.3% to $73.8 million in the first nine months of 2006 from $71.4 million in the first nine months of 2005. Net cash provided from operating activities was $36.9 million in the first nine months of 2006 compared to $10.6 million in the first nine months of 2005. Revenues from our Hispanic Brand restaurants increased 10.2% to $287.3 million in the first nine months of 2006 compared to $260.8 million in the first nine months of 2005.

Total revenues for the third quarter of 2006 increased 4.6% to $189.6 million from $181.3 million in the third quarter of 2005, and Consolidated Adjusted EBITDA decreased 4.7% to $25.5 million in the third quarter of 2006 from $26.8 million in the third quarter of 2005. Net cash provided from operating activities was $14.3 million in the third quarter of 2006 compared to $11.5 million in the third quarter of 2005. Revenues from our Hispanic Brand restaurants increased 8.7% to $96.3 million in the third quarter of 2006 compared to $88.6 million in the third quarter of 2005.

We have continued to open new Hispanic Brand restaurants, and at September 30, 2006, we owned a total of 214 restaurants under the Pollo Tropical and Taco Cabana brand names. Sales have grown from the continued expansion of both brands, as well as continued sales increases from existing Hispanic Brand restaurants. Since September 30, 2005, we opened seven new Pollo Tropical restaurants, including one new Pollo Tropical restaurant in the New York City metropolitan area, and opened ten new Taco Cabana restaurants. We also closed one underperforming Taco Cabana restaurant in the third quarter of 2006. In the first nine months of 2006, we opened four new Pollo Tropical restaurants and seven new Taco Cabana restaurants. Comparable Hispanic Brand restaurant sales have continued to increase and in the first nine months of 2006 were up 2.6% for Pollo Tropical and up 2.4% for Taco Cabana compared to the first nine months of 2005. In the third quarter of 2006, comparable restaurant sales at our Hispanic Brand restaurants were up 1.0% for Pollo Tropical and 2.1% for Taco Cabana compared to the third quarter of 2005, although these increases were lower than the increases in comparable restaurant sales in the first six months of 2006 of 3.5% for our Pollo Tropical Restaurants and 2.6% for our Taco Cabana restaurants.

Restaurant sales from our Burger King restaurants increased 1.3% to $275.4 million in the first nine months of 2006 from $271.9 million in the first nine months of 2005, due to an increase in comparable Burger King restaurant sales of 3.1% in the first nine months of 2006. This increase was partially offset by the closure of 21 Burger King restaurants since the beginning of 2005. As of September 30, 2006, we were operating a total of 328 Burger King restaurants. Restaurant sales from our Burger King restaurants increased 0.7% to $93.3 million in the third quarter of 2006 from $92.7 million in the third quarter of 2005, due to an increase in comparable Burger King restaurant sales of 2.4% in the third quarter of 2006. This increase was partially offset by the closure of 13 Burger King restaurants since the beginning of the third quarter of 2005.

Segment EBITDA for our Hispanic Brands increased to $16.3 million in the third quarter of 2006 from $15.9 million in the third quarter of 2005, an increase of 2.8%. Operating results in the third quarter of 2006 for our Hispanic Brands included an increase over the third quarter of 2005 in segment EBITDA for our Taco Cabana restaurants of $1.5 million due primarily to lower advertising expenditures, lower utility costs and a reduction in restaurant rent expense accruals due to the termination of a lease. This increase was partially offset by a $1.0 million decrease in segment EBITDA for our Pollo Tropical restaurants in the third quarter of 2006, compared to the third quarter of 2005, due primarily to the impact of higher restaurant hourly labor rates due to labor market conditions in Florida, including an increase in the Florida minimum wage rate, higher medical insurance costs and increased rent expense of $0.4 million from the recharacterization in 2006 of restaurant leases previously accounted for as lease financing obligations as described above under "Recent and Future Events Affecting our Results of Operations—Lease Financing Obligations". Segment EBITDA for our Burger King restaurants decreased in the third quarter of 2006 to $9.2 million from $10.9 million in the third quarter of 2005 due primarily to higher restaurant and administrative bonus accruals of $1.1 million in the third quarter of 2006 and increased rent expense of $0.5 million from the recharacterization in 2006 of restaurant leases previously accounted for as lease financing obligations.

Segment EBITDA for our Hispanic Brands increased to $47.5 million in the first nine months of 2006 from $46.0 million in the first nine months of 2005, an increase of 3.3%. Segment EBITDA for our Burger King restaurants increased 3.3% in the first nine months of 2006 to $26.3 million from $25.5 million in the first nine months of 2005. Operating results in the first nine months of 2006 improved based on increases in sales for all three segments and higher operating margins at our Burger King restaurants, primarily from lower food costs as a percentage of restaurant sales. Pollo Tropical operating margins for the first nine months of 2006 were impacted by higher restaurant hourly labor rates due to labor market conditions in Florida, including an increase in the Florida minimum wage rate. All three segments were impacted by higher utility costs, which as a percentage of consolidated restaurant sales, increased from 4.1% in the first nine months of 2005 to 4.5% in the first nine months of 2006.

During the first nine months of 2006, we continued to reduce our outstanding term loan borrowings under our senior credit facility by making principal prepayments of $23.2 million. The total principal amount outstanding under our senior credit facility has decreased from $211.8 million at December 31, 2005 to $187.0 million at September 30, 2006.

Operating Performance for the Year Ended December 31, 2005

Total revenues increased to $706.9 million in 2005 from $697.9 million in 2004 and Consolidated Adjusted EBITDA decreased 2.3% to $92.4 million in 2005 from $94.5 million in 2004. Net cash provided from operations was $22.0 million in 2005 compared to $59.2 million in 2004.

Revenues from our Hispanic Brand restaurants increased by approximately $18.8 million from $328.0 million in 2004 to $346.8 million in 2005. Sales due to the extra week in 2004 for our Hispanic Brand restaurants was $6.1 million. We have continued to expand our Hispanic Brand restaurants, and at the end of 2005, we were operating a total of 204 restaurants under the Pollo Tropical and Taco Cabana brand names. During 2005, we opened six new Pollo Tropical restaurants, six new Taco Cabana restaurants and we also acquired four Taco Cabana restaurants in Texas from a franchisee. Comparable restaurant sales for 2005 increased 4.7% over 2004 at Pollo Tropical and 1.2% at Taco Cabana.

Segment EBITDA for our Hispanic Brands was $60.6 million in 2005 compared to $58.0 million in the prior year. Segment EBITDA for our Hispanic Brands in 2004 included $2.3 million attributable to the extra week in 2004.

During October of 2005 our Pollo Tropical restaurants were negatively impacted by hurricanes Katrina and Wilma, and our Taco Cabana restaurants in the Houston market were negatively impacted by hurricane Rita. Although the restaurants collectively suffered only minimal property damage, our estimate of lost revenues from restaurants temporarily closed was, in the aggregate, approximately $1.8 million.

Revenues from our Burger King restaurants decreased to $360.1 million in 2005 from $369.8 million in 2004 due in part to one less week in 2005 compared to 2004 ($6.9 million effect) and from the closing of 13 underperforming Burger King restaurants during 2005. At the end of 2005, we were operating a total of 336 Burger King restaurants. Comparable restaurant sales for our Burger King restaurants increased 1.0% in 2005 over 2004. Segment EBITDA for our Burger King restaurants decreased from $36.6 million in 2004, which included $2.1 million of Segment EBITDA from the extra week in 2004, to $31.8 million in 2005. This change mostly reflected higher utility costs, higher audit fees and incremental transaction fees due to the acceptance of credit cards at our Burger King restaurants.

Operating results for all three brands were impacted by higher utility costs, which as a percentage of total revenues, increased approximately 0.6% in 2005, representing the primary change in our operating margins. Higher commodity costs also impacted margins, particularly at Pollo Tropical.

Our capital expenditures totaled $38.8 million in 2005 including $20.6 million for the construction of new restaurants, $4.2 million for the acquisition of four franchised Taco Cabana restaurants, $4.0 million for remodeling, and $10.0 million for maintenance and other capital expenditures.

During 2005 we lowered our outstanding borrowings under our senior credit facility. The total principal amount outstanding under our senior credit facility decreased from $220.0 million at December 31, 2004 to $211.8 million at December 31, 2005 due primarily to a prepayment during 2005 of $6.0 million principal amount of our term loan borrowings.

Liquidity and Capital Resources

We do not have significant receivables or inventory and receive trade credit based upon negotiated terms in purchasing food products and other supplies. We are able to operate with a substantial working capital deficit because:

- restaurant operations are primarily conducted on a cash basis;
- rapid turnover results in a limited investment in inventories; and
- cash from sales is usually received before related liabilities for food, supplies and payroll become due.

Interest payments under our debt obligations and capital expenditures represent significant liquidity requirements for us. We believe cash generated from our operations, availability under our revolving credit facility and proceeds from anticipated sale-leaseback transactions will provide sufficient cash availability to cover our anticipated working capital needs, capital expenditures (which include new restaurant development and represent a major investment of cash for us), and debt service requirements for the next 12 months. We may be required to obtain additional equity or debt financing in the future to fund the growth of our business or to meet other capital needs. There can be no assurance that we will be able to obtain additional financing on acceptable terms or at all. Both the senior credit facility and indenture governing the Notes contain restrictive covenants that may prevent us from incurring additional debt.

Operating activities. Net cash provided from operating activities for the nine months ended September 30, 2006 was $36.9 million due primarily to net income of $9.7 million and depreciation and amortization expense of $25.2 million. Net cash provided from operating activities for the nine months ended September 30, 2005 was $10.6 million due primarily to a net loss of $5.2 million, non-cash stock-based compensation expense of $16.3 million and depreciation and amortization expense of $24.9 million. In addition, net cash provided from operating activities was reduced $26.4 million in 2005 due to payments in the first quarter of 2005 associated with the December 2004 refinancing, which included a $20.3 million bonus to employees (including management) and a director, the applicable payroll taxes of $0.6 million and $5.5 million of tax withholdings related to the dividend payment in late December of 2004. See “Prospectus Summary—December 2004 Transactions.”

Net cash provided from operating activities for the years ended December 31, 2005, 2004 and 2003 was $22.0 million, $59.2 million and $46.3 million, respectively.

Our income tax payments included in operating activities have been historically reduced due to the utilization of net operating loss carryforwards. For tax years beginning in 2006 we have available Federal alternative minimum tax credit carryforwards of $2.1 million with no expiration date and Federal employment tax credit carryforwards of $2.1 million that begin to expire in 2021. We had no Federal net operating loss carryforwards as of December 31, 2005.

Investing activities including capital expenditures and qualified sale-leaseback transactions. Net cash used for investing activities for the nine months ended September 30, 2006 and 2005 was $3.0 million and $27.5 million, respectively. Net cash used for investing activities for the years ended December 31, 2005 and 2004 was $33.9 million and $8.5 million, respectively. Net cash provided from investing activities for the year ended December 31, 2003 was $14.6 million. Capital expenditures represent a major investment of cash for us, and, excluding acquisitions, for the nine months ended September 30, 2006 and 2005 were $32.1 million and $24.8 million, respectively, and for the years ended December 31, 2005, 2004 and 2003, were $34.6 million, $19.1 million and $30.4 million, respectively. Our capital expenditures included expenditures for development of new Pollo Tropical and Taco Cabana restaurants for the nine months ended September 30, 2006 and 2005 of $20.3 million and $14.6 million, respectively, and for the years ended December 31, 2005, 2004 and 2003, of $19.4 million, $8.6 million and $15.8 million, respectively. In addition, we acquired four Taco Cabana restaurants from a franchisee for a cash purchase price of $4.2 million in the third quarter of 2005. We sold other properties, primarily non-operating restaurant properties, in the first nine months of 2005 and the years ended December 31, 2005, 2004 and 2003 for net proceeds of $0.7 million, $0.8 million, $1.2 million and $3.9 million, respectively. The net proceeds from these sales were used to reduce outstanding borrowings under our senior credit facility.

In the first nine months of 2006, we sold 21 restaurant properties in sale-leaseback transactions for net proceeds of $31.7 million. Thirteen of these properties were acquired on June 30, 2006 from the lessor for $16.2 million when we exercised our right of first refusal under the subject leases. The underlying leases for these 13 properties were previously treated as lease financing obligations and the purchases of these properties are shown in our consolidated statements of cash flows under financing activities as settlements of lease financing obligations. The proceeds from these sales, net of costs of the properties acquired and other transaction costs, were used to reduce outstanding borrowings under on our senior credit facility. For all of 2006, we anticipate cash provided from sale-leaseback proceeds, after deducting the cost of any acquired properties to be sold in sale-leaseback transactions, will be approximately $15 million to $17 million, although there can be no assurance in this regard. In the first nine months of 2005 we sold one restaurant property for net proceeds of $1.1 million. In 2005, 2004 and 2003, we sold four, eight and 31 restaurant properties, respectively, in sale-leaseback transactions for net proceeds of $5.2 million, $11.0 million and $44.2 million, respectively. The net proceeds from these sales were used to reduce outstanding debt under our senior credit facility. We also had expenditures related to the purchase of other restaurant properties to be sold in sale-leaseback transactions of $2.7 million and $0.3 million in the nine months ended September 30, 2006 and 2005, respectively, and for the years ended December 31, 2005, 2004 and 2003 of $1.1 million, $1.6 million and $3.1 million, respectively.

Our capital expenditures are primarily for (1) new restaurant development, which includes the purchase of related real estate; (2) restaurant remodeling, which includes the renovation or rebuilding of the interior and exterior of our existing restaurants, including expenditures associated with Burger King franchise renewals; (3) other restaurant capital expenditures, which include capital restaurant maintenance expenditures for the ongoing reinvestment and enhancement of our restaurants; and (4) corporate and restaurant information systems. The following table sets forth our capital expenditures for the periods presented (in thousands):

	Pollo Tropical	Taco Cabana	Burger King	Other	Consolidated
Nine months ended September 30, 2006:					
New restaurant development	$ 10,826	$ 9,457	$ 87	$ —	$ 20,370
Restaurant remodeling	1,150	261	3,474	—	4,885
Other restaurant capital expenditures(1)	1,074	1,915	2,489	—	5,478
Corporate and restaurant information systems	—	—	—	1,324	1,324
Total capital expenditures	$ 13,050	$ 11,633	$ 6,050	$ 1,324	$ 32,057
Number of new restaurant openings	4	7	—		11
Nine Months Ended September 30, 2005:					
New restaurant development	$ 8,080	$ 6,557	$ 860	$ —	$ 15,497
Restaurant remodeling	686	—	1,407	—	2,093
Other restaurant capital expenditures(1)	1,527	2,690	1,971	—	6,188
Corporate and restaurant information systems	—	—	—	985	985
Acquisition of Taco Cabana Restaurants	—	4,220	—	—	4,220
Total capital expenditures	$ 10,293	$ 13,467	$ 4,238	$ 985	$ 28,983
Number of new restaurant openings	3	3	-		6
Year Ended December 31, 2005:					
New restaurant development	$ 10,235	$ 9,143	$ 1,235	$ —	$ 20,613
Restaurant remodeling	1,384	—	2,634	—	4,018
Other restaurant capital expenditures(1)	2,505	3,434	2,745	—	8,684
Acquisition of Taco Cabana restaurants	—	4,215	—	—	4,215
Corporate and restaurant information systems	—	—	—	1,319	1,319
Total capital expenditures	$ 14,124	$ 16,792	$ 6,614	$ 1,319	$ 38,849
Number of new restaurant openings	6	6	1		13
Year Ended December 31, 2004 (Restated):					
New restaurant development	$ 4,542	$ 4,059	$ 1,053	$ —	$ 9,654
Restaurant remodeling	—	—	845	—	845
Other restaurant capital expenditures(1)	2,094	2,496	2,913	—	7,503
Corporate and restaurant information systems	—	—	—	1,071	1,071
Total capital expenditures	$ 6,636	$ 6,555	$ 4,811	$ 1,071	$ 19,073
Number of new restaurant openings	3	5	1		9
Year Ended December 31, 2003 (Restated):					
New restaurant development	$ 2,147	$ 13,687	$ 2,872	$ —	$ 18,706
Restaurant remodeling	26	121	3,170	—	3,317
Other restaurant capital expenditures(1)	2,186	2,697	$ 2,061	—	6,944
Corporate and restaurant information systems	—	—	—	1,404	1,404
Total capital expenditures	$ 4,359	$ 16,505	$ 8,103	$ 1,404	$ 30,371
Number of new restaurant openings	2	8	2		12

1) Excludes restaurant repair and maintenance expenses included in other restaurant operating expenses in our Consolidated Financial Statements. For the nine months ended September 30, 2006 and 2005, restaurant repair and maintenance expenses were approximately $13.3 million and $13.5 million, respectively, and for the years ended December 31, 2005, 2004 and 2003, were $18.1 million, $15.8 million and $15.3 million, respectively.

We currently anticipate that our total capital expenditures for 2006 will be approximately $45 million to $47 million (of which $32.1 million had been expended through September 30, 2006), although the actual amount of capital expenditures may differ from these estimates. These capital expenditures are expected to include approximately $28 million to $29 million for the development of new restaurants and purchase of related real estate applicable to our Pollo Tropical and Taco Cabana restaurant concepts, of which $20.4 million had been expended through September 30, 2006. We currently anticipate that we will open four new Pollo Tropical restaurants and three new Taco Cabana restaurants in the fourth quarter of 2006. Capital expenditures in 2006 also are expected to include expenditures of approximately $15 million to $16 million for the ongoing reinvestment in our three restaurant concepts for remodeling costs and capital maintenance expenditures, of which $10.4 million had been expended through September 30, 2006, and approximately $2 million in other capital expenditures. We currently estimate that our total capital expenditures for 2007 will be approximately $60 million to $65 million, although the actual amount of capital expenditures may differ from these estimates.

Financing activities. Net cash used for financing activities for the nine months ended September 30, 2006 and 2005 was $40.4 million and $9.3 million, respectively, and for the years ended December 31, 2005, 2004 and 2003, was $10.2 million, $21.7 million and $61.1 million, respectively. Financing activities in these periods consisted of repayments under our debt arrangements and the sale of restaurants in sale-leaseback transactions accounted for as lease financing obligations with proceeds of $4.5 million and $3.6 million for the years ended December 31, 2004 and 2003, respectively. The net proceeds from these sales were used to reduce outstanding borrowings under our senior credit facility.

We have also made principal repayments on outstanding borrowings under our senior credit facility of $23.2 million and $6.0 million in the first nine months of 2006 and 2005, respectively, and $6.0 million and $39.0 million for the years ended December 31, 2005 and 2004, respectively. Financing activities in the first nine months of 2006 also included the payment of $17.2 million, which was comprised of $15.2 million of lease financing obligations and $2.0 million of interest, to acquire fourteen leased properties previously accounted for as lease financing obligations. These purchases are shown as principal payments in the statement of cash flows as they relate to previously recorded lease financing obligations. In addition, in 2005 we purchased one restaurant property subject to a lease financing obligation for $1.1 million under our right of first refusal included in the subject lease. This purchase is shown as a principal payment in the statement of cash flows as it relates to a previously recorded lease financing obligation.

Indebtedness. On December 15, 2004, we completed the debt offering and also entered into the senior credit facility. We received $400.0 million in total gross proceeds that included the issuance of the Notes and term loan borrowings of $220.0 million under our senior credit facility. At September 30, 2006, we had total debt outstanding of $427.0 million comprised of $180.0 million of notes, term loan borrowings of $187.0 million under the senior credit facility, lease financing obligations of $58.4 million and capital lease obligations of $1.6 million.

Senior Credit Facility. Our senior credit facility provides for a revolving credit facility under which we may borrow up to $50.0 million (including a sub limit of up to $20.0 million for letters of credit and up to $5.0 million for swingline loans), a $220.0 million term loan facility and incremental facilities (as defined in the senior credit facility), at our option, of up to $100.0 million, subject to the satisfaction of certain conditions. At September 30, 2006, $187.0 million was outstanding under the term loan facility and no amounts were outstanding under our revolving credit facility. After reserving $14.6 million for outstanding letters of credit guaranteed by the facility, $35.4 million was available for borrowings under our revolving credit facility at September 30, 2006. We were in compliance with the covenants under our senior credit facility as of September 30, 2006. For a more detailed discussion of the senior credit facility, see "Description of Certain Indebtedness—Senior Credit Facility."

As a result of the restatement of our financial statements for periods prior to and including the second quarter of 2005, we were in default under our senior credit facility by failing to timely furnish our quarterly consolidated financial statements for the third quarter of 2005 to our lenders. On December 6, 2005, we obtained a Consent and Waiver from our lenders under the senior credit facility that permitted us to extend the time to deliver our consolidated financial statements for the third quarter of 2005 to February 15, 2006. On February 15, 2006, we obtained a waiver of such default from our lenders that extended the period of time to deliver the consolidated financial statements for the third quarter of 2005, our annual audited consolidated financial statements for 2005 and our consolidated financial statements for the first quarter of 2006 to June 30, 2006. We subsequently delivered each of these financial statements on June 30, 2006.

We intend to contribute all of the net proceeds we receive from this offering to Carrols which will use such proceeds to repay term loan borrowings under our senior credit facility. See “Use of Proceeds”.

Notes. In connection with the sale of $180 million of Notes due 2013, we and certain of our subsidiaries, which we refer to as the “guarantors”, entered into a Registration Rights Agreement dated as of December 15, 2004, with J.P. Morgan Securities Inc., Banc of America Securities LLC, Lehman Brothers Inc., Wachovia Capital Markets, LLC and SunTrust Capital Markets, Inc. In general, the Registration Rights Agreement provided that we and the guarantors agreed to file, and cause to become effective, a registration statement with the Securities Exchange Commission in which we offered the holders of the Notes the opportunity to exchange such Notes for newly issued Notes that had terms which were identical to the Notes but that were registered under the Securities Act of 1933, as amended, which we refer to as the “exchange offer”.

Pursuant to the Registration Rights Agreement, because we did not complete the exchange offer on or prior to June 13, 2005, the interest rate on our Notes was increased by 0.25% per annum for the 90-day period immediately following June 13, 2005 and increased by an additional 0.25% per annum in each of the subsequent 90-day periods immediately following September 11, 2005. On December 14, 2005 the exchange offer was completed which eliminated the increased interest rate after such date. This resulted in additional interest expense of $0.4 million during 2005. For a more detailed discussion of the Notes, see “Description of Certain Indebtedness—Notes.”

Contractual Obligations.

The following table summarizes our contractual obligations and commitments as of September 30, 2006 (in thousands):

	Payments due by period				
Contractual Obligations	**Total**	**October 2006 through December 2006**	**2007 – 2008**	**2009 – 2010**	**Thereafter**
Long-term debt obligations, including interest(1)	$ 523,156	$ 5,847	$ 62,627	$ 234,182	$ 220,500
Capital lease obligations, including interest(2)	2,876	155	644	357	1,720
Operating lease obligations(3)	445,056	10,057	76,002	68,450	290,547
Lease financing obligations, including interest(4)	136,842	1,677	10,729	11,143	113,293
Total contractual obligations	$1,107,930	$ 17,736	$ 150,002	$ 314,132	$ 626,060

(1) Our long-term debt obligations include $180.0 million principal amount of Notes and $187.0 million principal amount of term loan borrowings outstanding under the senior credit facility. Interest payments on our Notes of $107.3 million for all periods presented are included at the coupon rate of 9%. Interest payments included above totaling $48.9 million for all periods presented on our term loan borrowings under the senior credit facility are variable in nature and have been calculated using an assumed interest rate of 7.0% for each year.

(2) Includes interest of $1.3 million in total for all years presented.

(3) Represents aggregate minimum lease payments. Many of our leases also require contingent rent in addition to the minimum base rent based on a percentage of sales and require expenses incidental to the use of the property all of which have been excluded from this table.

(4) Includes interest of $78.4 million in total for all years presented. We reduced our lease financing obligations by $52.8 million during the nine months ended September 30, 2006 by exercising our right of first refusal and purchasing fourteen restaurant properties which were concurrently sold in a qualified sale-leaseback transactions and amending lease agreements for thirty-four properties accounted for as lease financing obligations to eliminate or otherwise cure the provisions that precluded the original sale-leaseback accounting under SFAS 98. These leases are reflected as operating lease obligations in the above table.

We have not included obligations under our postretirement medical benefit plans in the contractual obligations table as our postretirement plan is not required to be funded in advance, but is funded as retiree medical claims are paid. Also excluded from the contractual obligations table are payments we may make for workers' compensation, general liability and employee healthcare claims for which we pay all claims, subject to annual stop-loss limitations both for individual claims and claims in the aggregate. The majority of our recorded liabilities related to self-insured employee health and insurance plans represent estimated reserves for incurred claims that have yet to be filed or settled.

Long-Term Debt Obligations. See "Description of Certain Indebtedness" and Note 8 to our Consolidated Financial Statements included elsewhere in this prospectus for details of our long-term debt.

Capital Lease and Operating Lease Obligations. See Note 7 to our Consolidated Financial Statements included elsewhere in this prospectus for details of our capital lease and operating lease obligations.

Lease Financing Obligations. See Note 9 to our Consolidated Financial Statements for details of our lease financing obligations.

Off-Balance Arrangements

We have no off-balance sheet arrangements other than our operating leases, which are primarily for our restaurant properties and not recorded on our consolidated balance sheet.

Inflation

The inflationary factors that have historically affected our results of operations include increases in food and paper costs, labor and other operating expenses, and most recently, energy costs. Wages paid in our restaurants are impacted by changes in the Federal and state hourly minimum wage rates. Accordingly, changes in the Federal and state hourly minimum wage rates directly affect our labor costs. We typically attempt to offset the effect of inflation, at least in part, through periodic menu price increases and various cost reduction programs. However, no assurance can be given that we will be able to offset such inflationary cost increases in the future.

Results of Operations

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

The following table sets forth for the nine months ended September 30, 2006 and 2005, selected operating results as a percentage of consolidated restaurant sales:

	Nine Months Ended September 30,	
	2005	**2006**
Restaurant sales:		
Pollo Tropical	19.4%	20.4%
Taco Cabana	29.5%	30.6%
Burger King	51.1%	49.0%
Total restaurant sales	100.0%	100.0%
Costs and expenses:		
Cost of sales	29.1%	28.2%
Restaurant wages and related expenses	28.9%	29.3%
Restaurant rent expense	4.9%	4.8%
Other restaurant operating expenses	14.3%	14.7%
Advertising expense	3.7%	3.7%
General and administrative (including stock compensation expense)	9.0%	6.4%

Since September 30, 2005 through September 30, 2006, we have opened seven new Pollo Tropical restaurants, ten new Taco Cabana restaurants and one new Burger King restaurant. During the same period we closed eleven Burger King restaurants and one Taco Cabana restaurant.

Restaurant Sales. Total restaurant sales for the first nine months of 2006 increased $30.3 million, or 5.7%, to $561.7 million from $531.4 million in the first nine months of 2005 due primarily to sales increases at our Hispanic Brand restaurants of $26.7 million, or 10.3%, to $286.3 million in the first nine months of 2006.

Pollo Tropical restaurant sales increased $11.4 million, or 11.1%, to $114.5 million in the first nine months of 2006 due primarily to the opening of ten new Pollo Tropical restaurants since the beginning of 2005, which contributed $8.8 million in sales in the first nine months of 2006, and a 2.6% increase in comparable restaurant sales at our Pollo Tropical restaurants in the first nine months of 2006 which included the effect of menu price increases of approximately 4% near the end of the second quarter of 2005.

Taco Cabana restaurant sales increased $15.3 million, or 9.8%, to $171.8 million in the first nine months of 2006 due primarily to the addition of thirteen new Taco Cabana restaurants since the beginning of 2005 and the acquisition of four Taco Cabana restaurants from a franchisee in July 2005. These 17 additional restaurants contributed $11.9 million of sales in the first nine months of 2006. In addition, comparable restaurant sales at our Taco Cabana restaurants increased 2.4% in the first nine months of 2006.

Burger King restaurant sales increased $3.6 million, or 1.3%, to $275.4 million in the first nine months of 2006 due to a 3.1% increase in comparable restaurant sales at our Burger King restaurants in the first nine months of 2006 which included the effect of menu price increases of approximately 4% at the beginning of 2006. These factors were offset in part by the closure of 21 Burger King restaurants since the beginning of 2005.

Operating Costs and Expenses. Cost of sales (food and paper costs), as a percentage of total restaurant sales, decreased to 28.2% in the first nine months of 2006 from 29.1% in the first nine months of 2005. Pollo Tropical cost of sales, as a percentage of Pollo Tropical restaurant sales, decreased to 32.5% in the first nine months of 2006 from 33.3% in the first nine months of 2005 due primarily to lower whole chicken commodity prices (1.2% of Pollo Tropical sales) offset by price increases in other commodities including produce (0.5% of Pollo tropical sales). Taco Cabana cost of sales, as a percentage of Taco Cabana restaurant sales, decreased slightly to 29.0% in the first nine months of 2006 from 29.1% in the first nine months of 2005 due primarily to higher vendor rebates. Burger King cost of sales, as a percentage of Burger King restaurant sales, decreased to 25.9% in the first nine months of 2006 from 27.4% in the first nine months of 2005 due primarily to the effect of menu price increases since the beginning of 2005 (0.9% of Burger King sales), lower beef commodity costs in 2006 (0.4% of Burger King sales) and lower promotional discounting in 2006 (0.4% of Burger King sales).

Restaurant wages and related expenses, as a percentage of total restaurant sales, increased to 29.3% in the first nine months of 2006 from 28.9% in the first nine months of 2005. Pollo Tropical restaurant wages and related expenses, as a percentage of Pollo Tropical restaurant sales, increased to 25.5% in the first nine months of 2006 from 23.6% in the first nine months of 2005 due primarily to increases in restaurant hourly labor rates in response to labor market conditions in Florida (1.1% of Pollo Tropical sales), higher medical insurance costs (0.5% of Pollo Tropical sales) and increased manager training to support new restaurant openings (0.2% of Pollo Tropical sales). Taco Cabana restaurant wages and related expenses, as a percentage of Taco Cabana restaurant sales, increased to 28.4% in the first nine months of 2006 from 28.1% in the first nine months of 2005 due primarily to higher medical insurance costs (0.1% of Taco Cabana sales). Burger King restaurant wages and related expenses, as a percentage of Burger King restaurant sales, was 31.4% in both the first nine months of 2006 and 2005.

Restaurant rent expense, as a percentage of total restaurant sales, decreased to 4.8% in the first nine months of 2006 from 4.9% in the first nine months of 2005 due primarily to the effect of higher comparable restaurant sales volumes at all three of our brands in the first nine months of 2006 on fixed rent costs. This decrease was offset by the effect of sale-leaseback transactions entered into since the beginning of the fourth quarter of 2005 (0.1% of total restaurant sales).

Other restaurant operating expenses, as a percentage of total restaurant sales, increased to 14.7% in the first nine months of 2006 from 14.3% in the first nine months of 2005. Pollo Tropical other restaurant operating expenses, as a percentage of Pollo Tropical restaurant sales, increased to 12.9% in the first nine months of 2006 from 11.8% in the first nine months of 2005 due primarily to increased utility costs from higher natural gas and electricity prices (0.7% of Pollo Tropical sales), higher repair and maintenance expenses from non-structural hurricane damage in 2005 (0.1% of Pollo Tropical sales) and higher credit card fees. Taco Cabana other restaurant operating expenses, as a percentage of Taco Cabana restaurant sales, increased to 14.9% in the first nine months of 2006 from 14.4% in the first nine months of 2005 due primarily to increased utility costs from higher natural gas and electricity prices (0.6% of Taco Cabana sales). Burger King other restaurant operating expenses, as a percentage of Burger King restaurant sales, increased slightly to 15.3% in the first nine months of 2006 from 15.2% in the first nine months of 2005 due primarily to higher fees associated with the acceptance of credit cards (0.2% of Burger King sales).

Advertising expense, as a percentage of total restaurant sales, was 3.7% in both the first nine months of 2006 and the first nine months of 2005. Pollo Tropical advertising expense, as a percentage of Pollo Tropical restaurant sales, decreased to 1.7% in the first nine months of 2006 from 2.1% in the first nine months of 2005 due to higher television and radio expenditures in 2005. Our Pollo Tropical advertising expenditures for all of 2006 are anticipated to be approximately 1.6% of Pollo Tropical restaurant sales, although the actual percentage may be different. Taco Cabana advertising expense, as a percentage of Taco Cabana restaurant sales, decreased slightly to 4.2% in the first nine months of 2006 from 4.3% in the first nine months of 2005 due primarily to the timing of promotions. Our Taco Cabana advertising expenditures for all of 2006 are anticipated to be approximately 4.2% of Taco Cabana restaurant sales, although the actual percentage may be different. Burger King advertising expense, as a percentage of Burger King restaurant sales, increased to 4.2% in the first nine months of 2006 from 4.0% in the first nine months of 2005 due to increased promotional activities in certain of our Burger King markets.

General and administrative expenses, including stock-based compensation expense, as a percentage of total restaurant sales, decreased to 6.4% in the first nine months of 2006 from 9.0% in the first nine months of 2005. There was no stock-based compensation expense in the first nine months of 2006. Stock-based compensation expense in the first nine months of 2005 was $16.4 million, or 3.1%, as a percentage of total restaurant sales. Stock-based compensation expense in 2005 was primarily attributable to the issuance by us of our common stock in exchange for all outstanding stock options in the second quarter of 2005. In addition to the decrease in stock-based compensation expense, general and administrative expenses increased 0.5%, as a percentage of total restaurant sales, in the first nine months of 2006 compared to the first nine months of 2005 due primarily to higher administrative payroll costs, including related payroll taxes and benefits, (0.3% of total restaurant sales) and higher administrative bonus accruals (0.1% of total restaurant sales).

Segment EBITDA. Segment EBITDA for our Pollo Tropical restaurants decreased 2.6% to $21.8 million in the first nine months of 2006 from $22.4 million in the first nine months of 2005. Segment EBITDA for our Taco Cabana restaurants increased 8.8% to $25.7 million in the first nine months of 2006 from $23.6 million in the first nine months of 2005. Segment EBITDA for our Burger King restaurants increased 3.3% to $26.3 million in the first nine months of 2006 from $25.5 million in the first nine months of 2005.

Depreciation and Amortization and Impairment Losses. Depreciation and amortization expense increased to $25.2 million in the first nine months of 2006 from $24.9 million in the first nine months of 2005. Impairment losses were $0.8 million in the first nine months of 2006 and were related to property and equipment of certain underperforming Taco Cabana restaurants of $0.6 million and property and equipment for planned future closures of Burger King restaurants of $0.2 million. Impairment losses were $1.4 million in the first nine months of 2005 with $1.3 million related to property and equipment for certain underperforming Burger King restaurants and planned future closures of Burger King restaurants and $0.1 million for our Taco Cabana restaurants.

Interest Expense. Interest expense increased $2.8 million to $34.6 million in the first nine months of 2006 from $31.8 million in the first nine months of 2005 due primarily to the inclusion in interest expense of $1.7 million of settlement losses on lease financing obligations and higher effective interest rates on our floating rate borrowings under our senior credit facility. This increase was partially offset by the recharacterization of leases as qualified sale-leasebacks rather than lease financing obligations in the second and third quarters of 2006, as described above under “—Recent and Future Events Affecting our Results of Operations—Lease Financing Obligations”, which decreased interest expense by $1.3 million for the first nine months of 2006. The weighted average interest rate on our long-term debt, excluding lease financing obligations, for the nine months ended September 30, 2006 increased to 8.3% from 7.0% in the first nine months of 2005. Interest expense on lease financing obligations, including settlement losses of $1.7 million in the first nine months of 2006, was $8.9 million in the first nine months of 2006 and $8.5 million in the first nine months of 2005.

Provision for Income Taxes. The provision for income taxes for the nine months ended September 30, 2006 was derived using an estimated effective annual income tax rate for 2006 of 33.5% as well as the effect of any discrete tax items occurring in the first nine months of 2006. The provision for income taxes for the nine months ended September 30, 2005 was derived using an estimated effective annual income tax rate for 2005 of 33.2%. The tax provision for the nine months ended September 30, 2005 also included $3.8 million for the non-deductible portion of stock-based compensation expense related to stock awards in the second quarter of 2005 and $0.5 million of income tax expense associated with Ohio state tax legislation enacted in the second quarter of 2005 as discussed below. The discrete tax expense for each of these items was recorded in the second quarter of 2005.

On June 30, 2005, tax legislation in the state of Ohio was enacted that significantly restructured the state’s tax system for most corporate taxpayers. Included in the legislation is a multi-year phase-out of the state franchise tax and tangible personal property tax. These taxes will be replaced with a Commercial Activity Tax that will be phased-in over a five-year period. In the first nine months of 2005, we recorded a tax expense of $0.5 million related to the impact of this legislation due to the reduction of deferred tax assets associated with the future utilization of Ohio net operating loss carryforwards.

On May 18, 2006 the state of Texas enacted House Bill 3, which replaces the state's current franchise tax with a "margin tax" which significantly affects the tax system for most corporate taxpayers. The margin tax, which is based on revenues less certain allowed deductions, will be accounted for as an income tax, following the provisions of SFAS Statement No. 109, "Accounting for Income Taxes". We have reviewed the provisions of this legislation and have concluded that the impact on our deferred taxes, due to the changes in the Texas tax law, is immaterial.

Net Income (Loss). As a result of the foregoing, net income was $9.7 million in the first nine months of 2006 compared to a net loss of $5.2 million in the first nine months of 2005.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

The following table sets forth, for 2003, 2004 and 2005, selected operating results of Carrols as a percentage of total restaurant sales:

	Year Ended December 31,		
	Restated 2003	Restated 2004	2005
Restaurant sales:			
Pollo Tropical	17.0%	17.8%	19.3%
Taco Cabana	28.1%	29.1%	29.7%
Burger King	54.9%	53.1%	51.0%
Total restaurant sales	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of sales	28.2%	29.1%	29.0%
Restaurant wages and related expenses	30.2%	29.7%	29.0%
Restaurant rent expense	4.8%	5.0%	4.9%
Other restaurant operating expenses	14.0%	13.3%	14.6%
Advertising expense	4.2%	3.5%	3.6%
General and administrative (including stock compensation expense)	5.8%	6.3%	8.3%

In 2005, we opened six new Pollo Tropical restaurants, six new Taco Cabana restaurants, and one new Burger King restaurant. We also acquired four Taco Cabana restaurants from a former franchisee and closed 13 Burger King restaurants and one Taco Cabana restaurant. Fiscal 2005 included 52 weeks compared to 53 weeks in 2004.

Restaurant Sales. Total restaurant sales in 2005 increased by $9.1 million, or 1.3%, to $705.4 million due to comparable restaurant sales increases at all three of our restaurant concepts and the net addition of three restaurants. The extra week in 2004 contributed consolidated sales of $13.0 million in 2004 attributable to our three restaurant concepts as follows: Pollo Tropical—$2.3 million; Taco Cabana—$3.8 million; and Burger King—$6.9 million.

Pollo Tropical restaurant sales increased $11.8 million, or 9.5%, including sales in the extra week in 2004 of $2.3 million, to $135.8 million in 2005 due in part to a 4.7% increase in comparable restaurant sales at our Pollo Tropical restaurants. This increase was from an increase in the average sales transaction due in part to menu price increases of approximately 4% near the end of the second quarter of 2005. The addition of nine restaurants since the beginning of 2004 contributed $7.9 million of additional sales in 2005.

Taco Cabana restaurant sales increased $7.0 million, or 3.5%, including sales in the extra week in 2004 of $3.8 million, to $209.5 million in 2005 due primarily to the net addition of nine restaurants since the beginning of 2004 and the acquisition of four restaurants from a franchisee in the third quarter of 2005.

These 13 restaurants contributed $8.6 million of additional sales in 2005. To a lesser extent, sales also increased from a 1.2% increase in comparable restaurant sales at our Taco Cabana restaurants resulting from an increase in the average sales transaction compared to 2004.

During October of 2005 our Pollo Tropical restaurants were negatively impacted by hurricanes Katrina and Wilma, and our Taco Cabana restaurants in the Houston market were negatively impacted by hurricane Rita. Although the restaurants collectively suffered only minimal property damage, our estimate of lost revenues from restaurants temporarily closed were, in the aggregate, approximately $1.8 million.

Burger King restaurant sales were $360.1 million in 2005, including sales in the extra week in 2004 of $6.9 million, decreased $9.7 million due primarily to the closing of 13 underperforming Burger King restaurants during 2005. Comparable restaurant sales at our Burger King restaurants increased 1.0% in 2005 over 2004 from an increase in the average sales transaction due to menu price increases.

Operating Costs and Expenses. Cost of sales (food and paper costs), as a percentage of total restaurant sales, decreased slightly to 29.0% in 2005 from 29.1% in 2004. Pollo Tropical cost of sales, as a percentage of Pollo Tropical restaurant sales, increased 1.9% to 33.3% in 2005 from 31.4% in 2004 due to significant increases in chicken commodity costs (1.5% of Pollo Tropical sales) and increases in other commodity costs (0.6% of Pollo Tropical sales) partially offset by menu price increases in 2005. Taco Cabana cost of sales, as a percentage of Taco Cabana restaurant sales, decreased to 28.8% in 2005 from 29.8% in 2004 due to improvements in restaurant-level food controls (0.8% of Taco Cabana sales) and higher vendor rebates (0.2% of Taco Cabana sales). The effect of menu price increases at our Taco Cabana restaurants in early 2005 substantially offset increases in commodity costs. Burger King cost of sales, as a percentage of Burger King restaurant sales, decreased to 27.5% in 2005 from 27.9% in 2004 due to the effect of menu price increases in 2005 (1.0% of Burger King sales) offset in part by an increase in beef commodity prices (0.2% of Burger King sales), higher promotional sales discounts (0.2% of Burger King sales) and lower rebates (0.1% of Burger King sales).

Restaurant wages and related expenses, as a percentage of total restaurant sales, decreased to 29.0% in 2005 from 29.7% in 2004. Pollo Tropical restaurant wages and related expenses, as a percentage of Pollo Tropical restaurant sales, decreased 1.5% to 23.8% in 2005 from 25.3% in 2004 due primarily to the effect on fixed labor costs of higher comparable restaurant sales volumes (0.5% of Pollo Tropical sales), the effect of menu price increases in 2005 (0.5% of Pollo Tropical sales) and lower medical insurance costs (0.7% of Pollo Tropical sales). Taco Cabana restaurant wages and related expenses, as a percentage of Taco Cabana restaurant sales, decreased to 28.1% in 2005 from 28.5% in 2004 due primarily to the effect of menu price increases in 2005. Burger King restaurant wages and related expenses, as a percentage of Burger King restaurant sales, decreased to 31.5% in 2005 from 31.8% in 2004 due to lower medical insurance costs (0.1% of Burger King sales) and lower restaurant level bonuses (0.1% of Burger King sales).

Restaurant rent expense, as a percentage of total restaurant sales, decreased to 4.9% in 2005 from 5.0% in 2004 due primarily to the effect of comparable restaurant sales increases on fixed rental costs.

Other restaurant operating expenses, as a percentage of total restaurant sales, increased to 14.6% in 2005 from 13.3% in 2004. Pollo Tropical other restaurant operating expenses, as a percentage of Pollo Tropical restaurant sales, increased to 12.4% in 2005 from 10.9% in 2004 due primarily to higher utility costs resulting from higher natural gas and electricity prices (0.4% of Pollo Tropical sales), higher general liability claim costs (0.2% of Pollo Tropical sales) and increased fees due to increased levels of credit card sales (0.2% of Pollo Tropical sales). Taco Cabana other restaurant operating expenses, as a percentage of Taco Cabana restaurant sales, increased to 14.6% in 2005 from 13.2% in 2004 due primarily to higher utility costs from higher natural gas prices and increased electricity usage (0.7% of Taco Cabana sales) and higher maintenance costs associated with initiatives to enhance the appearance of our Taco Cabana restaurants (0.5% of Taco Cabana sales). Burger King other restaurant operating expenses, as a percentage of Burger King restaurant sales, increased to 15.4% in 2005 from 14.3% in 2004 due to higher utility costs from higher natural gas rates and, during summer months, higher electricity usage (0.5% of Burger King sales), and fees associated with the acceptance of credit cards (0.2% of Burger King sales) and higher repair and maintenance expense to enhance the appearance of our Burger King restaurants (0.3% of Burger King sales).

Advertising expense, as a percentage of total restaurant sales, increased slightly to 3.6% in 2005 from 3.5% in 2004. Pollo Tropical advertising expense, as a percentage of Pollo Tropical restaurant sales, increased to 1.9% in 2005 from 1.6% in 2004 due to higher television and radio advertising expenditures in 2005. Taco Cabana advertising expense, as a percentage of Taco Cabana restaurant sales, increased slightly to 4.2% in 2005 from 4.1% in 2004. Burger King advertising expense, as a percentage of Burger King restaurant sales, were 3.9% in both 2005 and 2004.

General and administrative expenses, including stock-based compensation expense, as a percentage of total restaurant sales, increased to 8.3% in 2005 from 6.3% in 2004. Stock-based compensation expense was $16.4 million and $1.8 million in 2005 and 2004, respectively, or as a percentage of total restaurant sales, 2.3% and 0.3%, respectively. Stock-based compensation expense in 2005 was substantially from the issuance by us of our common stock in exchange for stock options in the second quarter of 2005. General and administrative expenses increased $15.0 million in 2005 compared to 2004 due primarily to the $14.6 million increase in stock-based compensation expense. General and administrative expenses further increased $0.4 million in 2005 compared to 2004 due primarily to increased legal and professional fees, including audit fees, of $1.8 million, higher administrative salaries of $0.6 million, and higher 401(k) contributions of $0.3 million, substantially offset by lower administrative bonus expense of $2.3 million.

Segment EBITDA. Our fiscal year 2004 included 53 weeks. The effect of the additional week in 2004 increased segment EBITDA in 2004 by $0.9 million for our Pollo Tropical restaurants, $1.4 million for our Taco Cabana restaurants and $2.1 million for our Burger King restaurants. Segment EBITDA for our Pollo Tropical restaurant segment increased to $28.7 million in 2005 from $27.9 million in 2004, Segment EBITDA for our Taco Cabana restaurant segment increased to $31.9 million in 2005 from $30.1 million in 2004, and Segment EBITDA for our Burger King restaurant segment decreased from $36.6 million in 2004 to $31.8 million in 2005.

Depreciation and Amortization and Impairment Losses. Depreciation and amortization expense decreased to $33.1 million in 2005 from $38.5 million in 2004 due primarily to lower depreciation of restaurant equipment related to our Burger King restaurants of $2.3 million, lower depreciation due to the closure of Burger King restaurants since the beginning of 2004 of $0.7 million, lower depreciation of corporate information systems of $0.7 million, lower leasehold improvement amortization depreciation for our Taco Cabana restaurants of $1.4 million and lower depreciation due to the sale-leaseback of properties in the second half of 2004.

Impairment losses were $1.5 million in 2005 and were comprised of $0.3 million related to Burger King franchise rights and $1.1 million related to property and equipment of certain underperforming Burger King restaurants and planned future closures of Burger King restaurants and $0.1 million related to property and equipment of certain underperforming Taco Cabana restaurants. Impairment losses were $1.5 million in 2004 and were comprised of $0.3 million related to Burger King franchise rights and $1.2 million related to property and equipment of certain underperforming Burger King restaurants and planned future closures of Burger King restaurants.

Interest Expense. Interest expense increased $7.6 million to $43.0 million in 2005 from $35.4 million in 2004 due primarily to higher average outstanding debt balances resulting from the December 2004 Transactions and higher effective interest rates on our floating rate borrowings under our senior credit facility. However, the weighted average interest rate on our long-term debt, excluding lease financing obligations, for the year ended December 31, 2005 decreased to 7.3% from 7.8% in 2004. This decrease was due to increased borrowings under our senior credit facility in 2005 (as a result of the December 2004 Transactions), which are at a lower rate than our borrowings under our Notes, and which also comprised a higher percentage of our total outstanding long-term debt in 2005 compared to 2004.

Provision (Benefit) for Income Taxes. Although we had a pretax loss of $1.6 million in 2005 we had a tax provision of $2.8 million for the year ended December 31, 2005 due to the non-deductible portion of stock- based compensation expense related to stock awards in the second quarter of 2005. The Federal tax provision for 2005 includes $3.3 million for the non-deductible portion of stock-based compensation expense and $0.5 million of income tax expense associated with Ohio state tax legislation enacted in the second quarter of 2005.

During the fourth quarter of 2005, we established a valuation allowance of $1.1 million against net deferred tax assets due to state net operating loss carryforwards where realization of related deferred tax asset amounts was not likely. The estimation of future taxable income for federal and state purposes and our resulting ability to realize deferred tax assets pertaining to state net operating loss carryforwards and tax credit carryforwards can significantly change based on future events and operating results. Thus, recorded valuation allowances may be subject to material future changes.

Net Loss. As a result of the foregoing, we incurred a net loss of $4.4 million in 2005 compared to a net loss of $8.1 million in 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

In 2004, we opened three new Pollo Tropical restaurants, five new Taco Cabana restaurants and one new Burger King restaurant and closed four Burger King restaurants. 2004 included 53 weeks compared to 52 weeks in 2003.

On June 22, 2004, we filed a registration statement on Form S-1 for an offering of Enhanced Yield Securities comprised of our common stock and senior subordinated notes. On October 25, 2004, we withdrew such registration statement with respect to the aforementioned securities. We recorded the incurred costs related to this offering of $2.3 million in other expense in the third quarter of 2004.

Restaurant Sales. Total restaurant sales for 2004 increased by $52.8 million, or 8.2%, to $696.3 million from $643.6 million in 2003 due to sales increases at all three of our restaurant concepts. The extra week in 2004 resulted in an increase in total consolidated sales of $13.0 million attributable to our three restaurant concepts as follows: Pollo Tropical—$2.3 million; Taco Cabana—$3.8 million; and Burger King—$6.9 million.

Pollo Tropical restaurant sales were $124.0 million in 2004, and excluding the effect of the extra week in 2004 of $2.3 million, increased $12.5 million due primarily to a 10.6% sales increase at our comparable Pollo Tropical restaurants that resulted from an increase in customer traffic, and to a much lesser extent the addition of five restaurants since the beginning of 2003. There were no significant menu price increases affecting 2004 results of our Pollo Tropical restaurants.

Taco Cabana restaurant sales were $202.5 million in 2004, and excluding the effect of the extra week in 2004 of $3.8 million, increased $17.6 million due in part to a 4.8% sales increase at our comparable Taco Cabana restaurants and the net addition of ten restaurants since the beginning of 2003. Such increase in Taco Cabana's comparable restaurant sales in 2004 resulted from higher customer traffic, an increase in the average sales transaction compared to 2003 and, to a lesser extent, modest menu price increases of approximately 1% which occurred early in the first quarter of 2004.

Burger King restaurant sales were $369.8 million in 2004, and excluding the effect of the extra week in 2004 of $6.9 million, increased $9.6 million due primarily to an increase in comparable restaurant sales of

2.9% from increases in the average sales transaction at our Burger King restaurants and from sales of new premium sandwiches introduced in 2004. These increases were partially offset by reduced customer traffic, most notably in the first quarter of 2004. Our Burger King restaurants had menu price increases of approximately 1.5% in August 2004.

Operating Costs and Expenses. Cost of sales (food and paper costs), as a percentage of total restaurant sales, increased to 29.1% in 2004 from 28.2% in 2003. Pollo Tropical cost of sales, as a percentage of Pollo Tropical restaurant sales, increased to 31.4% in 2004 from 30.5% in 2003 due to increases in chicken commodity costs (0.6% of Pollo sales) and lower vendor rebates (0.6% of Pollo sales), partially offset by improvements in restaurant food controls. Taco Cabana cost of sales, as a percentage of Taco Cabana restaurant sales, increased to 29.8% in 2004 from 29.6% in 2003 due to higher beef commodity prices in 2004, offset partially by a modest price increase of 1.0% early in the first quarter of 2004 and improvements in restaurant food controls. Burger King cost of sales, as a percentage of Burger King restaurant sales, increased significantly to 27.9% in 2004 from 26.7% in 2003 due to an increase in beef commodity prices of approximately 13% (0.6% of Burger King sales), increases in other commodity costs including cheese and produce (0.9% of Burger King sales) and sales of new menu items which have higher selling prices but lower margins as a percentage of their selling prices (0.4% of Burger King sales). These increases were offset in part by the effect of menu price increases (0.5% of Burger King sales) and lower promotional sales discounts (0.2% of Burger King sales) in 2004.

Restaurant wages and related expenses, as a percentage of total restaurant sales, decreased to 29.7% in 2004 from 30.2% in 2003. Pollo Tropical restaurant wages and related expenses, as a percentage of Pollo Tropical restaurant sales, decreased to 25.3% in 2004 from 25.7% in 2003 due to the effect on fixed labor costs of higher comparable restaurant sales volumes and restaurant productive labor efficiencies. Taco Cabana restaurant wages and related expenses, as a percentage of Taco Cabana restaurant sales, decreased to 28.5% in 2004 from 28.8% in 2003 due to the effect on fixed labor costs of higher comparable restaurant sales volumes and to the price increase in the first quarter of 2004, offset in part by higher medical insurance costs (0.2% of Taco Cabana sales). Burger King restaurant wages and related expenses, as a percentage of Burger King restaurant sales, decreased to 31.8% in 2004 from 32.3% in 2003 due primarily to the effect on fixed labor costs of higher comparable restaurant sales volumes (0.4% of Burger King sales) and lower restaurant incentive bonuses (0.2% of Burger King sales), offset in part by higher medical insurance costs (0.1% of Burger King sales).

Restaurant rent expense, as a percentage of total restaurant sales, increased to 5.0% in 2004 from 4.8% in 2003 due to sale-leaseback transactions that were completed in 2003 and 2004.

Other restaurant operating expenses, as a percentage of total restaurant sales, decreased to 13.3% in 2004 from 14.0% in 2003. Pollo Tropical other restaurant operating expenses, as a percentage of Pollo Tropical restaurant sales, decreased to 10.9% in 2004 from 11.8% in 2003 due to lower general liability insurance costs (0.4% of Pollo Tropical sales), lower utility costs (0.3% of Pollo Tropical sales) and the effect of higher comparable restaurant sales volumes on fixed operating costs. Taco Cabana other restaurant operating expenses, as a percentage of Taco Cabana restaurant sales, decreased to 13.2% in 2004 from 13.6% in 2003 due to the effect on fixed operating costs of higher comparable restaurant sales volumes and lower utility costs. Burger King other restaurant operating expenses, as a percentage of Burger King restaurant sales, decreased to 14.3% in 2004 from 14.8% in 2003 due primarily to lower repair and maintenance expenses (0.2% of Burger King sales) and lower discretionary restaurant operating expenses (0.3% of Burger King sales).

Advertising expense, as a percentage of total restaurant sales, decreased to 3.5% in 2004 from 4.2% in 2003. Pollo Tropical advertising expense, as a percentage of Pollo Tropical restaurant sales, decreased significantly to 1.6% in 2004 from 3.6% in 2003 due to lower television and radio advertising expenditures. Taco Cabana advertising expense, as a percentage of Taco Cabana restaurant sales, decreased to 4.1% in 2004 from 4.7% in 2003 due to the timing of promotions in 2004 compared to the prior year. Burger King advertising expense, as a percentage of Burger King restaurant sales, decreased to 3.9% in 2004 from 4.2% in 2003 due to lower local advertising expenditures in 2004.

General and administrative expenses, as a percentage of total restaurant sales, increased to 6.3% in 2004 from 5.8% in 2003. General and administrative expenses increased $6.2 million to $43.6 million due primarily to increased administrative bonus levels in 2004 of $4.7 million and an increase in stock-based compensation expense of $1.6 million.

Segment EBITDA. Segment EBITDA for our Pollo Tropical restaurant segment increased to $27.9 million in 2004 from $22.5 million in 2003. Segment EBITDA for our Taco Cabana restaurant segment increased to $30.1 million in 2004 from $24.2 million in 2003. Segment EBITDA for our Burger King restaurant segment decreased to $36.6 million in 2004 from $37.4 million in 2003. Our fiscal year 2004 included 53 weeks. The effect of the additional week in 2004 increased segment EBITDA by $0.9 million for our Pollo Tropical restaurants, $1.4 million for our Taco Cabana restaurants and $2.1 million for our Burger King restaurants.

Depreciation and Amortization and Impairment Losses. Depreciation and amortization expense decreased to $38.5 million in 2004 from $40.2 million in 2003 due primarily to lower equipment depreciation at our Burger King restaurants. Impairment losses were $1.5 million in 2004 and were related to certain underperforming Burger King restaurants. Impairment losses were $4.2 million in 2003, $3.5 million of which were related to certain underperforming Taco Cabana restaurants and $0.7 million of which were related to certain underperforming Burger King restaurants.

Bonus to Employees and a Director. In conjunction with our December 2004 Transactions, we approved a compensatory bonus payment of approximately $20.3 million to a number of employees (including management) and a director who owned options to purchase common stock on a pro rata basis in proportion to the number of shares of common stock issuable upon exercise of options owned by such persons. The bonus payment was made in January 2005 and including applicable payroll taxes totaled $20.9 million.

Interest Expense. Interest expense decreased $2.0 million to $35.4 million in 2004 from $37.3 million in 2003 due primarily to lower average outstanding debt balances in 2004, offset slightly by higher effective interest rates on our floating rate debt. The average effective interest rate on all debt, excluding lease financing obligations, increased to 7.8% in 2004 from 7.2% in 2003. This increase was primarily from the Notes comprising a greater percentage of our total outstanding debt, as a result of our principal prepayments on borrowings under our prior senior credit facility.

Provision (Benefit) for Income Taxes. The effective income tax rate for 2004 was 45.4%. This rate is higher than the Federal statutory tax rate of 34% due primarily to state franchise taxes.

Net Income (Loss). As a result of the foregoing, we incurred a net loss of $8.1 million in 2004 compared to net income of $1.3 million in 2003.

Application of Critical Accounting Policies

Our Consolidated Financial Statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in the “Summary of Significant Accounting Policies” footnote in the notes to our Consolidated Financial Statements included elsewhere in this prospectus. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods.

Sales recognition at our company-owned and operated restaurants is straightforward as customers pay for products at the time of sale and inventory turns over very quickly. Payments to vendors for products sold in the restaurants are generally settled within 30 days. The earnings reporting process is covered by our system of internal controls and generally does not require significant management estimates and judgments. However, critical accounting estimates and judgments, as noted below, are inherent in the assessment and recording of accrued occupancy costs, insurance liabilities, legal obligations, income taxes, the valuation of goodwill and intangible assets for impairment, assessing impairment of long-lived assets and lease accounting matters. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions.

Accrued occupancy costs. We make estimates of accrued occupancy costs pertaining to closed restaurant locations on an ongoing basis. These estimates require assessment and continuous evaluation of a number of factors such as the remaining contractual period under our lease obligations, the amount of sublease income we are able to realize on a particular property and estimates of other costs such as property taxes. Differences between actual future events and prior estimates could result in adjustments to these accrued costs. At September 30, 2006 we had three non-operating restaurant properties.

Insurance liabilities. We are insured for workers' compensation, general liability and medical insurance claims under policies where we pay all claims, subject to annual stop-loss limitations both for individual claims and claims in the aggregate. At September 30, 2006, we had $7.7 million accrued for these insurance claims. We record insurance liabilities based on historical and industry trends, which are continually monitored, and adjust accruals as warranted by changing circumstances. Since there are many estimates and assumptions involved in recording these insurance liabilities, including the ability to estimate the future development of incurred claims based on historical trends, differences between actual future events and prior estimates and assumptions could result in adjustments to these liabilities.

Legal obligations. In the normal course of business, we must make estimates of potential future legal obligations and liabilities which require the use of management's judgment. Management may also use outside legal advice to assist in the estimating process. However, the ultimate outcome of various legal issues could be different than management estimates and adjustments to income could be required.

Income taxes. We record income tax liabilities utilizing known obligations and estimates of potential obligations. We are required to record a valuation allowance if it is more likely than not that the value of estimated deferred tax assets are different from those recorded. This would include making estimates and judgments on future taxable income, the consideration of feasible tax planning strategies and existing facts and circumstances. When the amount of deferred tax assets to be realized is expected to be different from that recorded, the asset balance and income statement would reflect any change in valuation in the period such determination is made.

Evaluation of Goodwill. We must evaluate our recorded goodwill under SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on an ongoing basis. We have elected to conduct our annual impairment review of goodwill assets at December 31. Our review at December 31, 2005 indicated there has been no impairment as of that date. This annual evaluation of goodwill requires us to make estimates and assumptions to determine the fair value of our reporting units including projections regarding future operating results of each restaurant over its remaining lease term and market values. These estimates may differ from actual future events and if these estimates or related projections change in the future, we may be required to record impairment charges for these assets.

Impairment of Long-lived Assets. We assess the potential impairment of long-lived assets, principally property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We determine if there is impairment at the restaurant level by comparing undiscounted future cash flows from the related long-lived assets with their respective carrying values. In determining future cash flows, significant estimates are made by us with respect to future operating results of each restaurant over its remaining lease term. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value. This process of assessing fair values requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets.

Impairment of Burger King Franchise Rights. We assess the potential impairment of Burger King franchise rights whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We determine if there is impairment by comparing the aggregate undiscounted future cash flows from those acquired restaurants with the respective carrying value of franchise rights for each Burger King acquisition. In determining future cash flows, significant estimates are made by us with respect to future operating results of each group of acquired restaurants over their remaining franchise life. If acquired franchise rights are determined to be impaired, the impairment charge is measured by calculating the amount by which the franchise rights carrying amount exceeds its fair value. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets.

Lease Accounting. Judgments made by management for our lease obligations include the lease term including the determination of renewal options that are reasonably assured which can affect the classification of a lease as capital or operating for accounting purposes, the term over which related leasehold improvements for each restaurant are amortized, and any rent holidays and/or changes in rental amounts for recognizing rent expense over the term of the lease. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

We also must evaluate under SFAS 98, sales of our restaurants which occur in sale-leaseback transactions to determine the proper accounting for the proceeds of such sales either as a sale or a financing. This evaluation requires certain judgments in determining whether or not clauses in the lease or any related agreements constitute continuing involvement under SFAS 98. These judgments must also consider the various interpretations of SFAS 98 since its issuance in 1989. For those sale-leasebacks that are accounted for as financing transactions, we must estimate our incremental borrowing rate, or another rate in cases where the incremental borrowing rate is not appropriate to utilize, for purposes of determining interest expense and the resulting amortization of the lease financing obligation. Changes in the determination of the incremental borrowing rates or other rates utilized in connection with the accounting for lease financing transactions could have a significant effect on the interest expense and underlying balance of the lease financing obligations.

In addition, if a purchase option exists for any properties subject to a lease financing obligation, the purchase option is evaluated for its probability of exercise on an ongoing basis. This evaluation considers many factors including, without limitation, our intentions, the fair value of the underlying properties, our ability to acquire the property, economic circumstances and other available alternatives to us for the continued use of the property. These factors may change and be considered differently in future assessments of probability.

Effects of New Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), which requires companies to measure and recognize compensation expense for all share-based payments at fair value. In addition, the FASB has issued a number of supplements to SFAS 123R to guide the implementation of this new accounting pronouncement. Share-based payments include stock option grants and other equity-based awards granted under any long-term incentive and stock option plans we may have. SFAS 123R was effective for us beginning January 1, 2006. We used the modified prospective transition method, which requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption (the "Existing Awards") and requires that prior periods not be restated. However, as all shares of stock issued in the stock award in the second quarter of 2005 were fully vested and we did not have any stock options outstanding at December 31, 2005 and September 30, 2006, we have not recorded any stock-based compensation expense related to the adoption of SFAS 123R. However, we intend to grant stock options in connection with this offering and thereafter which may result in our incurring stock-based compensation expense in future periods. We are currently evaluating valuation models to be utilized for future grants.

SFAS 123R also requires an entity to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to adopting SFAS 123R (the "APIC Pool"). In November 2005, the FASB issued FSP No. FAS 123(R)-3 "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." This FSP provides an elective alternative simplified method for calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R and reported in the consolidated statements of cash flows. Companies may take up to one year from the effective date of the FSP to evaluate the available transition alternatives and make a one-time election as to which method to adopt. We are currently in the process of evaluating the alternative methods.

In March 2006, the Emerging Issues Task Force ("EITF") issued EITF Issue 06-3, "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement." This Issue discussed how entities are to adopt a policy of presenting sales taxes in the income statement on either a gross or net basis. If taxes are significant, an entity should disclose its policy of presenting taxes and the amounts of taxes. The guidance is effective for periods beginning after December 15, 2006. We present restaurant sales net of sales taxes and therefore Issue 06-3 will not impact the method for recording these sales taxes in our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a comprehensive recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on the effective date. Initial derecognition amounts would be reported as a cumulative effect of a change in accounting principle. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact on our consolidated financial statements of adopting FIN 48.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefits, an amendment of FAS 87, 88, 106 and 132(R)" ("SFAS 158") which is effective for fiscal years ending after December 15, 2006. SFAS No. 158 requires an employer that sponsors postretirement plans to recognize an asset or liability on its balance sheet for the overfunded or underfunded status of the plan and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 does not change the amount of actuarially determined expense that is recorded in our consolidated statement of operations. SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's balance sheet, which is consistent with our historical measurement date. The impact of the adoption of SFAS 158 will be to record a liability and a charge to accumulated other comprehensive income, a component of stockholder's deficit, at December 31, 2006 equal to the difference between our accrued benefit cost and our projected benefit obligation, which was $2.0 million at December 31, 2005.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. The statement applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for our fiscal year beginning January 1, 2008. We are evaluating the impact the adoption of SFAS 157 will have on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,” (“SAB 108”) to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements (both the statement of operations and statement of financial position) and related disclosures. The application of SAB 108 in the fourth quarter of 2006 is not expected to have any impact on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

We are exposed to market risk associated with fluctuations in interest rates, primarily limited to our senior credit facility. There were no borrowings outstanding under the revolving credit facility at December 31, 2005 and $211.8 million of term loan borrowings outstanding under the senior credit facility. Revolving loans under our senior credit facility bear interest at a per annum rate, at our option of either:

1) the sum of (a) the greater of (i) the prime rate or (ii) the federal funds rate plus 0.50%, plus (b) a margin ranging from 0.50% to 1.50% based on our total leverage ratio (as defined in the senior credit facility); or

2) LIBOR plus a margin ranging from 2.0% to 3.0% based on our total leverage ratio.

Borrowings under the term loan facility bear interest at a per annum rate, at our option, of either:

1) the sum of (a) the greater of (i) the prime rate or (ii) the federal funds rate plus 0.50%, plus (b) a margin ranging from 0.75% to 1.0% based on our total leverage ratio; or

2) LIBOR plus a margin ranging from 2.25% to 2.50% based on our total leverage ratio.

A 1% change in interest rates would have resulted in an increase or decrease in interest expense of approximately $2.4 million for the year ended December 31, 2005.

Commodity Price Risk

We purchase certain products which are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors which are not considered predictable or within our control. Although many of the products and commodities purchased are subject to changes in prices, certain purchasing contracts or pricing arrangements have been negotiated in advance to minimize price volatility. Where possible, we use these types of purchasing techniques to control costs as an alternative to directly managing financial instruments to hedge commodity prices. In many cases, we believe we will be able to address commodity cost increases that are significant and appear to be long-term in nature by adjusting our menu pricing. However, long-term increases in commodity prices may result in lower restaurant-level operating margins.

Restatements

The following discussion of the restatements made to our historical financial statements, and the impact of those restatements, include both restatement adjustments made to our consolidated financial statements for periods ended prior to October 1, 2004 (the “2004 Restatement”) and additional restatement adjustments made to our consolidated financial statements for periods ended prior to July 1, 2005 (the “2005 Restatement”). Our Consolidated Financial Statements and the notes thereto, included elsewhere in this prospectus, discuss only the adjustments for the 2005 Restatement because the adjustments for the 2004 Restatement were previously recorded and disclosed in our consolidated financial statements for the year ended December 31, 2004.

The impact in the aggregate of the 2004 Restatement and 2005 Restatement was to reduce our net income $0.9 million in 2004, $0.5 million in 2003 and $0.2 million in 2002.

The following table sets forth the previously reported and restated amounts for the periods presented.

	Year Ended December 31,							
	2001		2002		2003		2004	
	As Previously Reported	As Restated(1)	As Previously Reported	As Restated(1)	As Previously Reported	As Restated(2)	As Previously Reported	As Restated(2)
	(Dollars in thousands, except per share data)							
Statements of Operations Data:								
Restaurant rent expense	$ 31,207	$ 31,459	$ 30,494	$ 30,940	$ 31,710	$ 31,089	$ 35,699	$ 34,606
General and administrative	35,393	35,494	36,611	36,460	37,388	37,388	43,585	43,585
Depreciation and amortization	45,958	45,461	41,329	39,434	42,008	40,228	40,180	38,521
Total operating expenses	620,107	619,963	605,329	603,729	607,985	605,584	671,145	668,394
Income from operations	36,182	36,326	51,698	53,298	37,000	39,401	26,734	29,485
Interest expense	41,982	44,559	36,392	39,329	34,069	37,334	31,320	35,383
Income (loss) before income taxes	(5,800)	(8,233)	15,306	13,969	2,931	2,067	(13,499)	(14,811)
Provision (benefit) for income taxes	274	(1,428)	5,593	4,929	1,124	741	(6,288)	(6,720)
Net income (loss)	(6,074)	(6,805)	9,713	9,040	1,807	1,326	(7,211)	(8,091)
Per Share Data:								
Basic and diluted net income (loss) per share	$ (0.47)	$ (0.53)	$ 0.75	$ 0.70	$ 0.14	$ 0.10	$ (0.56)	$ (0.63)
Other Financial Data:								
Net cash provided from operating activities	$ 47,968	$ 46,435	$ 55,964	$ 54,194	$ 48,239	$ 46,349	$ 62,652	$ 59,211
Net cash provided from (used for) investing activities	(49,156)	(49,156)	(55,071)	(46,636)	(29,472)	14,581	(20,626)	(8,489)
Net cash provided from (used for) financing activities	881	2,414	(760)	(7,425)	(18,891)	(61,054)	(12,974)	(21,670)
Balance Sheet Data (at end of period):								
Total assets	$ 550,954	$ 552,884	$ 546,296	$ 554,787	$ 481,386	$ 499,054	$ 493,072	$ 516,246
Working capital	(36,131)	(34,362)	(35,988)	(33,971)	(42,123)	(39,835)	(27,110)	(24,515)
Total debt	462,115	469,735	447,047	463,083	380,517	402,640	483,622	512,940
Stockholders’ equity (deficit)	8,889	(1,029)	18,602	8,011	11,603	9,337	(112,402)	(115,548)

(1) Reflects adjustments for both the 2004 Restatement and the 2005 Restatement.

(2) Only reflects adjustments for the 2005 Restatement. See Note 2 to our Consolidated Financial Statements included elsewhere in this prospectus.

The 2005 Restatement

Lease Financing Obligations

We reviewed our accounting with respect to the depreciation of assets and recording of interest expense associated with lease financing obligations related to sale-leaseback transactions required to be accounted for under the financing method. Under the financing method, the assets subject to these obligations remain on the consolidated balance sheet at their historical costs and continue to be depreciated over their useful lives; the proceeds we received from the transaction are recorded as a lease financing obligation and the lease payments are applied as payments of principal and interest.

We previously considered the land and building as a single asset and depreciated this asset (both land and building) over a depreciable life that was deemed to be the 20-year primary lease term of the underlying obligation. We concluded that our prior accounting was in error and that the portion of the asset representing land should not be depreciated and the depreciation of the building portion of this asset should continue using its original estimated useful life rather than the term of the underlying obligation. The effect of this restatement resulted in a reduction of depreciation expense of $2.0 million in each of the years ended December 31, 2004, 2003 and 2002.

Historically, we allocated the related lease payments between interest and principal using an interest rate that would fully amortize the lease financing obligation by the end of the primary lease term. Due to the change in depreciation described above, the assets subject to the lease financing obligations will have a net book value at the end of the primary lease term, primarily for the land portion. To prevent the recognition of a non-cash loss or negative amortization of the obligation through the end of the primary lease term, it was necessary to reevaluate the selection of interest rates which included our incremental borrowing rate, and to adjust the rates used to amortize the lease financing obligations so that a lease obligation equal to or greater than the unamortized asset remained at the end of the primary lease term. The effect of this restatement resulted in an increase in interest expense related to the lease financing obligations of $2.7 million in 2004, $2.5 million in 2003 and $2.3 million in 2002.

These restatements also resulted in an increase in the land and buildings subject to lease financing obligations of $11.4 million and an increase in lease financing obligations of $14.6 million at December 31, 2004.

We also reviewed previously reported sale-leaseback transactions and determined 12 additional real estate transactions were required to be recorded as financing transactions rather than as sale-leaseback transactions under SFAS 98 due to certain forms of continuing involvement. The impact of this restatement was to keep the assets subject to such leases on our balance sheet and to record the proceeds we received from these transactions (including the gains previously deferred) as lease financing obligations. This restatement also affected our operating results by increasing the depreciation expense for buildings subject to these transactions and recharacterizing the lease payments, previously reported as rent expense for these restaurants, as interest expense and principal repayments on the related financing obligations.

The effect of this restatement (a) for the years ended December 31, 2004, 2003 and 2002 was to (i) reduce rent expense by $1.1 million, $0.6 million, and $0.3 million, respectively; (ii) increase depreciation expense by $0.4 million, $0.2 million and $0.1 million, respectively; (iii) increase interest expense by $1.3 million, $0.7 million and $0.3 million, respectively; and (b) at December 31, 2004 and 2003, was to (i) increase the net book value of the land and buildings subject to lease financing obligations by $9.5 million and $6.6 million, respectively; (ii) reduce deferred income-sale-leaseback of real estate by $3.0 million and $2.2 million, respectively; and (iii) increase lease financing obligations by $14.7 million and $10.2 million, respectively.

Deferred Taxes

We also reviewed deferred taxes recorded for certain long-lived assets and liabilities that were previously acquired in business combinations and the related differences between the income tax bases and the financial reporting bases of these assets and liabilities and determined that the deferred taxes recorded at the acquisition dates were incorrect. The result of these restatements was to decrease goodwill and deferred tax liabilities by $2.1 million in the aggregate related to our 2000 acquisition of Taco Cabana and to increase goodwill and deferred tax liabilities by $0.6 million related to our 1998 acquisition of Pollo Tropical. This restatement also cumulatively decreased goodwill amortization expense by $0.1 million for periods prior to 2002.

Statements of Cash Flows

We have corrected our previously issued financial statements to reflect the proceeds from qualifying sale-leaseback transactions within investing activities rather than as financing activities as previously reported in the statements of cash flows. For the years ended December 31, 2004, 2003 and 2002, proceeds from qualifying sale-leaseback transactions included in the accompanying consolidated financial statements were $11.0 million, $44.2 million and $8.4 million, respectively. We have also restated our consolidated statements of cash flows for the years ended December 31, 2004, 2003 and 2002 to reflect the impact of changes in accounts payable related to the acquisition of property and equipment as a non-cash item as required under SFAS No. 95, "Statement of Cash Flows" ("SFAS 95").

The 2004 Restatement

Lease and Leasehold Improvement Accounting

We reviewed our lease accounting policies following a host of announcements by many restaurant and retail companies that they were revising their accounting practices for leases. We historically followed the accounting practice of using the initial lease term when determining operating versus capital lease classification and when calculating straight-line rent expense. In addition, we depreciated our buildings on leased land and leasehold improvements over a period that included both the initial lease term plus one or more optional extension periods even if the option renewal was not reasonably assured (or the useful life of the asset if shorter).

Upon such review, we restated our financial statements for the years ended December 31, 2003 and 2002 and the first three quarters of 2004 to correct errors in our lease accounting. Specifically, we revised our lease term for purposes of lease classification and calculating straight-line rent expense to only include renewal options that are reasonably assured of exercise because an economic penalty, as defined under SFAS 98, would be incurred in the event of non-renewal. We also revised our useful lives of leasehold improvements to the shorter of their economic lives or the lease term as defined in SFAS No. 13, "Accounting for Leases." The primary impact of the restatement was to accelerate depreciation of buildings on leased land and leasehold improvements made subsequent to the lease inception date. The restatement also reduced the lives of intangible assets related to leases. The aggregate effect of these adjustments at December 31, 2004 was a reduction of the net book value of leasehold improvements of $13.8 million and a reduction of the net book value of intangible assets related to leases of $3.8 million.

In conjunction with the review of our lease accounting, we also determined that adjustments were necessary for lease liabilities for operating leases with non-level rents at the time of our acquisitions of Pollo Tropical in 1998 and Taco Cabana in 2000 as well as liabilities related to acquired leases with above-market rentals for Taco Cabana. We adjusted our purchase price allocations for these acquisitions and restated lease liabilities and goodwill as of the acquisition dates. We also restated rent expense and interest expense for those previously reported periods subsequent to each acquisition and restated goodwill amortization through December 31, 2001. As a result of these restatements rent expense increased $0.1 million in the first nine months of 2004, $0.3 million in 2003 and $0.7 million in 2002.

Accounting for Franchise Rights

In 2004, we reviewed our accounting policies for the amortization of franchise rights, intangible assets pertaining to our Burger King acquisitions, and determined that we made an error in the assessment of their remaining useful lives at January 1, 2002, as part of our adoption of SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Beginning on January 1, 2002, amounts allocated to franchise rights for each acquisition are amortized using the straight-line method over the average remaining term of the acquired franchise agreements at January 1, 2002, plus one 20-year renewal period. Previously, we amortized the amounts allocated to franchise rights over periods ranging from 20 to 40 years.

In connection with the review of our accounting for franchise rights, we also determined that we understated the franchise rights and deferred tax liabilities each by $14.0 million that pertained to an acquisition of 64 Burger King restaurants in 1997.

We restated our financial statements for these adjustments for the years ended December 31, 2003 and 2002 and the unaudited quarterly financial information for 2003 and the first three quarters of 2004. The effect of the restatement was a reduction in amortization expense of $0.5 million for the first three quarters of 2004 and $0.8 million for each of the years ended December 31, 2003 and 2002.

Stock-based Compensation Expense

In 2004, we reevaluated the terms of our option plans and grants and concluded that provisions of certain options granted under our plans require us to account for these options using the variable accounting provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”). Previously, we had accounted for these options under APB 25 using a fixed accounting treatment whereby compensation expense, if any, was only evaluated at the date of the option grant. The most significant impact of this adjustment was to increase stock-based compensation expense, included in general and administrative expenses, by $2.2 million in the first nine months of 2004.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board Auditing Standard No. 2), or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The control deficiencies described below resulted in the restatement of our consolidated financial statements for the first six months of 2005, and for the years ended December 31,2004, 2003 and 2002 as well as audit adjustments to the 2004 consolidated financial statements. Additionally, each of these control deficiencies could result in the material misstatement of the aforementioned accounts that would result in material misstatements to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that each of these control deficiencies constituted material weaknesses.

Management previously identified the following material weaknesses in its internal controls over financial reporting:

Personnel

Management concluded that we did not have sufficient personnel with the appropriate knowledge and expertise to identify and resolve certain complex accounting and tax matters. In addition, we did not perform the appropriate level of review commensurate with our financial reporting requirements to ensure the consistent execution of its responsibility in the areas of monitoring of controls and the application of U.S. generally accepted accounting policies and disclosures to support its accounting, tax and reporting functions. This material weakness contributed to certain of the material weaknesses discussed below.

Controls over Applying the Lease Financing Method, SFAS 98 and Lease Accounting Policies

(a) Controls over the application of the financing method required under SFAS 98, with respect to the depreciation of assets subject to lease financing obligations and the selection of the appropriate interest rate to apply to such financing obligations, were ineffective resulting in the failure to identify misstatements in property and equipment, lease financing obligations, deferred income-sale-leaseback transactions, depreciation expense, interest expense and rent expense.

(b) Controls to identify leases that contained provisions which constitute forms of continuing involvement requiring real estate transactions to be accounted for as financing transactions rather than as sale-leaseback transactions were ineffective. This resulted in our failure to identify misstatements in property and equipment, lease financing obligations, deferred income-sale-leaseback transactions, depreciation expense, interest expense and rent expense.

(c) Controls over the selection and application of lease accounting policies were not effective in determining lease terms for leasehold amortization periods and recording acquisitions of leases with non-level or above-market rentals which failed to identify misstatements in property and equipment, goodwill, deferred lease liability, depreciation expense, amortization expense and rent expense.

Controls Related to Acquired Intangibles and Deferred Taxes in Conjunction with Acquisitions

(a) Controls over the application of SFAS 142 were not effective in the evaluation of the amortization lives of franchise rights and the recording of deferred income tax liabilities related to franchise rights at the acquisition date resulting in misstatements of franchise rights, deferred income tax liabilities, income tax expense, and amortization expense.

(b) Controls related to the preparation, periodic analysis and recording of deferred taxes resulting from differences in financial reporting and tax bases of acquired assets and liabilities were not effective resulting in misstatements of deferred income tax assets and liabilities, goodwill and goodwill amortization expense as well as the related footnotes.

Controls Over Certain Financial Statement Disclosures

Controls over the preparation of the statements of cash flows were not effective resulting in (i) the improper classification of the proceeds from qualifying sale-leaseback transactions as financing cash flows versus investing cash flows and (ii) the improper recording of the amount of capital expenditures and changes in accounts payable which did not exclude non-cash expenditures. These weaknesses resulted in the misstatements of the amount of net cash provided from (used for) operating activities, investing activities, financing activities and the amount of cash capital expenditures and in the changes in accounts payable.

Controls Over Stock Option Accounting

Controls over the application of variable accounting for stock option agreements that contained several dividend provisions were not effective which failed to identify a misstatement in stock-based compensation expense.

Remediation of Material Weaknesses

Actions to remediate all of the material weaknesses identified above were implemented as of September 30, 2006. The actions taken to remediate these material weaknesses included the following:

(a) We have made improvements with respect to the controls over leasing transactions in the application of lease accounting policies in determining lease terms, the assignment of appropriate lives for leasehold improvements and intangible assets related to leases, and recording the acquisitions of leases with non-level rents and, in that regard we have: (i) performed staff training and enhanced our management review over our procedures in determining the definition of lease term and the assignment of appropriate depreciable lives to leasehold improvements and intangible assets related to leases in accordance with U.S. generally accepted accounting principles; and; (ii) enhanced documentation procedures to ensure appropriate accounting for straight-line rent expense for any acquired businesses;

(b) We implemented procedures to appropriately apply variable accounting with regards to certain stock options. In addition, all stock options were cancelled and terminated during the quarter ended July 3, 2005;

(c) We improved our controls over the application of SFAS 142 in evaluating the amortization lives of franchise rights. We will continue to review any factors that would alter the remaining lives of our franchise rights as circumstances change;

(d) We have established procedures (by applying the appropriate interest rates and ensuring the proper depreciation of certain assets) to ensure the appropriate application of the financing method required by SFAS 98;

(e) We have enhanced the procedures and analysis around the reconciliation of deferred tax balances to the underlying financial reporting and tax bases, including the preparation of an updated tax balance sheet;

(f) In connection with the preparation of the statements of cash flows we have established procedures to ensure the proceeds from qualifying sale-leaseback transactions are appropriately classified and we have implemented an enhanced process to monitor capital expenditures included in accounts payable at the reporting dates to ensure capital expenditures are properly reflected in the statements of cash flows in accordance with SFAS 95;

(g) We hired five senior accounting professionals that possess a strong understanding of U.S. generally accepted accounting principles, strong technical accounting skills and relevant experience to augment our staff, to help us improve our controls and procedures pertaining to financial reporting and to assist in making other improvements to our internal controls. Several of these professionals are Certified Public Accountants with relevant public company experience and with backgrounds in large public accounting firms. We have also re-assigned or replaced certain other personnel within our financial organization in conjunction with these changes;

(h) We reorganized our corporate accounting staff to delineate distinct roles and responsibilities for external financial reporting including the application of generally accepted accounting principles. We believe that the accounting professionals that we have hired or reassigned have provided us with additional technical accounting expertise as necessary to ensure the timely preparation of our interim and annual financial statements in accordance with GAAP;

(i) We have also re-organized responsibilities within our accounting organization to provide an increased focus on lease accounting matters and, in general, to increase the total internal resources dedicated to complex accounting and tax matters. Additionally, we have implemented a more structured analysis and review process of the application of generally accepted accounting principles and complex accounting matters. In the area of income taxes we have formalized our review process regarding our quarterly tax disclosures and accounting as well as the ongoing assessment of new tax laws or other events that could affect our effective tax rate or the recognition of tax benefits;

(j) We have had controls in place for sale-leaseback transactions that were consummated since the first quarter of 2004 to properly assess provisions which constitute forms of continuing involvement, including amendments to lease agreements for certain properties previously accounted for as lease financing obligations to eliminate or otherwise cure the provisions that precluded the original sale-leaseback accounting under SFAS 98. These controls include a review process conducted by legal and accounting personnel, including management, prior to the lease being executed. We believe that a sufficient passage of time has occurred since the implementation of these controls to correct this material weakness and that such controls have been applied to a sufficient number of leasing transactions to evaluate the effectiveness of these controls; and

(k) We have continued to emphasize the importance of an effective environment in relation to accounting and internal control matters over financial reporting, including identifying opportunities for improvement.

Disclosure Controls and Procedures

Our senior management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) designed to ensure that information required to be disclosed by Carrols in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2006, our Chief Executive Officer and Chief Financial Officer had concluded that our disclosure controls and procedures were ineffective as of June 30, 2006 as a result of certain material weaknesses in our internal control over financial reporting. We have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2006, with the participation of our Chief Executive Officer and Chief Financial Officer, as well as other key members of our management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2006.

No other changes occurred in our internal controls over financial reporting during the third quarter of 2006 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We will continue to assess our controls and procedures and will take any further actions that we deem necessary.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

On August 18, 2005, PricewaterhouseCoopers LLP ("PwC") resigned as our independent registered public accounting firm following the completion of services related to the review of Carrols' and our interim financial statements for the quarter ended June 30, 2005 and the filing of Carrols' Quarterly Report on Form 10-Q for the period ended June 30, 2005.

The reports of PwC on our financial statements as of and for the years ended December 31, 2004 and 2003 contained no adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the audits for years ended December 31, 2004 and 2003 and through August 18, 2005, there were certain differences of opinion with PwC which, although ultimately resolved to the satisfaction of both PwC and us, constituted disagreements on matters regarding accounting principles, practices or financial statement disclosure which are required to be reported under Item 304(a)(1)(iv) of Regulation S-K promulgated by the SEC. During the year ended December 31, 2003 the reportable event related to the accounting for certain real estate transactions as financing transactions rather than as sale-leaseback transactions which resulted in a restatement of our financial statements. During the year ended December 31, 2004, such reportable events related to (a) our lease and leasehold improvement accounting, (b) our accounting policies with respect to franchise rights and (c) the accounting method used for certain stock options, all of which resulted in a restatement of our financial statements. Our audit committee discussed the subject matter of these disagreements with PwC, and authorized PwC to respond fully to the inquiries of our successor accountant, once it was engaged, concerning the subject matter of such disagreements. Except for those matters noted above, there were no other disagreements with PwC for the years ended December 31, 2004 and December 31, 2003, and through August 18, 2005 that would have caused PwC to make reference thereto in their reports on our financial statements for such years if such matters were not resolved to the satisfaction of PwC.

We also refer to certain material weaknesses or deficiencies in our internal controls over financial reporting, which are described in "—Restatements" above. Except for the material weaknesses or deficiencies noted, during the years ended December 31, 2004 and 2003, and through August 18, 2005, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

On October 19, 2005, our audit committee appointed Deloitte & Touche LLP ("Deloitte & Touche") as our independent registered public accounting firm for the year ended December 31, 2005.

During the years ended December 31, 2004 and 2003, and through the date Deloitte & Touche was engaged, we did not consult Deloitte & Touche regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or regarding the type of audit opinion that might be rendered by Deloitte & Touche on our financial statements, and no written report or oral advice was provided to us that Deloitte & Touche concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

BUSINESS

Overview

Our Company

We are one of the largest restaurant companies in the United States operating three restaurant brands in the quick-casual and quick-service restaurant segments with 542 restaurants located in 16 states as of September 30, 2006. We have been operating restaurants for more than 45 years. We own and operate two Hispanic restaurant brands, Pollo Tropical® and Taco Cabana® (together referred to by us as our Hispanic Brands), which we acquired in 1998 and 2000, respectively. We are also the largest Burger King franchisee, based on the number of restaurants, and have operated Burger King restaurants since 1976. As of September 30, 2006, our company-owned restaurants included 73 Pollo Tropical restaurants and 141 Taco Cabana restaurants, and we operated 328 Burger King restaurants under franchise agreements. We also franchise our Hispanic Brand restaurants with 29 franchised restaurants located in Puerto Rico, Ecuador and the United States as of September 30, 2006. We believe that the diversification and strength of our restaurant brands as well as the geographic dispersion of our restaurants provide us with stability and enhanced growth opportunities. Our primary growth strategy is to develop new company-owned Hispanic Brand restaurants. For the year ended December 31, 2005 and the nine months ended September 30, 2006, we had total revenues of $706.9 million and $562.7 million, respectively, and a net loss of $4.4 million and net income of $9.7 million, respectively.

***Hispanic Brands*.** Our Hispanic Brands operate in the quick-casual restaurant segment, combining the convenience and value of quick-service restaurants with the menu variety, use of fresh ingredients and food quality more typical of casual dining restaurants. For the year ended December 31, 2005, our company-owned Pollo Tropical and Taco Cabana restaurants generated average annual sales per restaurant of $2.1 million and $1.6 million, respectively, which we believe are among the highest in the quick-casual segment. For the year ended December 31, 2005 and the nine months ended September 30, 2006, aggregate revenues for our Hispanic Brands were $346.8 million and $287.3 million, respectively, which represented 49.1% and 51.1%, respectively, of our total consolidated revenues.

Pollo Tropical: Our Pollo Tropical restaurants are known for their fresh grilled chicken marinated in our own blend of tropical fruit juices and spices. Our menu also features other items including roast pork, sandwiches, grilled ribs offered with a selection of sauces, Caribbean style “made from scratch” side dishes and salads. Most menu items are made fresh daily in each of our Pollo Tropical restaurants, which feature open display cooking that enables customers to observe the preparation of menu items, including chicken grilled on large, open-flame grills. Pollo Tropical opened its first restaurant in 1988 in Miami. As of September 30, 2006, we owned and operated a total of 73 Pollo Tropical restaurants, of which 72 were located in Florida, including 60 in South Florida, and one of which was located in the New York City metropolitan area, in northern New Jersey. For the year ended December 31, 2005, the average sales transaction at our company-owned Pollo Tropical restaurants was $8.72 reflecting, in part, strong dinner traffic, with dinner sales representing the largest sales day-part of Pollo Tropical restaurant sales. For the year ended December 31, 2005 and the nine months ended September 30, 2006, Pollo Tropical generated total revenues of $137.0 million and $115.3 million, respectively, Segment EBITDA of $28.7 million and $21.8 million, respectively, and Segment EBITDA margins of 20.9% and 18.9%, respectively.

Taco Cabana: Our Taco Cabana restaurants serve fresh Tex-Mex and traditional Mexican style food, including sizzling fajitas, quesadillas, enchiladas, burritos, tacos, other Tex-Mex dishes, fresh-made flour tortillas, frozen margaritas and beer. Most menu items are made fresh daily in each of our Taco Cabana restaurants, which feature open display cooking that enables customers to observe the preparation of menu items, including fajitas cooking on a grill and a machine making fresh tortillas. A majority of our Taco Cabana restaurants are open 24 hours a day, generating customer traffic and restaurant sales across multiple day-parts by offering a convenient and quality experience to our customers. Taco Cabana pioneered the Mexican patio café concept with its first restaurant in San Antonio, Texas in 1978. As of September 30, 2006, we owned and operated 141 Taco Cabana restaurants located in Texas, Oklahoma and New Mexico, of which 135 were located in Texas. For the year ended December 31, 2005, the average sales transaction at our company-owned Taco Cabana restaurants was $7.08 with dinner sales representing the largest sales day-part of Taco Cabana restaurant sales. For the year ended December 31, 2005 and the nine months ended September 30, 2006, Taco Cabana generated total revenues of $209.8 million and $172.0 million, respectively, Segment EBITDA of $31.9 million and $25.7 million, respectively, and Segment EBITDA margins of 15.2% and 14.9%, respectively.

Burger King**.** Burger King is the second largest hamburger restaurant chain in the world (as measured by the number of restaurants and system-wide sales) and we are the largest franchisee in the Burger King system, based on number of restaurants. Burger King restaurants are part of the quick-service restaurant segment which is the largest of the five major segments of the U.S. restaurant industry based on 2005 sales. Burger King restaurants feature the popular flame-broiled Whopper sandwich, as well as a variety of hamburgers and other sandwiches, fries, salads, breakfast items and other offerings. According to BKC, historically it has spent between 4% and 5% of its annual system sales on marketing, advertising and promotion to sustain and increase its high brand awareness. We benefit from BKC's marketing initiatives as well as its development and introduction of new menu items. As of September 30, 2006, we operated 328 Burger King restaurants located in 12 Northeastern, Midwestern and Southeastern states. For the year ended December 31, 2005, the average sales transaction at our Burger King restaurants was $5.03. Our Burger King restaurants generated average annual sales per restaurant of $1.0 million for the year ended December 31, 2005. In addition, for the year ended December 31, 2005 and the nine months ended September 30, 2006, our Burger King restaurants generated total revenues of $360.1 million and $275.4 million, respectively, Segment EBITDA of $31.8 million and $26.3 million, respectively, and Segment EBITDA margins of 8.8% and 9.6%, respectively.

Industry

The Restaurant Market

According to Technomic, total restaurant industry revenues in the United States for 2005 were $330.8 billion, an increase of 5.6% over 2004. Sales in the overall U.S. restaurant industry are projected by Technomic to increase at a compound annual growth rate of 5.3% from 2005 through 2010.

Quick-Casual Restaurants

Our Hispanic Brands operate in the quick-casual restaurant segment, combining the convenience of quick-service restaurants with the menu variety, use of fresh ingredients and food quality more typical of casual dining. We believe that the quick-casual restaurant segment is one of the fastest growing segments of the restaurant industry. According to Technomic, sales growth in 2005 of quick-casual chains in the Technomic Top 500 restaurant chains was 11.8% as compared to 7.0% for the overall Top 500 restaurant chains, which includes all five major segments.

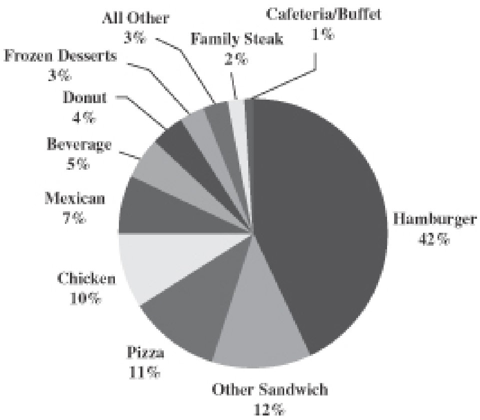
Quick-casual restaurants are primarily distinguished by the following characteristics:

- *Quick-service or self-service format*. Meals are purchased prior to receiving food. In some cases, payment may be made at a separate station from where the order was placed. Also, servers may bring orders to the customer's table.
- *Check averages between $7 and $10*. Technomic reports that the average check at quick-casual restaurants in 2005 ranged between $7 and $10, which was higher than the average check at traditional quick-service restaurants.
- *Food prepared to order*. We believe that in quick-casual concepts, customization of orders and open display cooking are common.

- *Fresh ingredients*. Many concepts use the word “fresh” in their concept positioning and feature descriptive menus highlighting these fresh ingredients.
- *Broader range of menu offerings*. Typically quick-casual concepts provide greater variety and diversity in their menu offerings relative to traditional quick-service restaurants.
- *Enhanced decor*. Wooden tables, upholstered seating and track lighting are some of the design features commonly found in quick-casual establishments.

We believe that our Hispanic Brands are positioned to benefit from growing consumer demand for quick-casual restaurants because of food quality, value and differentiation of flavors, as well as the increasing acceptance of ethnic foods. We also believe that our Hispanic Brands will benefit from two significant demographic factors: the expected population growth rates in regions in which our restaurants are currently located and the expected rate of growth of the Hispanic population in the United States, both as projected by the U.S. Census Bureau in its 2001 Statistical Abstract of the United States.

Our Burger King restaurants are part of the quick-service restaurant segment that Technomic indicates is the largest of the five major segments of the U.S. restaurant chain industry. Technomic identifies ten major types of restaurants comprising the quick-service segment: Hamburger; Pizza; Chicken; Other Sandwich; Mexican; Frozen Dessert; Donut; Beverage; Cafeteria/Buffet; and Family Steak. According to Technomic, the quick-service restaurants included in the Top 100 quick-service restaurant companies in 2005 were divided by menu category as follows (percentages are based on total sales for the quick-service segment):



According to Technomic, sales at all quick-service restaurants in the United States were $168.8 billion in 2005, representing 51% of total U.S. restaurant industry sales. Sales in this segment are projected by Technomic to increase at a compound annual growth rate of 5.5% from 2005 through 2010.

Quick-service restaurants are distinguished by the following characteristics:

- *High speed of service and efficiency*. Quick-service restaurants typically have order taking and cooking platforms designed specifically to order, prepare and serve menu items with speed and efficiency. Fast and consistent food service is a characteristic of quick-service restaurants.
- *Convenience*. Quick-service restaurants are typically located in places that are easily accessed and convenient to customers’ homes, places of work and commuter routes.
- *Limited menu choice and service*. The menus at most quick-service restaurants have a limited number of standardized items. Typically, customers order at a counter or drive thru and pick up food that then is taken to a seating area or consumed off the restaurant premises.
- *Value prices*. At quick-service restaurants, average check amounts are generally lower than other major segments of the restaurant industry.

Our Burger King restaurants operate in the hamburger segment of the quick-service restaurant segment. The hamburger segment of the quick-service restaurant segment in the United States, which generated $56.4 billion in sales in 2005, is the largest segment of the quick-service restaurant segment in the United States, according to Technomic.

We believe that the quick-service and quick-causal restaurant segments meet consumers' desire for a convenient, reasonably priced restaurant experience. In addition, we believe that the consumers' need for meals prepared outside of the home, including takeout, has increased significantly over historical levels as a result of the greater numbers of working women and single parent families. For example, according to the U.S. Bureau of Labor Statistics, the percentage of mothers with children under age six participating in the workforce has increased from 39% in 1975 to 64% in 2002. According to the U.S. Census Bureau, the number of children living in households with two parents has decreased from approximately 85% in 1970 to 70% in 2001.

Our Competitive Strengths

We believe we have the following strengths:

Strong Hispanic Brands. We believe that the following factors have contributed, and will continue to contribute, to the success of our Hispanic Brands:

- freshly-prepared food at competitive prices with convenience and value;
- a variety of menu items including signature dishes with Hispanic flavor profiles designed to appeal to consumers' desire for freshly-prepared food and menu variety;
- successful dinner day-part representing the largest sales day-part at both of our Hispanic Brands, providing a higher average check size than other day-parts;
- broad consumer appeal that attracts both the growing Hispanic consumer base, with increasing disposable income to spend on items such as traditional foods prepared at restaurants rather than at home, and non-Hispanic consumers in search of new flavor profiles, grilled rather than fried entree choices and varied product offerings at competitive prices in an appealing atmosphere;
- ability to control the consistency and quality of the customer experience and the strategic growth of our restaurant operations through our system consisting of primarily company-owned restaurants compared to competing brands that focus on franchising;
- high market penetration of company-owned restaurants in our core markets that provides operating and marketing efficiencies, convenience for our customers and the ability to effectively manage and enhance brand awareness;
- well positioned to continue to benefit from the projected population growth in Florida and Texas;
- established infrastructure at our Hispanic Brands to manage operations and develop and introduce new menu offerings, positioning us to build customer frequency and broaden our customer base; and
- well positioned to continue to capitalize on the home meal replacement trend.

For the year ended December 31, 2005 and the nine months ended September 30, 2006, aggregate revenues for our Hispanic Brands were $346.8 million and $287.3 million, respectively, which represented 49.1% and 51.1%, respectively, of our total consolidated revenues.

***Primarily Company-Owned Hispanic Brand Restaurants Enable us to Control our Hispanic Brands*.** As of September 30, 2006, our Hispanic Brands were comprised of 214 company-owned and 29 franchised restaurants, of which only five of these franchised restaurants were located in the United States. Our Hispanic

Brand restaurants in the United States are primarily company-owned and we therefore exercise control over the day-to-day operations of our company-owned restaurants unlike many of our competitors that have multiple franchisees operating as a single brand. Consequently, our success does not depend on our control of our franchisees, or support by them of our marketing programs, new product offerings, strategic initiatives or new restaurant development strategies. In addition, because our Hispanic Brand restaurants are primarily company-owned, we believe we are less susceptible to third party franchisees adversely affecting the long-term development potential of our brands and we believe we are better able to provide customers a more consistent experience relative to competing brands that utilize franchisee-operated restaurants.

Strong Restaurant Level Economics and Operating Metrics for our Hispanic Brands. We believe that we benefit from attractive restaurant level economics and operating profitability for our Hispanic Brands. In 2005, Pollo Tropical and Taco Cabana had average annual sales per company-owned restaurant of $2.1 million and $1.6 million, respectively, which we believe are among the highest in the quick-casual segment. For the year ended December 31, 2005 and the nine months ended September 30, 2006, our Pollo Tropical restaurants generated Segment EBITDA margins of 20.9% and 18.9%, respectively, which reflected general and administrative expenses of 5.2% and 5.1% of total Pollo Tropical revenues, respectively. For the year ended December 31, 2005 and the nine months ended September 30, 2006, our Taco Cabana restaurants generated Segment EBITDA margins of 15.2% and 14.9%, respectively, which reflected general and administrative expenses of 4.8% and 5.0% of total Taco Cabana revenues, respectively. We believe the strong average annual sales at our company-owned Hispanic Brand restaurants and the operating margins of our Hispanic Brands generate unit economics and returns on invested capital which will enable us to accelerate and sustain new unit growth.

Well Positioned to Continue to Capitalize on Growing Population in Core Markets Served by Our Hispanic Brands. We expect sales from our Hispanic Brand restaurants in Florida and Texas to benefit from the projected continued overall population growth in these markets, which is projected by the U.S. Census Bureau to grow at a faster rate than the national average. According to the U.S. Census Bureau, the U.S. population is forecast to grow by 4.5% from 2005 to 2010 and the population in Florida and Texas is forecast to grow by 9.9% and 8.2%, respectively, during that same period.

Well Positioned to Continue to Capitalize on the Growth of the Hispanic Population in the United States. We expect sales from our Hispanic Brand restaurants to benefit from the population growth of the U.S. Hispanic population which is projected by the U.S. Census Bureau to grow at a faster rate than the national average. The U.S. Census Bureau forecasts that the growth of the Hispanic population is expected to outpace overall population growth and increase from 11.8% of the total U.S. population in 2000 to 18.2% by 2025.

Largest Burger King Franchisee. We are Burger King's largest franchisee and are well positioned to leverage the scale and marketing of one of the most recognized brands in the restaurant industry. The size of our Burger King business has contributed significantly to our large aggregate restaurant base, enabling us to enhance operating efficiencies and realize benefits across all three of our brands from economies of scale with respect to our management team and management information and operating systems. In addition, our Burger King business has significantly contributed, and is expected to continue to significantly contribute, to our consolidated operating cash flows. For the year ended December 31, 2005 and the nine months ended September 30, 2006, revenues for our Burger King restaurants were $360.1 million and $275.4 million, respectively, which represented 50.9% and 48.9%, respectively, of our total consolidated revenues.

Infrastructure in Place for Growth. We believe that our operating disciplines, seasoned management, operational infrastructure and marketing and product development capabilities, supported by our corporate and restaurant management information systems and comprehensive training and development programs, will support significant expansion. We expect to leverage our significant investment in corporate infrastructure as we grow our business.

Experienced Management Team. We believe that our senior management team's extensive experience in the restaurant industry, knowledge of the demographic and other characteristics of our core markets and its long and successful history of developing, acquiring, integrating and operating quick-service and quick-casual restaurants, provide us with a competitive advantage. In addition, our executive officers will collectively own approximately 10.8% of our common stock outstanding immediately after this offering.

Growth Strategy

Our primary growth strategy is as follows:

- ***Develop New Hispanic Brand Restaurants in Core and Other Markets.*** We believe that we have significant opportunities to develop new Pollo Tropical and Taco Cabana restaurants in their respective core markets within Florida and Texas and expand into new markets both within Florida and Texas as well as other regions of the United States. Our Pollo Tropical restaurants are primarily concentrated in South and Central Florida and our Taco Cabana restaurants are primarily concentrated in larger cities in Texas. By increasing the number of restaurants we operate in a particular market, we believe that we can continue to increase brand awareness and effectively leverage our field supervision, corporate infrastructure and marketing expenditures. We also believe that the appeal of our Hispanic Brands and our high brand recognition in our core markets provide us with opportunities to expand into other markets in Florida and Texas. In addition, we believe that there are a number of geographic regions in the United States outside of Florida and Texas where the size of the Hispanic population and its influence on the non-Hispanic population provide significant opportunities for development of additional Hispanic Brand restaurants. In March 2006, we opened our first Pollo Tropical restaurant in the New York City metropolitan area, located in northern New Jersey. In addition, we currently are exploring opportunities for expansion of the Taco Cabana brand in new markets. In 2005, we opened a total of six new Pollo Tropical restaurants in Florida and six new Taco Cabana restaurants in Texas and we acquired four additional Taco Cabana restaurants in Texas from a franchisee. During the nine months ended September 30, 2006, we opened four Pollo Tropical restaurants (including one restaurant in the New York City metropolitan area) and seven Taco Cabana restaurants in Texas and we currently plan to open four Pollo Tropical restaurants (including one restaurant in the New York City metropolitan area) and three Taco Cabana restaurants in Texas in the fourth quarter of 2006. In 2007, we currently plan to open between eight and ten Pollo Tropical restaurants and between ten and twelve Taco Cabana restaurants.

Our staff of real estate and development professionals is responsible for new restaurant development. Before developing a new restaurant, we conduct an extensive site selection and evaluation process that includes in depth demographic, market and financial analyses. By selectively increasing the number of restaurants we operate in a particular market, we believe that we can continue to increase brand awareness and effectively leverage our field supervision, corporate infrastructure and marketing expenditures. Where possible, we intend to continue to utilize real estate leasing as a means of reducing the amount of cash invested in new restaurants. We believe that cash generated from operations, borrowings under our senior credit facility and leasing will enable us to continue to pursue our strategy of new restaurant development.

In addition to opportunities for expansion of our Hispanic Brands within our core markets, we believe there are significant growth opportunities in areas contiguous to our core markets and beyond such markets. We plan to open new restaurants in existing and new markets that may be either freestanding buildings or restaurants contained within strip shopping centers, which we sometimes refer to as in-line restaurants, to further leverage our existing brand awareness. Developing in-line restaurants allows us to selectively expand our brand penetration and visibility in certain of our existing markets, while doing so at a lower cost than developing a restaurant as a freestanding building. In addition, development of in-line restaurants permits us to further penetrate markets where freestanding opportunities may be limited.

- ***Increase Comparable Restaurant Sales.*** Our strategy is to grow sales in our existing restaurants by continuing to develop new menu offerings and enhance the effectiveness of our proprietary advertising and promotional programs for our Hispanic Brands, further capitalize on attractive industry and demographic trends and enhance the quality of the customer experience at our restaurants.

We also believe that our Burger King restaurants are well positioned to benefit from BKC's initiatives with respect to the Burger King brand, which have contributed to comparable restaurant sales growth in our Burger King restaurants in 2004 and 2005 and the nine months ended September 30, 2006.

- ***Continue to Improve Income from Operations and Leverage Existing Infrastructure.*** We believe that our continuing development of new company-owned Hispanic Brand restaurants, combined with our strategy to increase sales at our existing Hispanic Brand restaurants, will increase revenues generated by our Hispanic Brands as a percentage of our consolidated revenues, positioning us to continue to improve our overall income from operations. We also believe that our large restaurant base, skilled management team, sophisticated management information and operating systems, and training and development programs support our strategy of enhancing operating efficiencies for our existing restaurants and profitably growing our restaurant base. Our operating systems allow us to effectively manage restaurant labor and food costs, effectively manage our restaurant operations and ensure consistent application of operating controls at each of our restaurants. In addition, our size and, in the case of Burger King, the size of the Burger King system, enable us to realize certain benefits from economies of scale, including leveraging our existing infrastructure as we grow.

- ***Utilize Financial Leverage to Maintain an Efficient Capital Structure to Support Growth***. We intend to continue utilizing financial leverage in an effort to enhance returns to our stockholders. We believe our operating cash flows will allow us to allocate sufficient capital towards new store development and repayment of our outstanding indebtedness as part of our strategy to support earnings growth, while providing the flexibility to alter our capital allocation depending on changes in market conditions and available expansion opportunities.

Overview of Restaurant Concepts

Pollo Tropical Restaurants

Our Pollo Tropical quick-casual restaurants combine freshly-prepared, distinctive menu items and an inviting tropical setting with the convenience and value of quick-service restaurants. Pollo Tropical restaurants offer a unique selection of food items reflecting tropical and Caribbean influences and feature fresh grilled chicken marinated in our own blend of tropical fruit juices and spices. Chicken is grilled in view of customers on large, open-flame grills. Pollo Tropical also features additional menu items such as roast pork, a line of "TropiChops®" (a bowl containing rice, black beans and chicken or pork), sandwiches and grilled ribs that feature a selection of sauces. We also feature an array of Caribbean style "made from scratch" side dishes, including black beans and rice, yucatan fries and sweet plantains, as well as more traditional menu items such as french fries, corn and tossed and caesar salads. We also offer uniquely Hispanic desserts, such as flan and tres leches.

Our Pollo Tropical restaurants typically incorporate high ceilings, large windows, tropical plants, light colored woods, decorative tiles, a visually distinctive exterior entrance tower, lush landscaping and other signature architectural features, all designed to create an airy, inviting and tropical atmosphere. We design our restaurants to conveniently serve a high volume of customer traffic while retaining an inviting, casual atmosphere.

Our Pollo Tropical restaurants are generally open for lunch, dinner and late night orders seven days per week from 11:00 am to midnight and offer sit-down dining, counter take-out and drive-thru service to accommodate the varied schedules of families, business people and students. Our menu offers a variety of portion sizes to accommodate a single customer, family or large group. Pollo Tropical restaurants also offer an economical catering menu, with special prices and portions to serve parties in excess of 25 people.

Our Pollo Tropical restaurants typically provide seating for 80 to 100 customers and provide drive-thru service. As of September 30, 2006, all of our company-owned Pollo Tropical restaurants were freestanding buildings except for seven locations contained within strip shopping centers and two street-level storefront locations. Our typical freestanding Pollo Tropical restaurant ranges between 2,800 and 3,200 square feet. We anticipate that many of our new Pollo Tropical restaurants located in markets outside of Florida (including in the New York City metropolitan area) will be “in-line” restaurants located within strip-retail shopping centers or will be street-level storefront locations and will not offer drive-thru service. Consequently, such restaurants may be larger than our typical freestanding Pollo Tropical restaurants to provide more seating to accommodate increased sit-down dining.

Taco Cabana Restaurants

Our Taco Cabana quick-casual restaurants combine generous portions of freshly-prepared Tex-Mex and traditional Mexican style food with the convenience and value of quick-service restaurants. The restaurants typically provide interior, semi-enclosed and patio dining areas with a festive Mexican theme. Menu items include flame-grilled beef and chicken fajitas served on sizzling iron skillets, quesadillas, enchiladas, burritos, tacos and other traditional Mexican and American breakfasts, other Tex-Mex dishes and fresh flour tortillas. Our Taco Cabana restaurants also offer a variety of beverage choices, including frozen margaritas and beer. Most of the menu items offered at Taco Cabana are prepared at each restaurant from fresh meat, chicken and produce delivered by suppliers to the restaurant, usually three times each week. Taco Cabana utilizes fresh ingredients and prepares many items “from scratch.” In order to simplify operations and provide a more consistent product, Taco Cabana also uses a number of pre-prepared items.

Our typical Taco Cabana restaurants average approximately 3,200 square feet (exclusive of the exterior dining area) and provide seating for approximately 80 customers, with additional outside patio seating for approximately 50 customers. As of September 30, 2006, all of our company-owned Taco Cabana restaurants were freestanding buildings except for four locations contained within retail malls and two locations contained within strip shopping centers. Taco Cabana restaurants are typically distinctive in appearance, conveying a Mexican theme and permitting easy identification by passing motorists. Our Taco Cabana restaurants feature rounded fronts, as well as Southwest accents such as a clay tile roof, heavy wood beams and a trellis that shades the patio area, and the use of bright colors outside and inside. Corrugated metal wall panels, aged wood finishes and distressed stainless steel counter tops are featured inside.

Taco Cabana’s interior restaurant design features open display cooking that enables customers to observe fajitas cooking on a grill, a machine making fresh flour tortillas and the preparation of other food items. Upon entry, the customer places an order selected from an overhead menu board, proceeds down a service line to where the order is picked up, and then passes a salsa bar en route to the dining area. The distinctive salsa bar offers Taco Cabana customers our own freshly-prepared Tex-Mex ingredients such as salsa de fuego (made with charred peppers and tomatoes), pico de gallo and salsa (all “made from scratch” throughout the day at each restaurant), as well as cilantro, pickled jalapeno slices, crisp chopped onions and fresh sliced limes. Depending on the season, time of day and personal preference, our customers can choose to dine in the restaurant’s brightly colored and festive interior dining area or in either the semi-enclosed or outdoor patio areas.

Our Taco Cabana restaurants provide the convenience of drive-thru windows as well as the ability for customers to dine-in or take-out. A majority of our Taco Cabana restaurants are open 24 hours a day, although, hours of operation are continually evaluated for economic viability on a market and individual restaurant basis.

Burger King Restaurants

Burger King Corporation (“BKC”) is the second largest hamburger restaurant chain in the world (as measured by the number of restaurants and system-wide sales). According to BKC, as of September 30, 2006, there were a total of 11,144 Burger King restaurants in 65 countries and U.S. territories, including 7,521 or 67% located in the United States and Canada. According to BKC its total worldwide restaurant sales as of June 30, 2006 were approximately $12.4 billion, of which approximately $8.5 billion were in the United States and Canada.

"Have It Your Way"® service, flame broiling, generous portions and competitive prices characterize the Burger King system marketing strategy. Our Burger King restaurants feature flame-broiled hamburgers and other sandwiches, the most popular of which is the WHOPPER® sandwich. The WHOPPER is a large, flame-broiled hamburger on a toasted bun garnished with mayonnaise, lettuce, onions, pickles and tomatoes. The basic menu of all Burger King restaurants consists of hamburgers, cheeseburgers, chicken and fish sandwiches, breakfast items, french fries, onion rings, salads, chili, shakes, desserts, soft drinks and other beverages. In addition, promotional menu items are introduced periodically for limited periods. We believe that BKC continually seeks to develop new products as it endeavors to enhance the menu and service of Burger King restaurants.

Our Burger King restaurants are typically open seven days per week with minimum operating hours from 6:00 am to 11:00 pm. Burger King restaurants are quick-service restaurants of distinctive design and are generally located in high-traffic areas throughout the United States. We believe that the primary competitive advantages of Burger King restaurants are:

- brand recognition;
- convenience of location;
- speed of service;
- quality; and
- price.

Burger King restaurants are designed to appeal to a broad spectrum of consumers, with multiple day-part meal segments targeted to different groups of consumers.

Our Burger King restaurants consist of one of several building types with various seating capacities. BKC's traditional freestanding restaurant contains approximately 2,800 to 3,200 square feet with seating capacity for 90 to 100 customers, has drive-thru service windows, and has adjacent parking areas. As of September 30, 2006, 314 of our 328 Burger King restaurants were freestanding. We operate all of our Burger King restaurants under franchise agreements with BKC. See "—Operations—Burger King Franchise Agreements" and "—Franchise Fees, Royalties and Early Successor Program" below.

Restaurant Economics

Selected restaurant operating data for our three restaurant concepts is as follows:

	Year Ended December 31,		
	2003(1)	2004(1)	2005(1)
Pollo Tropical:			
Average annual sales per company-owned restaurant (in thousands)	$ 1,838	$ 2,018	$ 2,092
Average sales transaction	$ 8.18	$ 8.25	$ 8.72
Drive-through sales as a percentage of total sales	42.2%	42.5%	41.7%
Day-part sales percentages:			
Lunch	45.9%	45.7%	45.8%
Dinner and late night(2)	54.1%	54.3%	54.2%
Taco Cabana:			
Average annual sales per company-owned restaurant (in thousands)	$ 1,523	$ 1,604	$ 1,614
Average sales transaction	$ 6.66	$ 6.88	$ 7.08
Drive-through sales as a percentage of total sales	46.6%	47.2%	47.6%
Day-part sales percentages:			
Breakfast	15.8%	16.0%	16.5%
Lunch	22.7%	23.1%	23.2%
Dinner	25.3%	25.4%	25.6%
Late night (9 pm to midnight)	14.5%	14.1%	13.7%
Other (2 pm to 5 pm and midnight to 6 am)	21.7%	21.4%	21.0%
Burger King:			
Average annual sales per restaurant (in thousands)	$ 1,003	$ 1,034	$ 1,048
Average sales transaction	$ 4.47	$ 4.74	$ 5.03
Drive-through sales as a percentage of total sales	61.8%	61.8%	62.3%
Day-part sales percentages:			
Breakfast	14.6%	14.4%	14.6%
Lunch	33.4%	33.6%	33.2%
Dinner	26.9%	26.9%	26.9%
Afternoon and late night.	25.1%	25.1%	25.3%

(1) 2003 and 2005 were each a 52-week fiscal year. 2004 was a 53-week fiscal year. Average annual sales for company-owned or operated restaurants is derived by dividing restaurant sales for such year for the applicable segment by the average number of restaurants for the applicable segment for such year. For purposes of the calculation of average annual sales per company-owned or operated restaurant in the table above, we have excluded restaurant sales data for the extra week in 2004.

(2) Day part sales percentages for 2004 and 2005 include 2.8% and 2.9%, respectively, for late night.

Restaurant Capital Costs

The initial cost of equipment, seating, signage and other interior costs of a typical new free-standing Pollo Tropical restaurant currently is approximately $375,000 (excluding the cost of the land, building and site improvements). Generally, in our core Florida market, the cost of land currently ranges from $1,000,000 to $1,200,000 and the cost of building and site improvements currently ranges from $900,000 to $1,000,000.

Costs in new markets may differ from and may be higher than these ranges. We believe that in the New York City metropolitan area, our new Pollo Tropical restaurants will not typically be free-standing and are more likely to be located as “in-line” units within strip retail shopping centers or as street-level storefront locations. We believe that these locations will typically be leased, that the cost to build-out the retail location to our specifications could range from $500,000 to $1,000,000 and that the initial cost of equipment will be approximately $450,000.

The initial cost of equipment, seating, signage and other interior costs of a typical new Taco Cabana restaurant currently is approximately $425,000 (excluding the cost of the land, building and site improvements). Generally, in our core Texas market, the cost of land currently ranges from $800,000 to $1,000,000 and the cost of building and site improvements currently ranges from $850,000 to $950,000. Costs in new markets may differ from these ranges.

The initial cost of the franchise fee, equipment, seating, signage and other interior costs of a standard new Burger King restaurant currently is approximately $385,000 (excluding the cost of the land, building and site improvements). In the markets in which we primarily operate, the cost of land generally ranges from $400,000 to $525,000 and the cost of building and site improvements generally ranges from $550,000 to $625,000.

We generally seek to acquire the land on which a new free-standing restaurant is to be situated, to fund construction of the restaurant building, and then at a later date enter into an arrangement to sell and leaseback the land and building under a long-term lease. Historically, we have been able to acquire and finance a large percentage of our locations under such leasing arrangements. Where we are unable to purchase the underlying land, we enter into a long-term lease for the land and fund the construction of the building from cash generated from our operations or with borrowings under our senior credit facility rather than through long-term leasing arrangements. We believe that in certain real estate markets, particularly Florida, an increasing number of our new restaurants likely may be situated on leased land.

The cost of developing and equipping new restaurants can vary significantly and depends on a number of factors, including the geographic location and site of those restaurants and national and local economic conditions. Accordingly, the cost of opening new restaurants in the future, including Pollo Tropical restaurants in the New York City metropolitan area, may differ substantially from, and may be significantly higher than, both the historical cost of restaurants previously opened and the estimated costs appearing above.

Seasonality

Our business is moderately seasonal due to regional weather conditions. Sales from our Pollo Tropical restaurants (primarily located in south and central Florida) are generally higher during the winter months than during the summer months. Sales from our Taco Cabana restaurants (located in Texas, Oklahoma and New Mexico) and our Burger King restaurants (primarily located in the northern United States) are generally higher during the summer months than during the winter months. We believe this seasonal impact is not material to our business as a whole because our multiple concepts operating in diverse geographic areas enable us to reduce our dependence on the economic performance of any one particular region.

Restaurant Locations

As of September 30, 2006, we owned and operated 73 Pollo Tropical restaurants, 72 of which were located in Florida and one in the New York City metropolitan area located in Northern New Jersey. In addition, of 26 franchised Pollo Tropical restaurants, as of September 30, 2006, 22 were in Puerto Rico; two were in Ecuador and two were in Florida.

As of September 30, 2006, we owned and operated 141 Taco Cabana restaurants and franchised three Taco Cabana restaurants located in the following states:

	Owned	Franchised	Total
Texas	135	—	135
Oklahoma	5	—	5
New Mexico	1	2	3
Georgia	—	1	1
Total	141	3	144

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The following table details the locations of our 328 Burger King restaurants as of September 30, 2006:

State	Total Restaurants
Indiana	5
Kentucky	9
Maine	4
Massachusetts	1
Michigan	25
New Jersey	2
New York	129
North Carolina	37
Ohio	83
Pennsylvania	12
South Carolina	20
Vermont	1
Total	328

Operations

Management Structure

We conduct substantially all of our executive management, finance, marketing and operations support functions from our corporate headquarters in Syracuse, New York, our Pollo Tropical division headquarters in Miami, Florida and our Taco Cabana division headquarters in San Antonio, Texas. The management structure for Pollo Tropical consists of an Executive Vice President, who has over 30 years of experience in the restaurant industry, and a Vice President of Operations and a Regional Director supported by nine district supervisors. The management structure of Taco Cabana consists of an Executive Vice President of Operations, who has over 30 years of restaurant experience, and a Regional Vice President and two Regional Directors supported by 18 district supervisors. Our Burger King operations are overseen by five Regional Directors, three of whom are Vice Presidents, that have an average of 25 years of Burger King restaurant experience. Forty-four district supervisors that have an average of 22 years of restaurant management experience in the Burger King system support the Regional Directors.

For each of our concepts, a district supervisor is responsible for the direct oversight of the day-to-day operations of an average of approximately seven restaurants. Typically, district supervisors have previously served as restaurant managers at one of our restaurants. Regional directors, district supervisors and restaurant managers are compensated with a fixed salary plus an incentive bonus based upon the performance of the restaurants under their supervision. Typically, our restaurants are staffed with hourly employees who are supervised by a salaried manager and two or three salaried assistant managers.

Training

We maintain a comprehensive training and development program for all of our personnel and provide both classroom and in-restaurant training for our salaried and hourly personnel. The program emphasizes system-wide operating procedures, food preparation methods and customer service standards for each of the concepts. In addition, BKC’s training and development programs are also available to us as a franchisee.

Management Information Systems

Our management information systems, which we believe are more sophisticated than systems typically utilized by many small quick-casual/quick-service restaurant operators and many other Burger King franchisees, provide us with the ability to efficiently and effectively manage our restaurants and to ensure consistent application of operating controls at our restaurants. Our size also affords us the ability to maintain an in-house staff of information and restaurant systems professionals dedicated to continuously enhancing our systems. In addition, these capabilities allow us to integrate newly developed or acquired restaurants and to leverage our investments in information technology over a larger base of restaurants.

Our restaurants generally employ touch-screen point-of-sale (POS) systems that are designed to facilitate accuracy and speed of order taking. These systems are user-friendly, require limited cashier training and improve speed-of-service through the use of conversational order-taking techniques. The POS systems are integrated with PC-based applications at the restaurant that are designed to facilitate financial and management control of our restaurant operations.

Our restaurant systems provide daily tracking and reporting of traffic counts, menu item sales, labor and food data, and other key operating information for each restaurant. We electronically communicate with our restaurants on a daily basis, which enables us to collect this information for use in our corporate management systems. Our corporate and divisional administrative headquarters house client/server-based systems that support all of our accounting, operating and reporting systems. We also operate a 24-hour, seven-day help desk at our corporate headquarters that enables us to provide systems and operational support to our restaurant operations as required. Among other things, our restaurant information systems provide us with the ability to:

- monitor labor utilization and sales trends on a real-time basis at each restaurant, enabling the restaurant manager to effectively manage to our established labor standards on a timely basis;
- reduce shrinkage using restaurant-level inventory management and centralized standard costing systems;
- analyze sales and product mix data to help restaurant management personnel forecast production levels;
- monitor day-part drive-thru speed of service at each of our restaurants;
- systematically communicate human resource and payroll data to our administrative offices for efficient centralized management of labor costing and payroll processing;
- employ centralized control over price, menu and inventory management activities at the restaurant utilizing the remote access capabilities of our systems;
- take advantage of electronic commerce including our ability to place orders with suppliers and to integrate detailed invoice, receiving and product data with our inventory and accounting systems; and
- provide analyses, reporting and tools to enable all levels of management to review a wide-range of financial and operational data.

Information from our systems is available daily to the restaurant manager, who is expected to react quickly to trends or situations in his or her restaurant. Our district supervisors also receive daily information for all restaurants under their control and have computer access to key operating data on a remote basis using our corporate intranet. Management personnel at all levels, from the restaurant manager through senior management, monitor key restaurant performance indicators.

Site Selection

We believe that the location of our restaurants is a critical component of each restaurant's success. We evaluate potential new sites on many critical criteria including accessibility, visibility, costs, surrounding traffic patterns, competition and demographic characteristics. Our senior management determines the acceptability of all acquisition prospects and new sites, based upon analyses prepared by our real estate and financial professionals and operations personnel.

Burger King Franchise Agreements

Each of our Burger King restaurants operates under a separate franchise agreement with BKC. Our franchise agreements with BKC generally require, among other things, that all restaurants comply with specified design criteria and be operated in a prescribed manner, including utilization of the standard Burger King menu. In addition, our Burger King franchise agreements generally require that our restaurants conform to BKC's current image and provide for remodeling of our restaurants at the request of BKC during the tenth year of the agreements to conform to such current image, which may require the expenditure of considerable funds. These franchise agreements with BKC generally provide for an initial term of 20 years and currently have an initial franchise fee of $50,000. In the event that we terminate any franchise agreement and close the related BKC restaurant prior to the expiration of its term, we may be required to pay BKC an amount calculated based on the net present value of the royalty stream that would have been realized by BKC had such franchise agreement not been terminated. Any franchise agreement, including renewals, can be extended at our discretion for an additional 20-year term, with BKC's approval, provided that, among other things, the restaurant meets the current Burger King operating and image standards and the franchisee is not in default under the terms of the franchise agreement. The franchise agreement fee for subsequent renewals is currently $50,000. BKC may terminate any of the franchise agreements if an act of default is committed by us under these agreements. Defaults under the franchise agreements include, among other things, our failure to operate such Burger King restaurant in accordance with the operating standards and specifications established by BKC (including failure to use equipment, uniforms or decor approved by BKC), our failure to sell products approved or designated by BKC, our failure to pay royalties or advertising and sales promotion contributions as required, our unauthorized sale, transfer or assignment of such franchise agreement or the related restaurant, certain events of bankruptcy or insolvency with respect to us, conduct by us or our employees that has a harmful effect on the Burger King restaurant system, conviction of us or our executive officers for certain indictable offenses, our failure to maintain a responsible credit rating or the acquisition by us of an interest in any other hamburger restaurant business. We are not in default under any of the franchise agreements with BKC.

In order to obtain a successor franchise agreement with BKC, a franchisee is typically required to make capital improvements to the restaurant to bring it up to Burger King's current image standards. The required capital improvements will vary widely depending upon the magnitude of the required changes and the degree to which we have made interim improvements to the restaurant. We have two franchise agreements expiring in the fourth quarter of 2006, 17 franchise agreements expiring in 2007 and 27 franchise agreements expiring in 2008. In recent years, the historical costs of improving our Burger King restaurants in connection with franchise renewals generally have ranged from $200,000 to $400,000 per restaurant. However, any future costs for improving Burger King restaurants in connection with franchise renewals may vary significantly and will depend on a number of factors, including the geographic location and the size of those restaurants. In addition, the cost of capital improvements made in connection with future franchise agreement renewals may differ substantially from past franchise renewals.

We believe that we will be able to satisfy BKC's normal franchise agreement renewal policies. Accordingly, we believe that renewal franchise agreements will be granted on a timely basis by BKC at the expiration of our existing franchise agreements. Historically, BKC has granted all of our requests for successor franchise agreements. However, there can be no assurances that BKC will grant these requests in the future.

We evaluate the performance of our Burger King restaurants on an ongoing basis. Such evaluation depends on many factors, including our assessment of the anticipated future operating results of the subject restaurants and the cost of required capital improvements that we would need to commit for such restaurants. If we determine that a Burger King restaurant is under-performing, we may elect to close such restaurant. We currently anticipate that we will likely elect to close an aggregate of approximately four Burger King restaurants in 2007. These restaurant closures will reduce total restaurant sales for our Burger King restaurants. Based on the current operating results of such restaurants, we believe that the impact on our results of operations as a result of such restaurant closures will not be material, although there can be no assurance in this regard. Our determination of whether to close such restaurants is not final and is subject to further evaluation and may change. We may also elect to close additional Burger King restaurants in the future.

In addition to the initial franchise fee, we generally pay to BKC a monthly royalty. For an explanation of the franchise fees and royalties see "—Franchise Fees, Royalties and Early Successor Program" below. We also contribute 4% of restaurant sales from our Burger King restaurants to fund BKC's national and regional advertising. BKC engages in substantial national and regional advertising and promotional activities and other efforts to maintain and enhance the Burger King brand. We supplement from time to time BKC's marketing with our own local advertising and promotional campaigns. See "—Advertising and Promotion" below.

Our franchise agreements with BKC do not give us exclusive rights to operate Burger King restaurants in any defined territory. Although we believe that BKC generally seeks to ensure that newly granted franchises do not materially adversely affect the operations of existing Burger King restaurants, we cannot assure you that franchises granted by BKC to third parties will not adversely affect any Burger King restaurants that we operate.

We are required to obtain BKC's consent before we acquire existing Burger King restaurants from other franchisees or develop new Burger King restaurants. BKC also has the right of first refusal to purchase any Burger King restaurant that is being offered for sale by a franchisee. To date, BKC has approved all of our acquisitions of Burger King restaurants from other franchisees; however, in two instances, BKC exercised its right of first refusal and purchased restaurants we sought to acquire.

Franchise Fees, Royalties and Early Successor Program

On July 1, 2000, BKC increased its royalty and franchise fees for most new restaurants. The franchise fee for new restaurants increased from $40,000 to $50,000 for a 20-year agreement and the royalty rate increased from $3\,{}^{1}/{}_{2}$% of sales to $4\,{}^{1}/{}_{2}$% of sales, after a transitional period from July 1, 2000 through June 30, 2003. For franchise agreements entered into during the transitional period, the royalty rate is 4.0% of sales for the first ten years of the agreement and $4\,{}^{1}/{}_{2}$% of sales for the balance of the term. The advertising contribution remained at 4.0% of sales. The royalty rates for existing franchise agreements are not affected by these changes until the time of renewal.

BKC offered a voluntary program to encourage franchisees to accelerate the renewal of their franchise agreements. Franchisees that elected to participate in the Early Successor Incentive Program were required to make capital improvements in their restaurants to bring them up to Burger King's then current design image. Franchise agreements entered into under this program contain special provisions regarding the royalty rates including a reduction in the royalty for a period of time.

For commitments made prior to July 1, 2000 to renew franchise agreements under BKC's Fiscal 2000 Early Successor Incentive Program, the renewal franchise fee remained at $40,000. The royalty rate under this program remained at $3\,{}^{1}/{}_{2}$% of sales through March 31, 2002, at which time it was reduced to $2\,{}^{3}/{}_{4}$% of sales for the following five-year period. The royalty rate reverts back to $3\,{}^{1}/{}_{2}$% of sales effective April 1, 2007 for the remainder of any of the initial franchise term, and then increases to $4\,{}^{1}/{}_{2}$% of sales for the balance of the new agreement.

For commitments made between July 1, 2000 and June 30, 2001 to renew franchise agreements under BKC's Fiscal 2001 Early Successor Incentive Program, the renewal franchise fee increased to $50,000. The royalty rate remained at $3\,{}^{1}/{}_{2}$% of sales through September 30, 2002, at which time it was reduced to 3% of sales for a three-year period. The royalty rate reverts back to $3\,{}^{1}/{}_{2}$% of sales effective October 1, 2005 for the remainder of any of the initial franchise term, and then increases to $4\,{}^{1}/{}_{2}$% of sales for the balance of the new franchise agreement.

After evaluating the applicable royalty reductions and the acceleration of the required capital improvements, in 2000 we elected to renew 48 franchise agreements under BKC's Early Successor Incentive Program. Our capital expenditures relating to these renewals have been completed. Burger King royalties, as a percentage of our Burger King restaurant sales, were 3.5% in 2005 and 3.4% in 2004 and 2003.

Hispanic Brands Franchise Operations

As of September 30, 2006, Pollo Tropical had three franchisees operating a total of 26 Pollo Tropical restaurants, 22 of which were located in Puerto Rico, two in Ecuador and two located on college campuses in Florida. As of September 30, 2006, Taco Cabana had two franchisees operating a total of three Taco Cabana restaurants. During the third quarter of 2005, we acquired four Taco Cabana restaurants from a franchisee in Texas. While our existing franchisees may open new restaurants from time to time, we are not actively expanding our franchise operations at the present time. However, we believe that there are significant opportunities to expand our Hispanic Brands outside of the United States and we may seek to franchise or license our Hispanic Brands in additional markets outside of the United States. Any such expansion into additional foreign markets ideally would take the form of a franchising or licensing arrangement with one or more experienced restaurant companies with operations in the target area. We believe that there are a number of geographic areas outside of the United States which have a significant component of the population with both adequate disposable income and a strong proclivity for foods similar to those offered by our Hispanic Brands. We currently have no understandings, commitments or agreements with respect to any such franchising or licensing arrangements of our Hispanic Brands outside of the United States other than for our franchised Pollo Tropical restaurants located in Puerto Rico and Ecuador.

All of our current franchisees are required to operate their restaurants in compliance with certain methods, standards and specifications developed by us regarding such matters as menu items, recipes, food preparation, materials, supplies, services, fixtures, furnishings, decor and signs. The franchisees have discretion to determine the prices to be charged to customers. In addition, all franchisees are required to purchase substantially all food, ingredients, supplies and materials from suppliers approved by us.

Advertising and Promotion

We believe our Hispanic Brands are among the most highly recognized quick-casual restaurant brands in their core markets of south and central Florida and Texas. Pollo Tropical and Taco Cabana utilize an integrated, multi-level marketing approach that includes periodic chain-wide promotions, direct mail, in-store promotions, local store marketing and other strategies, including the use of radio and television advertising in their major markets. Combination value meals are also utilized as well as limited time offer menu item promotions. Pollo Tropical advertises in both English and Spanish media throughout the year. As a percentage of Pollo Tropical restaurant sales, Pollo Tropical's advertising expenditures were 1.9% in 2005 and 1.6% in 2004, due to lower television and radio advertising compared to prior years, and 3.6% in 2003. As a percentage of our Taco Cabana restaurant sales, Taco Cabana's advertising expenditures were 4.2% in 2005, 4.1% in 2004, 4.7% in 2003. Taco Cabana's advertising expenditures, as a percentage of restaurant sales, were higher in 2003 than historical levels due to additional promotions in certain markets.

The efficiency and quality of advertising and promotional programs can significantly affect quick-casual/quick-service restaurant businesses. We believe that one of the major advantages of being a Burger King franchisee is the value of the extensive regional and national advertising and promotional programs conducted by BKC. In addition to the benefits derived from BKC's advertising spending, we supplement from time to time BKC's advertising and promotional activities with our own local advertising and promotions, including the purchase of additional television, radio and print advertising. The concentration of our Burger King restaurants in many of our markets permits us to leverage advertising in those markets. We also utilize promotional programs, such as combination value meals and discounted prices, targeted to our customers, in order to create a flexible and directed marketing program.

We are generally required to contribute 4% of restaurant sales from our Burger King restaurants to an advertising fund utilized by BKC for its advertising, promotional programs and public relations activities. BKC's advertising programs consist of national campaigns supplemented by local advertising. BKC's advertising campaigns are generally carried on television, radio and in circulated print media (national and regional newspapers and magazines).

Product Development

Each of Pollo Tropical and Taco Cabana has separate and complete product research and development functions, which we believe are comparable to other large multi-unit restaurant companies. These capabilities enable us to continually refine our menu offerings and develop new products for introduction in our Hispanic Brand restaurants. These functions include:

- fully equipped test kitchens;
- professional culinary and quality assurance team members;
- consumer research protocol;
- uniform and detailed product specification formats; and
- product development committees that integrate marketing, operations, financial analysis and procurement.

Pollo Tropical's test kitchen is located in our Miami division headquarters. The facility includes cooking equipment that mirrors the capability of a Pollo Tropical restaurant and a tasting area. There are three permanent staff positions, including a Director of R&D, a Manager of R&D and a Quality Assurance and Purchasing assistant.

Taco Cabana's test kitchen is located near our San Antonio division headquarters in leased commercial space. The facility includes a large test kitchen, with equipment that mirrors the capability of a Taco Cabana restaurant, office space for all R&D staff, and a large tasting and meeting room. There are three permanent staff positions, including a Director of R&D, a Manager of R&D and Quality Assurance and a staff assistant.

Suppliers and Distributors

For our Pollo Tropical and Taco Cabana restaurants, we have negotiated directly with local and national suppliers for the purchase of food and beverage products and supplies to ensure consistent quality and freshness and to obtain competitive prices. Pollo Tropical and Taco Cabana restaurants' food and supplies are ordered from approved suppliers and are shipped via distributors to the restaurants. Both brands are responsible for monitoring quality control and supervision of these suppliers and conduct inspections to observe the preparation and quality of products purchased. For our Pollo Tropical restaurants, Henry Lee, a division of Gordon Food Service, serves as our primary distributor of food and paper products under an agreement that expires on March 16, 2007. For our Taco Cabana restaurants, SYGMA Network, Inc. (SYGMA) serves as our primary distributor of food and beverage products and supplies. SYGMA purchases, warehouses and distributes products for these restaurants under a distribution service agreement that expires on June 1, 2009. We rely significantly on these suppliers but, in general, if any such suppliers are unable to service us, we believe that we have significant alternative sources available to us to avoid any material disruption in service. We also rely on Gold Kist under an agreement that expires on December 31, 2007 as our supplier and distributor of chicken for our Pollo Tropical restaurants and, although we believe that alternative sources of chicken are available to us, if such supplier is unable to service us, this could lead to a material disruption of service or supply until a new supplier is engaged, which could have a material adverse effect on our business. With respect to our distributors for our Pollo Tropical and Taco Cabana restaurants, although we believe that alternative distributors are available to us, if any of our distributors are unable to service us, this could lead to a material disruption of service or supply until a new distributor is engaged, which could have a material adverse effect on our business.

We are a member of a national purchasing cooperative, Restaurant Services, Inc., created for the Burger King system. Restaurant Services is a non-profit independent cooperative that acts as the purchasing agent for approved distributors to the Burger King system and serves to negotiate the lowest cost for the system. We use our purchasing power to negotiate directly with certain other vendors, to obtain favorable pricing and terms for supplying our Burger King restaurants. For our Burger King restaurants, we are required to purchase all of our foodstuffs, paper goods and packaging materials from BKC-approved suppliers. We currently utilize three distributors, Maines Paper & Food Service, Inc., Reinhart Food Service L.L.C. and MBM Food Service Inc., to supply our Burger King restaurants with the majority of their foodstuffs in various geographical areas and, as of October 15, 2006, such distributors supplied 63%, 32% and 5%, respectively, of our Burger King restaurants. We may purchase non-food items such as kitchen utensils, equipment maintenance tools and other supplies from any suitable source so long as such items meet BKC product uniformity standards. All BKC-approved distributors are required to purchase foodstuffs and supplies from BKC-approved manufacturers and purveyors. BKC is responsible for monitoring quality control and supervision of these manufacturers and conducts regular visits to observe the preparation of foodstuffs, and to run various tests to ensure that only quality foodstuffs are sold to BKC-approved suppliers. In addition, BKC coordinates and supervises audits of approved suppliers and distributors to determine continuing product specification compliance and to ensure that manufacturing plant and distribution center standards are met. Although we believe that we have alternative sources of supply available to our Burger King restaurants, in the event any distributors or suppliers for our Burger King restaurants are unable to service us, this could lead to a disruption of service or supply at our Burger King restaurants until a new distributor or supplier is engaged, which could have an adverse effect on our business.

Quality Assurance

At each of our three concepts, our operational focus is closely monitored to achieve a high level of customer satisfaction via speed, order accuracy and quality of service. Our senior management and restaurant management staffs are principally responsible for ensuring compliance with our operating policies, and with respect to our Burger King restaurants, BKC's required operating procedures as well. We have uniform operating standards and specifications relating to the quality, preparation and selection of menu items, maintenance and cleanliness of the premises and employee conduct. In order to maintain compliance with these operating standards and specifications, we distribute to our restaurant operations management team detailed reports measuring compliance with various customer service standards and objectives, including the results of our "mystery shopper" program. These "mystery shopper" programs are conducted by an independent agency and consist of evaluations of speed, quality of service and other operational objectives including the cleanliness of our restaurants.

We also operate in accordance with quality assurance and health standards mandated by federal, state and local governmental laws and regulations. These standards include food preparation rules regarding, among other things, minimum cooking times and temperatures, maximum time standards for holding prepared food, food handling guidelines and cleanliness. To maintain these standards, we conduct unscheduled inspections of our restaurants. In addition, restaurant managers conduct internal inspections for taste, quality, cleanliness and food safety on a regular basis.

Trademarks

We believe that our names and logos for our Hispanic Brands are important to our operations. We have registered our principal Pollo Tropical and Taco Cabana logos and designs with the U.S. Patent and Trademark Office on the Principal Register as a service mark for our restaurant services. We also have secured or have applied for state and federal registrations of several other advertising or promotional marks, including variations of our principal marks, and have applied for or been granted registrations in foreign countries of our principal marks and several other marks. We intend to protect both Pollo Tropical and Taco Cabana trademarks by appropriate legal action whenever necessary. In certain foreign countries, we have been involved in trademark opposition proceedings to defend our rights to register certain trademarks. In that regard, we have discovered that an individual unaffiliated with us has registered, without our knowledge, authorization or consent, a trademark in Spain and the European Community for a name and logo virtually identical to our Pollo Tropical name and logo. We intend to initiate a cancellation action to declare such unauthorized trademark registration null and void. Although we believe we will be successful in the action, there can be no assurance in this regard.

Other than the Pollo Tropical and Taco Cabana trademarks, we have no proprietary intellectual property other than the logo and trademark of Carrols. As a franchisee of Burger King, we also have contractual rights to use certain BKC-owned trademarks, service marks and other intellectual property relating to the Burger King concept.

Government Regulation

Various federal, state and local laws affect our business, including various health, sanitation, fire and safety standards. Restaurants to be constructed or remodeled are subject to state and local building code and zoning requirements. In connection with the development and remodeling of our restaurants, we may incur costs to meet certain federal, state and local regulations, including regulations promulgated under the Americans with Disabilities Act.

We are subject to the federal Fair Labor Standards Act and various state laws governing such matters as:

- minimum wage requirements;
- overtime; and
- other working conditions and citizenship requirements.

A significant number of our food service personnel are paid at rates related to the federal, and where applicable, state minimum wage and, accordingly, increases in the minimum wage have increased and in the future will increase wage rates at our restaurants.

We are also subject to various federal, state and local environmental laws, rules and regulations. We believe that we conduct our operations in substantial compliance with applicable environmental laws and regulations. None of the applicable environmental laws or regulations has had a material adverse effect on our results of operations, cash flows or financial condition.

Taco Cabana is subject to alcoholic beverage control regulations that require state, county or municipal licenses or permits to sell alcoholic beverages at each location. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Licensing entities, authorized with law enforcement authority, may issue violations and conduct audits and investigations of the restaurant’s records and procedures. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Taco Cabana restaurants, including minimum age for consumption, certification requirements for employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. These regulations also prescribe certain required banking and accounting practices related to alcohol sales and purchasing.

Taco Cabana is subject to state “dram-shop” laws in the states in which it operates. Dram-shop laws provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated or minor patron. We have specific insurance that covers claims arising under dram-shop laws. However, we cannot assure you that this insurance will be adequate to cover any claims that may be instituted against us.

With respect to the franchising of Pollo Tropical and Taco Cabana restaurants, we are subject to franchise and related regulations in the U.S. and certain foreign jurisdictions where we offer and sell franchises. These regulations include obligations to provide disclosure about our two concepts, the franchise agreements and the franchise system. The regulations also include obligations to register certain franchise documents in the U.S. and foreign jurisdictions, and obligations to disclose the substantive relationship between the parties to the agreements.

Competition

The restaurant industry is highly competitive with respect to price, service, location and food quality. In each of our markets, our restaurants compete with a large number of national and regional restaurant chains, as well as locally owned restaurants, offering low and medium-priced fare. We also compete with convenience stores, delicatessens and prepared food counters in supermarkets, grocery stores, cafeterias and other purveyors of moderately priced and quickly prepared foods.

We believe that:

- product quality and taste;
- brand recognition;
- convenience of location;
- speed of service;
- menu variety;
- price; and
- ambiance

are the most important competitive factors in the quick-casual and quick-service restaurant segments and that our three concepts effectively compete in each category.

Pollo Tropical's competitors include national chicken-based concepts, such as Boston Market and KFC, and regional chicken-based concepts, as well as quick-service hamburger restaurant chains and other types of quick-casual restaurants.

Taco Cabana's restaurants, although part of the quick-casual segment of the restaurant industry, compete in Texas, Oklahoma and New Mexico with quick-service restaurants, including those in the quick-service Mexican segment such as Taco Bell, other quick-casual restaurants and traditional casual dining Mexican restaurants. We believe that Taco Cabana's combination of freshly prepared food, distinctive ambiance and superior service help to distinguish Taco Cabana restaurants from quick-service operators, while Taco Cabana's price-value relationship enables it to compete favorably with more expensive casual dining Mexican restaurants.

With respect to our Burger King restaurants, our largest competitors are McDonald's and Wendy's restaurants. According to Technomic, McDonald's restaurants had aggregate U.S. system-wide sales of $25.6 billion for the year ended December 31, 2005 and operated 13,727 restaurants in the United States at that date, and Wendy's restaurants had aggregate system-wide sales of $7.7 billion for the year ended December 31, 2005 and operated 6,018 restaurants in the United States at that date.

Employees

As of September 30, 2006, we employed approximately 16,300 persons, of which approximately 300 were administrative personnel and approximately 16,000 were restaurant operations personnel. None of our employees is covered by collective bargaining agreements. We believe that our relations with our employees are good.

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Properties

As of September 30, 2006, we owned or leased the following restaurant properties:

	Owned Land; Owned Building	Leased Land; Owned Building	Leased Land; Leased Building	Total
Restaurants:				
Pollo Tropical	2	23	48	73
Taco Cabana	7	26	108	141
Burger King	12	25	291	328
Total operating restaurants(1)(2)	21	74	447	542

(1) Includes 15 restaurants located in mall shopping centers, four in-line or storefront locations and five co-branded locations.

(2) Excludes restaurants operated by our franchisees. In addition, as of September 30, 2006, we had eight restaurants under construction, twelve properties leased to third parties and four properties available for sale or lease.

As of September 30, 2006, we leased 97% of our Pollo Tropical restaurants, 95% of our Taco Cabana restaurants and 96% of our Burger King restaurants. We typically enter into leases (including options to renew) ranging from 20 to 40 years. The average remaining term for all leases, including options, was approximately 25 years as of September 30, 2006. Generally, we have been able to renew leases, upon or prior to their expiration, at the prevailing market rates, although there can be no assurance that this will continue to occur.

Most of our Burger King restaurant leases are coterminous with the related franchise agreements. We believe that we generally will be able to renew, at commercially reasonable rates, the leases whose terms expire prior to the expiration of that location's Burger King franchise agreement, although there can be no assurance that this will occur.

Most leases require us, as lessee, to pay utility and water charges and real estate taxes. Certain leases also require contingent rentals based upon a percentage of gross sales of the particular restaurant that exceed specified minimums. In some of our mall locations, we are also required to pay certain other charges such as a pro rata share of the mall's common area maintenance costs, insurance and security costs.

In addition to the restaurant locations set forth under "—Restaurant Locations," we own a building with approximately 25,300 square feet at 968 James Street, Syracuse, New York, which houses our executive offices and most of our administrative operations for our Burger King restaurants. We lease five small regional offices that support the management of our Burger King restaurants. We also lease approximately 13,500 square feet at 7300 North Kendall Drive, 8th Floor, Miami, Florida, which houses most of our administrative operations for our Pollo Tropical restaurants. In addition, we lease approximately 17,700 square feet of office space at 8918 Tesoro Drive, Suite 200, San Antonio, Texas, which houses most of our administrative operations for our Taco Cabana restaurants.

Legal Proceedings

On November 16, 1998, the EEOC filed suit in the United States District Court for the Northern District of New York (the "Court"), under Title VII of the Civil Rights Act of 1964, as amended, against Carrols. The complaint alleged that Carrols engaged in a pattern and practice of unlawful discrimination, harassment and retaliation against former and current female employees. The EEOC identified approximately 450 individuals (which was subsequently increased to 511 individuals) that it believed represented the class of claimants and was seeking monetary and injunctive relief from Carrols.

On April 20, 2005, the Court issued a decision and order granting Carrols' Motion for Summary Judgment that Carrols filed in January 2004. Subject to possible appeal by the EEOC, the case is dismissed, however the Court noted that it was not ruling on the claims, if any, that individual employees might have against Carrols. We do not believe that any individual claim, if any, would have a material adverse impact on our consolidated financial condition or consolidated results of operations and cash flows.

On February 27, 2006, Carrols filed a motion for summary judgment to dismiss all but between four and 17 of the individual claims. On July 10, 2006, in its response to that motion, the EEOC has asserted that, notwithstanding the Court's dismissal of the case as a class action, the EEOC may still maintain some kind of collective action on behalf of these claimants. Oral argument before the Court was held on October 4, 2006 and we are awaiting the Court's decision on Carrols' summary judgment motion. Although we believe that the EEOC's continued class litigation argument is without merit, it is not possible to predict the outcome of the pending motion.

On November 30, 2002, four former hourly employees commenced a lawsuit against Carrols in the United States District Court for the Western District of New York entitled Dawn Seever, et al. v. Carrols Corporation. The lawsuit alleges, in substance, that Carrols violated certain minimum wage laws under the federal Fair Labor Standards Act and related state laws by requiring employees to work without recording their time and by retaliating against those who complained. The plaintiffs seek damages, costs and injunctive relief. They also seek to notify, and eventually certify, a class consisting of current and former employees who, since 1998, have worked, or are working, for Carrols. As a result of the July 21, 2005 Status Conference, the parties agreed to withdraw Plaintiff's Motions to certify and for National Discovery, and Defendant's Motion to Disqualify Counsel and related motions, to allow both sides limited additional discovery. Carrols has since filed a Motion for Summary Judgment as to the existing plaintiffs that the Court has under consideration. The plaintiffs have indicated they will re-file a Motion to certify and for National Discovery and Carrols intends to oppose such Motion. It is too early to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss. Consequently, it is not possible to predict what adverse impact, if any, this case could have on our consolidated financial condition or results of operations and cash flows. We intend to continue to contest this case vigorously.

We are a party to various other litigation matters incidental to the conduct of our business. We do not believe that the outcome of any of these other matters will have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth information about our current directors, executive officers and other named officers and our director designees. Upon the pricing of this offering, Messrs. Chereskin and Gleason will resign from our board of directors and Messrs. Smith and Handel will be added to our board of directors, and we will restructure our board of directors and its committees. See "—Composition of the Board after this Offering" and "—Committees of the Board" below.

Name	Age	Position
Alan Vituli	65	Chairman of the Board and Chief Executive Officer
Daniel T. Accordino	55	President, Chief Operating Officer and Director
Paul R. Flanders	50	Vice President, Chief Financial Officer, and Treasurer
Joseph A. Zirkman	46	Vice President, General Counsel and Secretary
Timothy J. LaLonde	50	Vice President, Controller
Michael A. Biviano	49	Executive Vice President—Taco Cabana
James E. Tunnessen	51	Executive Vice President—Pollo Tropical
Lewis S. Shaye	51	Vice President, Chief Concept Officer
Benjamin D. Chereskin(1)	47	Director
Brian F. Gleason(1)	40	Director
Robin P. Selati	40	Director
Olaseni Adeyemi Sonuga	52	Director
Clayton E. Wilhite	61	Director
Jack A. Smith(2)	71	Director Designee
Joel M. Handel(2)	70	Director Designee

(1) Such director will resign upon the pricing of this offering.
(2) Such director designee will become a director upon the pricing of this offering.

Alan Vituli has been Chairman of the Board since 1986 and Chief Executive Officer since March 1992. Between 1983 and 1985, Mr. Vituli was employed by Smith Barney, Harris Upham & Co., Inc. as a Senior Vice President responsible for real estate transactions. From 1966 until joining Smith Barney, Mr. Vituli was associated with the accounting firm of Coopers & Lybrand, first as an employee and for the last 10 years as a partner. Among the positions held by Mr. Vituli at Coopers & Lybrand was National Director of Mergers and Acquisitions. Before joining Coopers & Lybrand, Mr. Vituli was employed in a family-owned restaurant business. From 1993 through our acquisition of Pollo Tropical, Inc. in 1998, Mr. Vituli served on the board of directors of Pollo Tropical, Inc. Mr. Vituli also serves on the board of directors of Ruth's Chris Steak House, Inc.

Daniel T. Accordino has been President, Chief Operating Officer and a Director since February 1993. Before that, Mr. Accordino served as Executive Vice President—Operations from December 1986 and as Senior Vice President of Carrols from April 1984. From 1979 to April 1984, he was Vice President of Carrols responsible for restaurant operations, having previously served as our Assistant Director of Restaurant Operations. Mr. Accordino has been an employee of ours since 1972.

Paul R. Flanders has been Vice President, Chief Financial Officer and Treasurer since April 1997. Before joining us, he was Vice President-Corporate Controller of Fay's Incorporated, a retail chain, from 1989 to 1997, and Vice President-Corporate Controller for Computer Consoles, Inc., a computer systems manufacturer, from 1982 to 1989. Mr. Flanders was also associated with the accounting firm of Touche Ross & Co. from 1977 to 1982.

Joseph A. Zirkman has been Vice President and General Counsel since January 1993. He was appointed Secretary in February 1993. Before joining us, Mr. Zirkman was an associate with the New York City law firm of Baer Marks & Upham beginning in 1986.

Timothy J. LaLonde has been Vice President, Controller since July 1997. Before joining us, he was a controller at Fay's Incorporated, a retailing chain, from 1992 to 1997. Prior to that, he was a Senior Audit Manager with the accounting firm of Deloitte & Touche LLP, where he was employed since 1978.

Michael A. Biviano has been Executive Vice President of Taco Cabana since January 2002. Prior to that, he was Vice President—Regional Director of Operations for our Burger King restaurants since 1989, having served as a district supervisor since 1983. Mr. Biviano has been an employee of ours since 1973.

James E. Tunnessen has been Executive Vice President of Pollo Tropical since August 2003. Prior to that he was Vice President—Regional Director of Operations for our Burger King restaurants since 1989, having served as a district supervisor from 1979. Mr. Tunnessen has been an employee of ours since 1971.

Lewis S. Shaye has been Vice President, Chief Concept Officer since January 2005. Prior to joining Carrols he was Senior Vice President of Brand and Product Development for Papa Gino's Holding Corporation (PGH), which owned, operated and franchised the Papa Gino's Pizza and D'Angelo Grilled Sandwich brands. Mr. Shaye joined PGH in 1992 as Vice President of Operations and was promoted to Senior Vice President of Brand and Product Development in September 1995. Prior to joining PGH in 1992, Mr. Shaye was Senior District Manager at Marriott Corporation where his responsibilities included operational accountability for premier Marriott contract foodservice locations.

Benjamin D. Chereskin has served as a Director since March 1997. Mr. Chereskin is a Managing Director of Madison Dearborn, a private equity firm, which he co-founded in 1993. Before that, Mr. Chereskin was with First Chicago Venture Capital for nine years. Mr. Chereskin also serves on the board of directors of Tuesday Morning Corporation and Cinemark, Inc.

Brian F. Gleason has served as a Director since October 2003. Mr. Gleason is a Managing Director and Executive Vice President of Phoenix Management Services, Inc., a national corporate revitalization advisory firm. Mr. Gleason has been affiliated with Phoenix Management Services since 1996 and serves on its board of directors. Prior to that, Mr. Gleason worked in Corporate Finance for Reliance Insurance Company since 1991. Mr. Gleason also serves on the board of directors of Thompson Products, Inc., and International Intimates, Inc. Mr. Gleason is serving on the Board of Directors as a designee of BIB. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."

Robin P. Selati has served as a Director since March 1997. Mr. Selati is a Managing Director of Madison Dearborn and joined the firm in 1993. Before 1993, Mr. Selati was associated with Alex Brown & Sons Incorporated in the consumer/retail investment banking group. Mr. Selati also serves on the board of directors of Tuesday Morning Corporation, Cinemark, Inc., Ruth's Chris Steak House, Inc. and Pierre Foods, Inc.

Olaseni Adeyemi Sonuga has served as a Director since March 2004. Mr. Sonuga is the General Manager of Bahrain International Bank (E.C.), a Bahraini publicly quoted international investment bank that he joined in 2002 as Chief Financial Officer. Bahrain International Bank (E.C.) has advised us that the stockholders and creditors of Bahrain International Bank (E.C.) entered into an agreement in May of 2004, the Asset Realization Protocol Agreement, under which Bahrain International Bank (E.C.) has been given time to liquidate its assets to meet its liabilities. Between 1999 and 2002, Mr. Sonuga served as Advisor to the Chairman of Oman Aviation Services Company SAOG, an Omani listed company that owns Oman Air and also provides airport services at all Omani airports. Prior to this, he was a Vice President at Taib Bank since 1997, a Bahraini listed company. In the period 1992 to 1997, he was the Business Services Manager of the National Drilling Company of Abu Dhabi, UAE. He began his career as a Chartered Accountant in the UK in 1979 when he joined the London office of Touche Ross. Mr. Sonuga is a Director on the board of several companies both in the USA and internationally, including Thompson Products, Inc., International Intimates, Inc. and Springfield Service Corp in the USA, and BIB Holdings (Bermuda) Ltd., Crown Dilmun Holdings (CI) Ltd. and Ascot Dilmun Holdings, Ltd, internationally.

Clayton E. Wilhite has served as a Director since July 1997. Since January 1998, Mr. Wilhite has been with CFI Group Worldwide LLC, and has been Managing Partner of its North American Group from May 1998 to December 2004 and Managing Partner of CFI Worldwide LLC since January 2005. Mr. Wilhite has served since September 1998 on the board of directors of CFI Group Worldwide LLC, an international management consulting firm specializing in measuring customer satisfaction. Between 1996 and 1998, he was the Chairman of Thurloe Holdings, L.L.C. From August 1996 through our acquisition of Pollo Tropical, Inc., Mr. Wilhite served on the board of directors of Pollo Tropical, Inc. Before 1996, Mr. Wilhite was with the advertising firm of D'Arcy Masius Benton & Bowles, Inc. having served as its Vice Chairman from 1995 to 1996, as President of DMB&B/North America from 1988 to 1995, and as Chairman and Managing Director of DMB&B/St. Louis from 1985 to 1988.

Jack A. Smith will become a director upon the pricing of this offering. Mr. Smith is President of SMAT, Incorporated, a consulting company specializing in consumer services. Mr. Smith has broad experience as a senior executive in the retail industry. Mr. Smith founded The Sports Authority, Inc., a national sporting goods chain, in 1987 where he served as Chief Executive Officer until September 1998 and as Chairman until April 1999. From 1982 until 1987, Mr. Smith served as Chief Operating Officer of Herman's Sporting Goods. Prior to Herman's, Mr. Smith served in executive management positions with other major retailers including Sears & Roebuck, Montgomery Ward, Jefferson Stores, and Diana Shops. Mr. Smith also serves on the board of directors of Darden Restaurants, Inc. and I-trax, Inc.

Joel M. Handel will become a director upon the pricing of this offering. Mr. Handel has been a partner in the law firm of Brown Raysman Millstein Felder & Steiner LLP since 2001. From 1976 to 2001 he was managing partner of the law firm of Baer Marks & Upham LLP.

All directors currently hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified. Our executive officers are chosen by our Board of Directors and serve at its discretion. All of our directors also serve as directors of Carrols.

Family Relationships

There are no family relationships between any of our executive officers or directors.

Composition of the Board after this Offering

Our board of directors currently consists of seven members and upon pricing of this offering will consist of seven members. Upon pricing of this offering, our common stock will be listed on The NASDAQ Global Market and we will be subject to the rules of The NASDAQ Stock Market. These rules require that a majority of our board of directors be independent upon pricing of this offering and inclusion of our shares for listing on The NASDAQ Global Market. We intend to comply with these requirements and upon pricing of this offering and inclusion of our shares for listing on The NASDAQ Global Market, Messrs. Chereskin and Gleason will resign from our board of directors, and we will appoint Jack A. Smith and Joel M. Handel as independent members of our board of directors. Consequently, upon pricing of this offering, we will have five independent members of our board of directors, Messrs. Smith, Handel, Selati, Sonuga, and Wilhite.

Classified Board. Upon completion of this offering, our restated certificate of incorporation will provide that our board of directors will be divided into three classes of directors, with the classes as nearly equal in number as possible, each serving staggered three-year terms. As a result, approximately one third of our board of directors will be elected each year and the first election shall be held at the first annual meeting following the closing of this offering.

The terms of office of our board of directors will be:

- Class I directors, whose initial term will expire at the annual meeting of stockholders to be held in 2007 and when their successors are duly elected and qualify;

- Class II directors, whose initial term will expire at the annual meeting of stockholders to be held in 2008 and when their successors are duly elected and qualify; and
- Class III directors, whose initial term will expire at the annual meeting of stockholders to be held in 2009 and when their successors are duly elected and qualify.

Our initial Class I directors will be Alan Vituli and Daniel T. Accordino; our initial Class II directors will be Joel M. Handel and Clayton Wilhite; and our initial Class III directors will be Robin P. Selati, Jack A. Smith and Olaseni Adeyemi Songua.

The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Upon pricing of this offering, our restated certificate of incorporation and amended and restated bylaws will provide that the number of directors shall consist of not less than three members, with the exact number to be fixed at the discretion of the board.

Committees of the Board

Upon pricing of this offering, the standing committees of our board of directors will consist of an audit committee, a compensation committee and a nominating and corporate governance committee. Upon the pricing of this offering, the members of those committees will be as described below. Our board of directors may also establish from time to time any other committees that it deems necessary or advisable.

Audit Committee

We currently have an audit committee comprised of Messrs. Selati, Gleason and Wilhite. Upon pricing of this offering and inclusion of our shares for listing on The NASDAQ Global Market, our board of directors will have an audit committee initially consisting of Messrs. Wilhite, Smith and Handel, with Mr. Smith serving as the chairman of the committee. Our board of directors will adopt a written charter for our audit committee, which will be posted on our website. Our audit committee, among other things, will:

- review our annual and interim financial statements and reports to be filed with the SEC;
- monitor our financial reporting process and internal control system;
- appoint and replace our independent outside auditors from time to time, determine their compensation and other terms of engagement and oversee their work;
- oversee the performance of our internal audit function;
- establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- oversee our compliance with legal, ethical and regulatory matters.

The audit committee will have the sole and direct responsibility for appointing, evaluating and retaining our independent auditors and for overseeing their work. Upon pricing of this offering, all of the members of our audit committee will be independent because Messrs. Wilhite, Smith and Handel are “independent” as defined under The NASDAQ Stock Market and SEC rules. Each member of our audit committee is financially literate. In addition, Mr. Smith will serve as our audit committee “financial expert” within the meaning of Item 401(h) of Regulation S-K of the Securities Act and has the financial sophistication required under The NASDAQ Stock Market rules. All audit services to be provided to us and all permissible non-audit services, other than de minimis non-audit services, to be provided to us by our independent auditors will be approved in advance by our audit committee.

Compensation Committee

We currently have a compensation committee composed of Messrs. Chereskin, Gleason and Wilhite. Upon pricing of this offering and inclusion of our shares for listing on The NASDAQ Global Market, our board of directors will have a compensation committee initially consisting of Messrs. Smith, Selati and Wilhite, with Mr. Wilhite serving as the chairman of the committee. All of these members of our compensation committee will be “independent” as defined under The NASDAQ Stock Market rules. The purpose of our compensation committee will be to discharge the responsibilities of our board of directors relating to compensation of our executive officers. Our board of directors will adopt a written charter for our compensation committee, which will be posted on our website. Our compensation committee, among other things, will:

- provide oversight on the development and implementation of the compensation policies, strategies, plans and programs for our outside directors and disclosure relating to these matters; and
- review and approve the compensation of our Chief Executive Officer and the other executive officers of us and our subsidiaries.

Nominating and Corporate Governance Committee

Upon pricing of this offering, our board of directors will have a corporate governance and nominating committee initially consisting of Messrs. Handel, Selati and Sonuga, with Mr. Handel serving as the chairman of the committee. All of these members will be “independent” as defined under The NASDAQ Stock Market rules. Our board of directors will adopt a written charter for our corporate governance and nominating committee, which will be posted on our website. Our corporate governance and nominating committee, among other things, will:

- establish criteria for board and committee membership and recommend to our board of directors proposed nominees for election to the board of directors and for membership on committees of the board of directors;
- make recommendations regarding proposals submitted by our stockholders; and
- make recommendations to our board of directors regarding corporate governance matters and practices.

Code of Ethics

Upon pricing of this offering, we will adopt a written code of ethics applicable to our directors, officers and employees in accordance with the rules of The NASDAQ Stock Market and the SEC. Our code of ethics will be designed to deter wrongdoing and to promote:

- honest and ethical conduct;
- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in our other public communications;
- compliance with applicable laws, rules and regulations, including insider trading compliance; and
- accountability for adherence to the code and prompt internal reporting of violations of the code, including illegal or unethical behavior regarding accounting or auditing practices.

The code of ethics will include a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, as described in Item 406 of Regulation S-K of the SEC. The audit committee of our board of directors will review our code of ethics on a regular basis and will propose or adopt additions or amendments as it determines are required or appropriate. Our code of ethics will be posted on our website.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2005, no executive officer of ours served as a director of or member of a compensation committee of any entity that has one or more executive officers serving on our board of directors or on the compensation committee of our board of directors.

Director and Executive Compensation

Compensation of Directors

Upon completion of this offering, the members of the board of directors, except for any member who is an executive officer or employee, will each receive a fee of $30,000 per year for serving as a director, plus an additional $2,000 for each board of directors meeting attended in person and $500 for each board of directors meeting attended telephonically or by videoconference. The chairman of the audit committee will receive an additional fee of $10,000 per year and each other member of the audit committee will receive an additional fee of $2,500 per year. The chairman of the compensation committee will receive an additional fee of $5,000 per year and each other member of the compensation committee will receive an additional fee of $2,500 per year. The chairman of the nominating and corporate governance committee will receive an additional fee of $2,500 per year. Other than Messrs. Vituli and Accordino, all members of our board of directors are, and upon pricing of this offering, will be, eligible to receive such cash compensation. All directors will be reimbursed for all reasonable expenses they incur while acting as directors, including as members of any committee of the board of directors. Under our 2006 Stock Incentive Plan, members of our board of directors, except for any member who is an executive officer or employee and Mr. Selati and Mr. Sonuga (or any other director designated by Madison Dearborn or BIB) will receive (i) 6,700 shares in connection with this offering (in the case of each of Messrs. Wilhite, Smith and Handel) or, upon becoming a director (in the case of any future director), a number of shares of restricted stock having an aggregate fair market value (as defined in our 2006 Stock Incentive Plan) of $100,000 and (ii) on the date of each annual meeting of our stockholders (beginning with the first annual meeting of our stockholders following the completion of this offering) stock options to purchase 3,500 shares of our common stock. See "—Management Arrangements—Employee Benefit Plans—2006 Stock Incentive Plan" below.

Compensation of Executives

The following tables set forth certain information for the years ended December 31, 2005, 2004 and 2003 for our Chief Executive Officer and our next five most highly compensated executive officers who served as executive officers of the Company during the year ended December 31, 2005 and whose annual compensation exceeded $100,000. We sometimes refer to our Chief Executive Officer and these five other officers as our "named executive officers."

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Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation		All Other Compensation(4)
	Year	Salary	Bonus(1)	Stock Award($)(2)	Securities Underlying Options (#)(3)	
Alan Vituli	2005	$600,000	$ 379,367	$ 6,880,313	—	$ —
Chairman of the Board and Chief Executive Officer	2004	561,000	9,251,531	—	—	—
	2003	550,008	—	—	—	17,000
Daniel T. Accordino	2005	$460,008	$ 290,853	$ 3,536,804	—	$ —
President, Chief Operating Officer and Director	2004	428,400	4,837,852	—	—	—
	2003	420,000	—	—	—	7,125
Michael A. Biviano	2005	$259,708	$ 172,701	$ 391,079	—	$ —
Executive Vice President, Taco Cabana	2004	244,800	716,933	—	783	—
	2003	234,231	—	—	1,044	—
Lewis S. Shaye	2005	$281,923	$ 120,390	$ 123,000	—	$ —
Vice President, Chief	2004	—	—	—	—	—
Concept Officer	2003	—	—	—	—	—
Paul R. Flanders	2005	$223,008	$ 94,171	$ 401,288	—	$ —
Vice President, Chief Financial Officer and Treasurer	2004	214,200	698,011	—	500	—
	2003	210,000	—	—	500	—
Joseph A. Zirkman	2005	$223,008	$ 94,171	$ 368,385	—	$ —
Vice President, General Counsel and Secretary	2004	214,200	656,586	—	500	—
	2003	210,000	—	—	500	—

(1) We provide bonus compensation to our executive officers based on an individual's achievement of certain specified objectives and our achievement of specified increases in stockholder value. In January 2005, we also made a compensatory bonus distribution of approximately $20.3 million to employee option holders (including our executive officers and a director), in conjunction with the December 2004 Transactions on a pro rata basis in proportion to the number of shares of common stock issuable upon exercise of options owned by such persons. Bonuses earned in 2004 (and paid in 2005) by Mr. Vituli, Mr. Accordino, Mr. Biviano, Mr. Flanders and Mr. Zirkman, included $8,662,481, $4,452,922, $492,377, $505,231 and $463,806, respectively, for amounts earned in conjunction with this special bonus distribution.

(2) Represents the estimated value of shares of our common stock issued to the named individuals. On May 3, 2005, we issued 2,941,653 shares of our common stock in exchange for the cancellation and termination of an identical number of outstanding options to purchase shares of our common stock, and at the same time issued an additional 61,406 shares of our common stock in separate awards. The number of shares awarded to Mr. Vituli, Mr. Accordino, Mr. Biviano, Mr. Shaye, Mr. Flanders and Mr. Zirkman, were 1,262,845, 649,161, 71,780, 22,576, 73,654, and 67,615, respectively. With the exception of Mr. Shaye, who held no options, each of the named officers had an identical number of stock options cancelled in exchange for the award of stock. The fair market value of a share of our common stock on the date of these awards was estimated to be approximately $5.45. See "—2005 Stock Awards".

(3) Reflects stock option grants for shares of our common stock in 2003 and 2004. These awards were cancelled in 2005 pursuant to footnote (2) above.

(4) Represents the premiums paid by us prior to July 2003 for split-dollar life insurance policies whereby Mr. Vituli and Mr. Accordino have designated beneficiaries.

Stock Option Grants in 2005

We did not grant any stock options or stock appreciation rights to the named executive officers during 2005.

Aggregated Option Exercises in 2005 and 2005 Year-End Option Values

The named executive officers did not exercise any stock options or stock appreciation rights during 2005.

2005 Stock Awards

Effective May 3, 2005, we issued an aggregate of 2,941,653 shares of our common stock in exchange for the cancellation and termination of an identical number of outstanding options to purchase shares of our common stock. As a consequence of the exchange, all outstanding stock options were cancelled and terminated. All shares were issued pursuant to stock award agreements, which provided that such shares are fully vested and non-forfeitable upon issuance, but may not be sold or otherwise disposed of until the earlier of (i) May 3, 2007 or (ii) a "change of control" (as defined in the stock award agreement). Such agreements also provided that up to an aggregate of 16% of each recipient's shares (for those recipients that were issued 1,128 or more shares) are subject to repurchase by us (at our option) after December 31, 2006 under certain circumstances described in the award agreements. In addition, such shares were subject to repurchase by us (at our option) in the event of a termination of employment before the occurrence of certain events.

Stock Awards and Option Awards in Connection with this Offering

In connection with this offering, we will issue options to acquire a total of 1,300,000 shares of our common stock to certain of our officers and employees under our 2006 Stock Incentive Plan at an exercise price equal to the initial public offering price per share of the common stock in this offering, with respect to 50% of the stock options to be issued to each individual, and at an exercise price equal to 120% of the initial public offering price with respect to the other 50% of the stock options to be issued to each individual. In particular, we will issue options to acquire 237,000 shares to Mr. Vituli, options to acquire 158,000 shares to Mr. Accordino, options to acquire 19,200 shares to Mr. Biviano, options to acquire 19,200 shares to Mr. Shaye, options to acquire 14,700 shares to Mr. Flanders and options to acquire 19,200 shares to Mr. Zirkman.

All of such options will vest and become exercisable over a period of five years, with one-fifth of such options vesting and becoming exercisable on the first anniversary of the date such options are granted and an additional one-sixtieth of such options vesting and becoming exercisable on the first day of each month following the first anniversary of the date of grant. Mr. Vituli's and Mr. Accordino's options will vest and become exercisable as provided above, except that (i) all of Mr. Vituli's unvested options will immediately vest and become exercisable in the event that we or Carrols elect not to renew Mr. Vituli's employment agreement after the initial term, which expires on December 31, 2008, and Mr. Vituli ceases to be employed after the end of such initial term, or if Mr. Vituli's employment is terminated by us or Carrols without cause (as defined in Mr. Vituli's employment agreement) or Mr. Vituli retires at any time after the initial two-year term of his employment agreement and (ii) all of Mr. Accordino's unvested options will immediately vest and become exercisable in the event that Mr. Accordino's employment is terminated by Mr. Accordino for the reason that Mr. Vituli has ceased to be Chief Executive Officer of us or Carrols and a person other than Mr. Accordino has succeeded Mr. Vituli as Chief Executive Officer.

In addition, in connection with this offering, we will issue 6,700 shares of restricted common stock to each of Messrs. Wilhite, Smith and Handel and we will issue a total of 54,900 additional shares of restricted common stock to certain of our employees under our 2006 Stock Incentive Plan.

Management Arrangements

Management Agreements

Vituli Employment Agreement

Prior to the pricing of this offering, we and Carrols will enter into an employment agreement with Alan Vituli. Pursuant to the employment agreement, which will be effective as of the date of the pricing of this offering and which will expire on December 31, 2008, Mr. Vituli will continue to serve as Carrols' and our Chairman of the Board of Directors and Chief Executive Officer. The employment agreement is subject to automatic renewals for successive one-year terms unless either Mr. Vituli, we or Carrols elect not to renew the employment agreement by giving written notice to the others at least 90 days before a scheduled expiration date. The employment agreement provides that Mr. Vituli will receive an annual base salary of $650,000 and provides that such amount may be increased annually at the sole discretion of our compensation committee. Pursuant to the employment agreement, Mr. Vituli will participate in Carrols' Executive Bonus Plan, and any stock option or other equity incentive plans applicable to executive employees as determined by our compensation committee. The employment agreement also provides that if Mr. Vituli's employment is terminated without cause (as defined in the employment agreement) or Mr. Vituli terminates his employment for good reason (as defined in the employment agreement) within twelve months following a change of control (as defined in the employment agreement), Mr. Vituli will receive a cash lump sum payment equal to 2.99 times his average salary plus his average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan) for the prior five years. The employment agreement also provides that if Mr. Vituli's employment is terminated by us or Carrols without cause (other than following a change of control as described above) or Mr. Vituli terminates his employment for good reason (other than following a change of control as described above), Mr. Vituli will receive a cash lump sum payment in an amount equal to 2.00 times his average salary plus average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan) for the prior five years. The employment agreement includes non-competition and non-solicitation provisions effective during the term of the employment agreement and for two years following its termination.

Accordino Employment Agreement

Prior to the date of the pricing of this offering, we and Carrols will enter into an employment agreement with Daniel T. Accordino. Pursuant to the employment agreement, which will be effective as of the date of the pricing of this offering and which will expire on December 31, 2008, Mr. Accordino will continue to serve as Carrols' and our President and Chief Operating Officer. The employment agreement is subject to automatic renewals for successive one-year terms unless either Mr. Accordino, we or Carrols elect not to renew the employment agreement by giving written notice to the others at least 90 days before a scheduled expiration date. The employment agreement provides that Mr. Accordino will receive an annual base salary of $500,000 and provides that such amount may be increased annually at the sole discretion of our compensation committee. Pursuant to the employment agreement, Mr. Accordino will participate in Carrols' Executive Bonus Plan, and any stock option or other equity incentive plans applicable to executive employees, as determined by our compensation committee. The employment agreement also provides that if Mr. Accordino's employment is terminated without cause (as defined in the employment agreement) or Mr. Accordino terminates his employment for good reason (as defined in the employment agreement) within twelve months following a change of control (as defined in the employment agreement), Mr. Accordino will receive a cash lump sum payment equal to 2.99 times his average salary plus his average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan) for the prior five years. The employment agreement also provides that if Mr. Accordino's employment is terminated by us or Carrols without cause (other than following a change of control as described above) or Mr. Accordino terminates his employment for good reason (other than following a change of control as described above), Mr. Accordino will receive a lump sum cash payment in an amount equal to 2.00 times his average salary plus average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan) for the prior five years. The employment agreement includes non-competition and non-solicitation provisions effective during the term of the employment agreement and for two years following its termination.

Change of Control/Severance Agreement

Prior to the pricing of this offering, we and Carrols will enter into a change of control/severance agreement with each of Messrs. Biviano, Shaye, Flanders, Zirkman, and five of our and Carrols' other officers. Each change of control/severance agreement provides that if within one year following a "change of control" (as defined in the change of control/severance agreement), such employee's employment is terminated by us or Carrols without cause (as defined in the change of control/severance agreement) or by such employee for good reason (as defined in the change of control/severance agreement), then such employee will be entitled to receive (a) a cash lump sum payment in the amount equal to the product of 18 and the employee's monthly base salary at the then current rate, (b) an amount equal to the aggregate bonus payment for the year in which the employee incurs a termination of employment to which the employee would otherwise have been entitled had his employment not terminated under the Executive Bonus Plan then in effect, and (c) continued coverage under our welfare and benefits plans for such employee and his dependents for a period of up to 18 months. Each change of control/severance agreement also provides that if prior to a change of control or more than one year after a change of control, such employee's employment is terminated by us or Carrols without cause or by such employee for good reason, then such employee will be entitled to receive (a) a cash lump sum payment in the amount equal to one year's salary at the then current rate, (b) an amount equal to the pro rata portion of the aggregate bonus payment for the year in which the employee incurs a termination of employment to which the employee would otherwise have been entitled had his employment not terminated under the Executive Bonus Plan then in effect and (c) continued coverage under our welfare and benefits plans for such employee and his dependents for a period of up to 18 months. The payments and benefits due under each change of control/severance agreement cannot be reduced by any compensation earned by the employee as a result of employment by another employer or otherwise. The payments are also not subject to any set-off, counterclaim, recoupment, defense or other right that we may have against the employee.

Employee Benefit Plans

Employee Retirement Plan

Carrols offers salaried employees the option to participate in the Carrols Corporation Retirement Savings Plan (the "Retirement Plan"). Under the Retirement Plan, our contributions begin to vest after one year and fully vest after five years of service. A year of service is defined as a plan year during which an employee completes at least 1,000 hours of service. We may elect to contribute on an annual basis to the Retirement Plan. Our contributions are equal to 50% of the employee's contribution up to a maximum contribution of $520,000 annually for any plan year that we participate in an employee match. The Retirement Plan includes a pre-tax savings option pursuant to section 401(k) of the Internal Revenue Code in addition to a post-tax savings option. Participating employees may contribute up to 18% of their salary annually to either of the savings options, subject to other limitations. The employees have various investment options available under a trust established by the Retirement Plan. The employee's contributions may be withdrawn at any time, subject to restrictions on future contributions. Our matching contributions may be withdrawn by the employee under certain conditions of financial necessity or hardship as defined in the Retirement Plan. Our contributions to the Retirement Plan totaled $403,000 and $432,000 for the years ended December 31, 2005 and 2003, respectively. For the 2004 plan year, we did not make any matching contributions.

Deferred Compensation Plan

We have a Deferred Compensation Plan which permits employees not eligible to participate in the Retirement Plan because they have been excluded as "highly compensated" employees (as so defined in the Retirement Plan), to voluntarily defer portions of their base salary and annual bonus. All amounts deferred by the participants earn interest at 8% per annum. We do not match any portion of the funds.

Bonus Plans

We have cash bonus plans designed to promote and reward excellent performance by providing employees with incentive compensation. Key senior management executives of each operating division can be eligible for bonuses equal to varying percentages of their respective annual salaries determined by our performance as well as the division's performance.

Long-Term Incentive Plans

We have historically maintained several long-term incentive plans. As indicated above, in "—2005 Stock Awards", all outstanding stock options were cancelled and terminated effective May 3, 2005 in exchange for the issuance of an identical number of shares of our common stock. At the same time, all stock option plans were terminated. The terminated plans included: (i) the Carrols Holdings Corporation 1996 Long-Term Incentive Plan; (ii) the Carrols Holdings Corporation 1998 Directors' Stock Option Plan; (iii) the Carrols Holdings Corporation 1998 Pollo Tropical Long-Term Incentive Plan; and, (iv) the Carrols Holdings Corporation 2001 Taco Cabana Long-Term Incentive Plan.

2006 Stock Incentive Plan

On November 21, 2006, our board of directors and our stockholders adopted and approved the 2006 Stock Incentive Plan, which we sometimes refer to as the stock incentive plan. The purpose of the stock incentive plan is to attract and retain persons eligible to participate in the stock incentive plan, such as our officers, employees, associates, directors and any consultants or advisors providing services to us and further align the interests of such officers, employees, associates, directors, consultants or advisors with those of our other stockholders.

Awards. The stock incentive plan provides for the grant of stock options and stock appreciation rights, stock awards, performance awards, outside director stock options and outside director stock awards. No award may be granted under the stock incentive plan on or after November 21, 2016 or such earlier time as our board of directors may determine.

Shares Subject to the 2006 Stock Incentive Plan. Subject to adjustment as provided below, the aggregate number of shares of our common stock that may be delivered pursuant to awards granted under the stock incentive plan is 3,300,000 shares. Subject to adjustment as discussed below, the maximum number of shares that may be covered by stock options, stock appreciation rights and stock awards, in the aggregate, granted to any one participant during any calendar year is 275,000 shares. If an award granted under the stock incentive plan terminates, lapses or is forfeited without the delivery of shares or any shares of restricted stock granted under the stock incentive plan are forfeited, then the shares covered by the terminated, lapsed or forfeited award or the forfeited restricted stock, as applicable, will again be available for grant.

In the event of any change affecting the outstanding shares of our common stock by reason of, among other things, a stock dividend, special cash dividend, stock split, combination or exchange of shares, recapitalization or other change in our capital structure, our corporate separation or division (including, but not limited to, a split-up, spin-off, split-off or other distribution to our stockholders, other than a normal cash dividend), sale by us of all or a substantial portion of our assets (measured on either a stand-alone or consolidated basis), reorganization, rights offering, partial or complete liquidation, merger or consolidation in which we are the surviving corporation or any transaction similar to the foregoing, the compensation committee of our board of directors, in its discretion, may make such substitution or adjustment as it deems equitable as to (1) the number or kind of shares that may be delivered under the stock incentive plan and/or the number or kind of shares subject to outstanding awards, (2) the exercise price of outstanding options, outside director options and stock appreciation rights and/or (3) other affected terms of the awards.

Plan Administration. The stock incentive plan is administered by the compensation committee of our board of directors. Our board of directors can also administer the stock incentive plan if a compensation committee or other committee has not been appointed or is not eligible to act. The compensation committee has the authority to (1) select stock incentive plan participants, (2) determine whether and to what extent stock options, stock appreciation rights and stock awards are to be granted and the number of shares of stock to be covered by each award (other than an outside director award), (3) approve forms of agreement for use under the stock incentive plan, (4) determine terms and conditions of awards (including, but not limited to, the option price, any vesting restriction or limitation, any vesting acceleration or waiver or forfeiture, and any right of repurchase, right of first refusal or other transfer restriction regarding any award), (5) modify, amend or adjust the terms and conditions of any award, (6) determine the fair market value and (7) determine the type and amount of consideration to be received by us for any stock award issued. Any determination with respect to any award will be made in the sole discretion of the compensation committee.

Eligibility. Any employee, officer, director, associate, advisor or consultant to us or any of our affiliates is eligible to participate in the stock incentive plan. In each case, the compensation committee selects the actual grantees.

Options. Under the stock incentive plan, the compensation committee may grant both options intended to constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code and non-qualified stock options. The exercise price for options will be determined by the compensation committee; provided, however, that the exercise price cannot be less than 100% of the fair market value (as defined in the stock incentive plan) of our common stock on the grant date. In the case of incentive stock options granted to an employee who, immediately before the grant of an option, owns stock representing more than 10% of the voting power of all classes of our stock or the stock of any of our subsidiaries, the exercise price cannot be less than 110% of the fair market value of a share of our common stock on the grant date and the incentive stock option will terminate on a date not later than one day preceding the fifth anniversary of the date on which such incentive stock option was granted.

The compensation committee determines when, and upon what terms and conditions, options granted under the plan will be exercisable, except that no option will be exercisable more than 10 years after the date on which it is granted. The compensation committee determines the vesting of stock options at the time of grant, except that no stock option shall become vested earlier than the first anniversary of the date of grant of such stock option or later than the seventh anniversary of the date of grant of such stock option and the participant must remain in active employment or service with us or an affiliate until the applicable vesting date. The exercise price may be paid (1) with cash, (2) unrestricted and vested shares owned by the optionee, (3) unless otherwise prohibited by law for either us or the optionee, by irrevocably authorizing a third party to sell shares (or a sufficient portion of the shares) acquired upon the exercise of the stock option and remit to us a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise, or (4) a combination of cash and/or stock.

Stock Appreciation Rights. The compensation committee may grant stock appreciation rights, which we refer to as SARs, under the equity incentive plan on a stand alone basis. The compensation committee determines the term of a SAR at the time of grant, except that no SAR will be exercisable more than 10 years after the date on which it is granted. The compensation committee determines the vesting of a SAR at the time of grant, except that no SAR shall become vested earlier than the first anniversary of the date of grant of such SAR or later than the seventh anniversary of the date of grant of such SAR and the participant must remain in active employment or service with us or an affiliate until the applicable vesting date.

Unless otherwise provided in the applicable option agreement (in the case of stock options) or SAR agreement (in the case of SARs), stock options or SARs granted under the stock incentive plan will have the following terms:

- if a participant's employment or provision of services terminates by reason of death or Disability (as defined in the stock incentive plan), all stocks option or SARs held by such participant will become fully vested and exercisable and may be exercised for a period of one year from the date of such death or termination of employment or services, as applicable, or until the expiration of the stated term of such stock option or SAR, whichever period is shorter.

- If a participant's employment or provision of services is terminated by the participant for Retirement (as defined in the stock incentive plan), any stock option or SAR held by such participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of six months from the date of such termination of employment or provision of services or until the expiration of the stated term of such stock option or SAR, whichever period is shorter, and any stock option or SAR that is unvested or unexercisable at the date of termination shall terminate.
- If a participant's employment or provision of services terminates involuntarily without Cause (as defined in the stock incentive plan), and for reasons other than death, Disability or Retirement, any stock option or SAR held by such participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of three months from the date of such termination of employment or provision of services or until the expiration of the stated term of such stock option or SAR, whichever period is shorter, and any stock option or SAR that is unvested or unexercisable at the date of termination shall terminate.
- If a participant's employment or provision of services terminates involuntarily for Cause, vesting of all outstanding stock options or SARs held by such participant shall thereupon terminate and all stock options or SARs held by such participant shall terminate.
- If a participant's employment or provision of services is terminated by the participant for any reason other than death, Disability or Retirement, any stock option or SAR held by such participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of one month from the date of such termination of employment or provision of services or until the expiration of the stated term of such stock option or SAR, whichever period is shorter, and any stock option or SAR that is unvested or unexercisable at the date of termination shall terminate.

Stock Awards. The compensation committee may grant awards of shares, restricted shares and restricted stock units upon the terms, conditions, performance requirements, restrictions, forfeiture provisions, contingencies and limitations as it determines. The compensation committee determines the vesting of stock awards at the time of grant, except that no stock award shall become vested earlier than the first anniversary of the date of grant of such stock award or later than the seventh anniversary of the date of grant of such stock award and the participant must remain in active employment or service with us or an affiliate until the applicable vesting date.

Except as otherwise provided in the applicable award agreement, if a participant's employment or provision of services is (1) terminated by death, Disability or any reason other than Cause, all stock underlying a stock award will become fully vested and non-forfeitable, and (2) terminated by us for Cause or by the participant for any reason other than death or Disability, all stock underlying a stock award, to the extent unvested at the time of termination, will be forfeited.

Performance Awards. The right of a participant to exercise or receive a grant or settlement of any award, and its timing, may be subject to performance conditions specified by the compensation committee at the time of grant. The compensation committee may use business criteria and other measures of performance it deems appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase amounts payable under any award subject to performance conditions, except as limited under the stock incentive plan in the case of a performance award intended to qualify under Section 162(m) of the Internal Revenue Code.

Outside Director Stock Options. On the date of the first annual meeting of stockholders following the consummation of this offering and on the date of the annual meeting of our stockholders during each fiscal year thereafter, each Outside Director (as defined in the stock incentive plan) will receive an outside director stock option to purchase 3,500 shares of our common stock. The term of an outside director stock option is seven years. An outside director stock option will vest and become exercisable in installments over five years with options for one-fifth of the shares underlying the outside director stock option vesting and becoming exercisable on the first anniversary of the date of grant of the outside director stock option and options for an additional one-fifth of the underlying shares vesting and becoming exercisable on each subsequent anniversary of the date of grant, provided that such Outside Director continuously remains a director through the applicable vesting date. Any unvested outside director stock options will terminate immediately upon the Outside Director ceasing to be a director.

Outside Director Stock Awards. An Outside Director serving on our board of directors on the effective date of this offering shall receive a stock award of 6,700 shares of our stock. An Outside Director appointed subsequent to the consummation of this offering shall receive as of the date of such appointment, stock awards of an aggregate fair market value of $100,000 on the date of grant.

An outside director stock award will vest and become exercisable in installments over five years with one-fifth of the shares underlying the outside director stock award vesting and becoming exercisable on the first anniversary of the date the outside director stock award is granted and an additional one-fifth of the underlying shares vesting and becoming exercisable on each subsequent anniversary of the grant date, provided that the Outside Director continuously remains a director through the applicable vesting date. Any unvested shares underlying an outside director stock award will be immediately forfeited upon the Outside Director ceasing to be a director. No outside director stock award is transferable unless vested and 50% of stock underlying an outside director stock award will be non-transferable for 5 years from the date of grant.

Change of Control. In the event of a Change in Control (as defined in the stock incentive plan), (i) outstanding and unvested stock options, outside director stock options and stock appreciation rights will be fully vested and exercisable, (ii) restrictions on outstanding stock awards and outside director stock awards will lapse and the shares relating to such awards will become fully vested and transferable, and (iii) outstanding awards will be subject to any agreement of acquisition, merger or reorganization that effects such Change in Control and that provides for the continuation of outstanding awards by us, assumption of outstanding awards, substitution of equivalent awards for the outstanding awards or settlement of each share of stock subject to an outstanding award for the Change in Control Price (as defined in the stock incentive plan).

PRINCIPAL AND SELLING STOCKHOLDERS

The following table shows information regarding the beneficial ownership of our common stock as of September 30, 2006 and as adjusted to reflect the sale of common stock in this offering and the issuance of an aggregate of 75,000 shares of restricted stock to be issued in connection with this offering under our 2006 Stock Incentive Plan for:

- each person who is known by us to own beneficially more than 5% of our common stock, including the selling stockholders;
- each of our directors and director designees;
- each of our named executive officers; and
- all of our directors, director designees and executive officers as a group.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or direct the disposition of such security. Under those regulations, the number of shares of common stock and percentages set forth opposite the name of each person and entity in the following table includes common stock underlying options held by that person or entity, including any options that are to be granted to such persons in connection with this offering, that are exercisable within 60 days after September 30, 2006, but excludes common stock underlying options held by any other person or entity. Except as noted below, the address for each person listed in the following table is c/o Carrols Restaurant Group, Inc. 968 James Street, P.O. Box 6969, Syracuse, NY 13217. Subject to applicable community property laws, we believe that all persons listed have sole voting and investment power with respect to their shares unless otherwise indicated.

Name of Beneficial Owner(1)(2)	Shares Beneficially Owned Before this Offering		Shares to be Sold in this Offering Assuming No Exercise of Over-allotment Option	Shares Beneficially Owned After this Offering Assuming No Exercise of Over-allotment Option		Additional Shares to be Sold in this Offering Assuming Full Exercise of Over-allotment Option	Shares Beneficially Owned After this Offering Assuming Full Exercise of Over-allotment Option	
	Number	%	Number	Number	%	Number	Number	%
BIB Holdings (Bermuda), Ltd.(3)	6,396,537	40.3%	4,666,667	1,729,870	8.0%	1,125,000	604,870	2.8%
Madison Dearborn Capital Partners(4)	6,396,536	40.3%	4,666,667	1,729,869	8.0%	1,125,000	604,869	2.8%
Alan Vituli(5)	1,373,772	8.6%	—	1,373,772	6.4%	—	1,373,772	6.4%
Daniel T. Accordino	658,868	4.1%	—	658,868	3.0%	—	658,868	3.0%
Paul R. Flanders	73,654	*	—	73,654	*	—	73,654	*
Joseph A. Zirkman	69,003	*	—	69,003	*	—	69,003	*
Michael A. Biviano	71,780	*	—	71,780	*	—	71,780	*
Lewis S. Shaye	22,576	*	—	22,576	*	—	22,576	*
Benjamin D. Chereskin(6)	6,396,536	—	4,666,667	1,729,869	8.0%	1,125,000	604,869	2.8%
Brian F. Gleason	—	—	—	—	—	—	—	—
Robin P. Selati(6)	6,396,536	—	4,666,667	1,729,869	8.0%	1,125,000	604,869	2.8%
Olaseni Adeyemi Sonuga	—	—	—	—	—	—	—	—
Clayton E. Wilhite(7)	45,152	*	—	51,852	*	—	51,852	*
Jack A. Smith(7)	—	—	—	6,700	*	—	6,700	*
Joel M. Handel(7)	—	—	—	6,700	*	—	6,700	*
Directors, director designees and executive officers as a group (fifteen persons)	8,785,457	55.3%	4,666,667	4,138,890	19.1%	1,125,000	3,013,890	13.9%

* Less than 1%

(1) The number of shares of common stock shown in the table includes shares that were issued on May 3, 2005 to executive officers and a director in exchange for the cancellation and termination of all of their existing stock options. The number of shares issued to each

person was identical to the number of stock options held (except for Mr. Shaye who held no options) and were as follows: 1,262,845 shares for Mr. Vituli; 649,161 shares for Mr. Accordino; 73,654 shares for Mr. Flanders; 67,615 shares for Mr. Zirkman; 71,780 shares for Mr. Biviano; 22,576 shares for Mr. Shaye; 45,152 shares for Mr. Wilhite; and 2,314,805 shares for all directors, director designees and executive officers as a group. See “Management—Director and Executive Compensation—2005 Stock Awards”.

(2) The address of BIB Holdings (Bermuda), Ltd. (“BIB”) is c/o Dilmun Investments, Inc., 84 West Park Place, Stamford, CT 06901. The address of Madison Dearborn, each of the Madison Dearborn entities, Mr. Chereskin and Mr. Selati is Three First National Plaza, Suite 3800, Chicago, IL 60602.

(3) These 6,396,537 shares of common stock were previously owned by Atlantic Restaurants, Inc., which was formed to effect the acquisition of Carrols in 1996. Atlantic Restaurants, which was a wholly-owned subsidiary of BIB, was merged into BIB on February 10, 1999. BIB is a wholly-owned subsidiary of Bahrain International Bank (E.C.) (the “Bank”). Based on information provided to us by the Bank, we understand that the creditors of the Bank agreed in May 2004 to an asset realization protocol which will entail a program for the realization of the assets of the Bank. According to the Bank, at the end of such process the Bank is expected to continue operations.

(4) Madison Dearborn Capital Partners, L.P. (“MDCP”) is the record owner of 3,198,262 shares and Madison Dearborn Capital Partners II, L.P. (“MDCPII”) is the record owner of 3,198,274 shares. The shares held by MDCP may be deemed to be beneficially owned by Madison Dearborn Partners, L.P. (“MDP”), the sole general partner of MDCP. The shares held by MDCPII may be deemed to be beneficially owned by Madison Dearborn Partners II, L.P. (“MDPII”), the sole general partner of MDCPII. John A. Canning, Paul J. Finnegan and Samuel M. Mencoff are the sole members of a limited partner committee of (i) MDP that has the power, acting by majority vote, to vote or dispose of the shares directly held by MDCP and (ii) MDPII that has the power, acting by majority vote, to vote or dispose of the shares directly held by MDCPII. Messrs. Canning, Finnegan and Mencoff and MDP and MDPII each hereby disclaims any beneficial ownership of any shares directly held by MDCP and MDCPII. The address for MDCP, MDCPII, MDP, MDPII and Messrs. Canning, Finnegan and Mencoff is Three First National Plaza, Suite 3800, Chicago, IL 60602.

(5) All shares are held by the Vituli Family Trust and deemed to be beneficially owned by Mr. Vituli.

(6) All of such shares are held by affiliates of Madison Dearborn as reported in footnote (4) above. Mr. Chereskin and Mr. Selati are each Managing Directors of Madison Dearborn, and therefore they each may be deemed to share voting and investment power over the shares owned by these entities, and therefore to beneficially own such shares. Both Mr. Chereskin and Mr. Selati disclaim beneficial ownership of all such shares.

(7) In connection with this offering, we will grant 6,700 shares of restricted common stock under our 2006 Stock Incentive Plan to each of Mr. Wilhite, Mr. Smith and Mr. Handel, which shares are reflected in this table.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Stockholders Agreement

On March 27, 1997, in connection with the investment by MDCP and MDCPII, whom we sometimes collectively refer to as the Madison Dearborn Stockholders, all holders of our common stock entered into a stockholders agreement containing agreements among such stockholders with respect to the voting of such common stock, the right of each of the Madison Dearborn Stockholders (collectively), BIB and Alan Vituli to designate directors, and the limitations on our ability and the ability of holders of our common stock to sell, transfer, assign, pledge or otherwise dispose of their common stock.

Currently, Messrs. Chereskin and Selati are serving on the board of directors as designees of the Madison Dearborn Stockholders, Messrs. Gleason, Sonuga and Wilhite are serving on the board of directors as designees of BIB and Messrs. Vituli and Accordino are serving on the board of directors as designees of Mr. Vituli.

In connection with this offering, the parties to the stockholders agreement will enter into an agreement providing for the termination of the stockholders agreement upon completion of this offering. Such agreement will further provide that we and our board of directors must take all necessary action within our control so that one director designated by the Madison Dearborn Stockholders (collectively) and one director designated by BIB are nominated for election as Class III directors (and whose term of office will therefore expire at our annual meeting of stockholders in 2009), and will give the Madison Dearborn Stockholders (collectively) and BIB the sole right to remove and replace (with a designee reasonably acceptable to us) their respective directors. Such right to replace directors may only be exercised once by each of the Madison Dearborn Stockholders (collectively) and BIB. The right to nominate, remove and replace directors as aforesaid terminates upon the earliest of (1) immediately prior to our annual stockholders meeting in 2009, (2) with respect to the Madison Dearborn Stockholders, at any time they collectively cease to own, of record or beneficially, at least 5% of the aggregate number of shares of our common stock then outstanding and (3) with respect to BIB, at any time it ceases to own, of record or beneficially, at least 5% of the aggregate number of our shares of common stock then outstanding.

Registration Agreement

On March 27, 1997, in connection with the investment by the Madison Dearborn Stockholders, BIB, Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman entered into a registration agreement with us. The registration agreement provides the Madison Dearborn Stockholders and BIB the right to demand registration of our common stock held by them under the Securities Act. The registration agreement also provides that whenever we register shares of our common stock under the Securities Act (other than on a Form S-4 or Form S-8) including pursuant to a demand by the Madison Dearborn Stockholders or BIB, then all of these stockholders will have the right to register their shares of common stock as part of that registration. The registration rights under this agreement are subject to the rights of the managing underwriters, if any, to reduce or exclude certain shares owned by these shareholders from the registration. The registration agreement requires us to pay for all costs and expenses, other than underwriting discounts and commissions, for these stockholders, incurred in connection with the registration of shares under the agreement. Under the registration agreement, we have agreed to indemnify the holders of the common stock entitled to registration rights against certain liabilities, including liabilities under the Securities Act.

Indemnification and Insurance

For a description of the limitations on liability and indemnification of, and provision of insurance covering, our directors and executive officers, see “Description of Capital Stock—Anti-Takeover Effects of Provisions of the Delaware General Corporate Law and Certain Provisions of Our Restated Certificate of Incorporation and Amended and Restated By-Laws.”

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DESCRIPTION OF CERTAIN INDEBTEDNESS

Notes

On December 15, 2004, Carrols issued $180 million aggregate principal amount of its 9% Senior Subordinated Notes due 2013 and, together with certain subsidiaries of Carrols, entered into the Indenture governing the Notes with the Bank of New York, as trustee. The Indenture governing the Notes sets forth the terms of and governs the Notes. The Indenture governing the Notes provides that the Notes will mature on January 15, 2013 and will bear interest at the rate of 9% per annum, payable semi-annually on July 15 and January 15 of each year, beginning on July 15, 2005. The Indenture governing the Notes further provides that Carrols may redeem some or all of the Notes at any time on and after January 15, 2009 at the redemption prices described therein. In addition, the Indenture governing the Notes also provides that Carrols may, on or prior to January 15, 2008, redeem up to 35% of the original aggregate principal amount of the Notes at a redemption price equal to 109% of the principal amount thereof plus accrued and unpaid interest thereon, using the proceeds of certain public equity offerings by Carrols or Carrols Restaurant Group. The Indenture governing the Notes also provides that Carrols must offer to purchase the Notes if it sells certain of its assets or if specific kinds of changes in control with respect to Carrols or Carrols Restaurant Group occur. The Notes are unsecured and are and will be guaranteed by each of Carrols' existing and future Restricted Subsidiaries (as defined in the Indenture governing the Notes). The Indenture governing the Notes contains certain covenants that limit the ability of Carrols and its guarantor subsidiaries to, among other things: incur indebtedness; incur liens; pay dividends or make distributions in respect of capital stock or make certain other restricted payments or investments; sell assets; agree to payment restrictions affecting the ability of its Restricted Subsidiaries to make dividends or other payments to Carrols; enter into transactions with affiliates; or merge, consolidate or sell substantially all of its assets. The Notes are subordinated in right of payment to all of Carrols' existing and future Senior Indebtedness (as defined in the Indenture and including, without limitation, indebtedness under the senior credit facility), and each of the subsidiary guarantees is subordinated in right of payment to all existing and future Senior Indebtedness of the applicable subsidiary guarantor.

Senior Credit Facility

Concurrently with the closing of the Notes offering, Carrols repaid all outstanding borrowings under its prior senior credit facility and amended and restated the prior senior credit facility with a new syndicate of lenders, including J.P. Morgan Securities Inc., as lead arranger and bookrunner, JPMorgan Chase Bank, N.A., as administrative agent and as a lender, Bank of America, N.A., as syndication agent and Wachovia Bank, National Association, as one of the documentation agents. The senior credit facility provides for (i) a revolving credit facility under which Carrols may borrow up to $50.0 million (including a sublimit of up to $20.0 million for letters of credit and up to $5.0 million for swingline loans), (ii) a term loan facility under which Carrols borrowed $220.0 million concurrently with the closing of the debt offering, and (iii) Incremental Facilities (as defined in the senior credit facility), at the option of Carrols, of up to $100.0 million, subject to the satisfaction of certain conditions. Borrowings under the term loans and the net proceeds from the sale of the Notes were used for the purposes described in this prospectus under "Prospectus Summary—December 2004 Transactions." The senior credit facility provides that future borrowings, including the proceeds from any revolving credit loans, must be used to finance working capital, new store development, permitted acquisitions and other general corporate purposes.

Under the senior credit facility, the revolving credit facility expires on December 31, 2009.

At September 30, 2006 amounts under the term loan facility were repayable as follows:

1) 20 quarterly installments of $0.55 million beginning on the last day of the first quarter in 2005;

2) three quarterly installments of $52.25 million beginning with last day of the first quarter in 2010; and

3) a final installment of $23.05 million is due and payable on December 31, 2010, the maturity date of the term loan facility.

If we elect to implement the Incremental Facilities and satisfy the conditions for doing so, the Incremental Facilities will be effected as term loan facilities which will mature and amortize in a manner reasonably acceptable to the administrative agent, but will not in any event have a shorter average life than the term loan facility. The Incremental Facilities (i) will rank *pari passu* in right of payment and security with the revolving credit facility and the term loan facility and (ii) except as set forth above, will be treated substantially the same as (and in any event no more favorably than) the term loan facility (including with respect to mandatory and voluntary prepayments and collateral and guarantee position); provided that the Incremental Facilities may provide for material additional or different financial or other covenants applicable only during periods after the final maturity of the term loan facility. Borrowings under the Incremental Facilities will bear interest at a rate per annum that will not exceed the interest rate per annum on term loan facility borrowings by more than 0.25% unless the interest rate on term loan borrowings is concurrently increased to be no less than 0.25% less than the interest rate on borrowings under the Incremental Facilities. In order to request the Incremental Facilities, Carrols must not be in default under the senior credit facility, must be in pro forma compliance with certain financial covenants and the proposed new borrowing must not cause Carrols to be required to secure any other indebtedness with the senior credit facility collateral.

Borrowings under the revolving credit facility bear interest at a rate per annum, at Carrols' option, equal to (i) the sum of (a) the higher of (1) the rate of interest determined by JPMorgan Chase Bank, N.A. as its prime rate and (2) the federal funds effective rate from time to time plus 0.5% plus (b) a margin of 0.50%, 0.75%, 1.0%, 1.25% or 1.50% based on Carrols total leverage ratio (as defined in the senior credit facility) or (ii) LIBOR plus 2.00%, 2.25%, 2.50%, 2.75% or 3.00% based on Carrols achieving certain total leverage ratios (as defined in the senior credit facility).

Borrowings under the term loan facility bear interest at a rate per annum, at Carrols' option, of either (i) the sum of (a) the greater of (1) the rate of interest determined by JPMorgan Chase Bank, N.A., as its prime rate and (2) the federal funds effective rate from time to time plus 0.5%, plus (b) 0.75% or 1.00% based on Carrols total leverage ratio or (ii) LIBOR plus 2.25% or 2.50% based on Carrols achieving certain total leverage ratios.

Payment of all obligations under the senior credit facility are guaranteed by Carrols Restaurant Group and all material subsidiaries of Carrols. In general, the obligations of Carrols under the senior credit facility and its subsidiaries' obligations under the guarantees are secured by a first priority lien and security interest on all of Carrols and the guarantor subsidiaries' assets, tangible or intangible, real, personal or mixed, existing and newly acquired, including a leasehold mortgage and collateral assignment of leases on all leased restaurant locations (which Carrols is able to obtain using its best efforts), and Carrols Restaurant Group's guarantee is secured by a pledge by Carrols Restaurant Group of all of the outstanding capital stock of Carrols. In addition, all obligations under the senior credit facility and the guarantees are secured by Carrols', Carrols Restaurant Group's and such subsidiaries' pledge of all the outstanding capital stock of their subsidiaries.

Under the senior credit facility, Carrols is required to make mandatory prepayments of principal on term loan borrowings (i) annually in an initial amount equal to 50% of Excess Cash Flow (as defined in the senior credit facility), (ii) in the event of certain dispositions of assets (all subject to certain exceptions) and insurance proceeds, in an amount equal to 100% of the net proceeds received by Carrols therefrom, and (iii) in an amount equal to 100% of the net proceeds from each issuance of debt by Carrols following the closing of the December 2004 Transactions (other than pursuant to the Incremental Facilities).

The senior credit facility contains certain covenants, including, without limitation, those limiting Carrols and its subsidiaries' ability to incur indebtedness, incur liens, sell or acquire assets or businesses, change the nature of its business, engage in transactions with related parties, make certain investments or pay dividends. In addition, the senior credit facility requires Carrols to maintain certain financial ratios including fixed charge coverage, senior leverage and total leverage ratios (all as defined under the senior credit facility).

Lease Financing Obligations

We have entered into sale-leaseback transactions involving certain restaurant properties that did not qualify for sale-leaseback accounting and as a result have been classified as financing transactions under SFAS 98, “Accounting For Leases”. Under the financing method, the assets remain on our consolidated balance sheet and proceeds received by us from these transactions are recorded as a financing liability. Payments under these leases are applied as payments of imputed interest and deemed principal on the underlying financing obligations. As of September 30, 2006, we had $58.4 million of lease financing obligations outstanding.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our restated certificate of incorporation and amended and restated by-laws, the forms of which have been or will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part and which will become effective prior to consummation of this offering, and of certain provisions of the Delaware General Corporation Law. The following summary of some of the terms relating to our common stock, preferred stock, restated certificate of incorporation and amended and restated by-laws is not complete and may not contain all the information you should consider before investing in our common stock. You should read carefully our restated certificate of incorporation and amended and restated by-laws to be effective after completion of this offering, which are included as exhibits to the registration statement of which this prospectus is a part.

Authorized Capitalization

Our authorized capital stock consists of (i) 100,000,000 shares of common stock, par value $0.01 per share, and (ii) 20,000,000 shares of preferred stock, par value $0.01 per share, of which no shares are issued and outstanding.

As of September 30, 2006, there were 220 holders of record of our common stock.

Common Stock

Voting Rights. Holders of common stock are entitled to one vote per share on all matters submitted for a vote by the common stockholders, except as otherwise required by law and subject to the rights of any preferred stock we may issue in the future. The holders of common stock do not have cumulative voting rights in the election of directors. Accordingly, the holders of more than 50% of the shares of common stock can, if they choose to do so, elect all the directors to be elected by our common stockholders, subject, however, to the rights of Madison Dearborn and BIB (which rights will expire no later than our annual stockholders meeting in 2009) to each remove and appoint one director as described above under “Certain Relationships and Related Party Transactions—Stockholders Agreement.” In such event, the holders of the remaining shares of common stock will not be able to elect any directors.

Dividend Rights. Holders of common stock are entitled to receive ratably dividends if, as and when dividends are declared by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on any outstanding preferred stock ranking prior to the common stock as to the payment of dividends. As described above under “Dividend Policy,” we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Liquidation Rights. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably the assets available for the distribution to the common stockholders after payment of, or provision for, all of our liabilities and amounts due in respect of any outstanding preferred stock ranking prior to the common stock with respect to distributions under such circumstances.

Other Matters. Holders of common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock are, and the shares of common stock being offered by us in this offering will, upon issuance, be, fully paid and non-assessable.

Preferred Stock

Our restated certificate of incorporation authorizes our board of directors to establish one or more series of preferred stock. Unless required by law or by any stock exchange on which our common stock is listed, the authorized shares of preferred stock will be available for issuance at the discretion of our Board of Directors without further action by our stockholders. Our board of directors is able to determine, with respect to any series of preferred stock, the terms and rights of that series including:

- the designation of the series;
- the number of shares of the series;
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate, if any, of the series;
- the dates at which dividends, if any, will be payable;
- the redemption rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of our company or any other entity, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates and provisions for any adjustments to such prices or rates, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;
- the ranking of such series with respect to dividends and amounts payable on our liquidation, dissolution or winding-up, which may include provisions that such series will rank senior to our common stock with respect to dividends and those distributions;
- restrictions on the issuance of shares of the same series or any other class or series; and
- voting rights, if any, of the holders of the series.

The issuance of preferred stock could adversely affect, among other things, the voting power of holders of common stock and the likelihood that stockholders will receive dividend payments and payments upon our liquidation, dissolution or winding up. The issuance of preferred stock could also have the effect of delaying, deferring or preventing a change in control of us. See "—Authorized but Unissued Capital Stock" below.

Authorized but Unissued Capital Stock

The Delaware General Corporation Law, or DGCL, does not require stockholder approval for any issuance of authorized shares. Additional shares of our common stock and preferred stock may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Anti-Takeover Effects of Provisions of the Delaware General Corporate Law and Certain Provisions of Our Restated Certificate of Incorporation and Amended and Restated By-laws

Section 203 of the General Corporation Law of the State of Delaware. We are a Delaware corporation subject to Section 203 of the DGCL. In general, Section 203 provides that, subject to certain exceptions, we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder unless:

- prior to such time, our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the voting stock owned by the interested stockholder) those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine whether shares held under the plan will be tendered in a tender or exchange offer; or
- at or subsequent to that time, the business combination is approved by our board of directors at an annual or special meeting of stockholders and not by written consent, and by the affirmative vote of holders of at least $66\ ^{2}/_{3}$% of our outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes, among other things, a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or is an affiliate or associate of us and within the previous three years did own, 15% or more of our outstanding voting stock.

Section 203 generally makes it more difficult for a person who is or would be an “interested stockholder” to effect various business combinations with a corporation for a three-year period. The provisions of Section 203 may encourage companies interested in acquiring our company to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions also may make it more difficult to accomplish transactions that our stockholders may otherwise deem to be in our and their best interests.

Classified Board of Directors. Our restated certificate of incorporation provides that our board of directors be divided into three classes of directors, as nearly equal in size as is practicable, serving staggered three-year terms.

Calling of Special Meeting of Stockholders. Our restated certificate of incorporation and amended and restated by-laws provide that special meetings of our stockholders may be called only by (1) our board of directors or chief executive officer for any purpose or (2) by the secretary if directed by the board of directors. Our restated certificate of incorporation and amended and restated by-laws provide that business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of such special meeting. Accordingly, our stockholders will not be entitled to take action by calling special meetings.

Adjournment of Stockholder Meetings. Our amended and restated bylaws provide that only the Chairman of the Board or other person presiding over any stockholder meeting may adjourn the meeting whether or not a quorum is present at the meeting.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our amended and restated by-laws provide that stockholders seeking to bring business before or to nominate candidates for election as directors at an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary. To be timely, a stockholder’s notice must be delivered or mailed and received at our principal executive offices not less than 90 nor more than 120 days in advance of the anniversary date of the immediately preceding annual meeting of stockholders. Our amended and restated by-laws will also specify requirements as to the form and content of a stockholder's notice. Stockholder nominations for the election of directors at a special meeting must be received by our corporate secretary by the later of ten days following the day on which public announcement is first made of the date of the special meeting was made or 90 days prior to the date that meeting is proposed to be held. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual or special meeting of stockholders.

Amendment or Alteration of Bylaws. Stockholders may amend, alter, change or repeal provisions of our amended and restated by-laws only by the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the shares entitled to vote at an election of directors. This may make it more difficult for stockholders to alter our amended and restated by-laws.

No Cumulative Voting. Holders of our common stock do not have cumulative voting rights in the election of directors. Accordingly, holders of more than 50% of the shares of our common stock can, if they choose to do so, elect all of our directors to be elected by our common stockholders, subject, however, to the rights of Madison Dearborn and BIB (which rights will expire no later than our annual stockholders meeting in 2009) to each remove and appoint one director as described above under "Certain Relationships and Related Party Transactions—Stockholders Agreement." In such event, holders of the remaining shares of our common stock will not be able to elect any directors.

Removal of Directors. Subject to the rights of Madison Dearborn and BIB (which rights will expire no later than our annual stockholders meeting in 2009) to each remove one director as described above under "Certain Relationships and Related Party Transaction—Stockholders Agreement," the board of directors may only remove a director from the board for cause and then only by action of a majority of the board. Subject to those rights, stockholders may only remove a director from our board of directors for cause, and then only by the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the shares entitled to vote at an election of directors.

Amendment or Alteration of Restated Certificate of Incorporation. Stockholders may amend, alter, change or repeal certain provisions of our restated certificate of incorporation by the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the shares entitled to vote at an election of directors. This may make it more difficult for stockholders to alter those provisions of our restated certificate of incorporation.

No Stockholder Action by Written Consent. Our restated certificate of incorporation requires that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing.

Limitation on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors. Our restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for breach of fiduciary duty as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases or redemption); or
- for transactions from which the director derived improper personal benefit.

Our restated certificate of incorporation and amended and restated by-laws provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We will also be expressly authorized to, and do, carry directors' and officers' insurance for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company.

Listing

We have applied to have our common stock listed on The NASDAQ Global Market under the symbol "TAST."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect prevailing market prices of our common stock and could impair our ability to raise capital through future sales of our common stock. Upon completion of this offering 21,625,540 shares of our common stock will be outstanding. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. Upon completion of this offering, our current stockholders (including holders of restricted common stock to be issued under our 2006 Stock Incentive Plan in connection with this offering) will hold 6,625,540 shares of our common stock representing an aggregate of 30.6% of the shares of our common stock to be outstanding immediately after completion of this offering (assuming no exercise of the underwriter's over-allotment option). The information in this section concerning our outstanding shares of common stock is based upon the number of shares outstanding as of September 30, 2006 and includes an aggregate of 75,000 shares of restricted stock to be issued in connection with this offering under our 2006 Stock Incentive Plan.

All of the 6,625,540 outstanding shares of our common stock that will be held by our existing stockholders immediately after completion of this offering (assuming no exercise of the underwriters' over-allotment option) will be "restricted securities" under Rule 144 of the Securities Act. Approximately 466,521 of those shares will be available for sale in the public markets 90 days after the date of this prospectus pursuant to Rule 144 (subject in some cases to volume limitations) or Rule 701 under the Securities Act. Also, approximately 6,159,019 of those shares of our common stock will be available for sale in public markets 180 days after the date of this prospectus (subject to extension by up to an additional 34 days as discussed below under "Lock-up Arrangements") following termination of the lock up agreements discussed below, at which time those shares will be saleable under Rule 144 (subject in some cases, to volume limitations) or Rule 701 under the Securities Act.

In addition, immediately after completion of this offering holders of 5,561,382 shares of our common stock (or 3,311,382 shares if the underwriters' over allotment option is exercised in full), all of which shares will be "restricted securities" under Rule 144, will be entitled to sell those shares in the public markets pursuant to the registration rights described below.

Rule 144

In general, under Rule 144, as currently in effect, beginning 90 days after the date of this prospectus, any person, including an affiliate of ours, who has beneficially owned shares of our common stock that are "restricted securities" for a period of at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of

- 1% of the then-outstanding shares of our common stock; and
- the average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks preceding the date on which the notice of the sale is filed with the SEC.

Sales under Rule 144 are also subject to provisions relating to notice, manner of sale and the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares that are "restricted securities" for at least two years, including the holding period of any prior owner other than an "affiliate," is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

In general, under Rule 701 under the Securities Act, any of our employees, directors, officers, consultants or advisors who acquired shares of our common stock that are “restricted securities” from us in connection with a written compensatory benefit plan or contract before the effective date of this offering, or who acquired shares of our common stock that are “restricted securities” from us after that date upon the exercise of options granted before that date, are eligible to resell such shares in reliance upon Rule 144. If such person is not an affiliate, such sale may be made subject only to the manner of sale provisions of Rule 144 but without complying with the holding period, public information, voting limitations, or notice provisions of Rule 144. If such a person is an affiliate, such sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Lock-Up Arrangements

We, our officers and directors and certain of our stockholders, including the selling stockholders, have agreed that, without the prior written consent of Wachovia Capital Markets, LLC and Banc of America Securities LLC, we and they will not offer, pledge, sell or otherwise dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, except for sale of shares to the underwriters and subject to exceptions and subject to the possible extension of the lock up period by up to an additional 34 days as described under “Underwriting—Lock-up Agreements.” Wachovia Capital Markets, LLC and Banc of America Securities LLC may, in their sole discretion and at any time or from time to time without notice, release all or any portion of the shares or other securities subject to the lock up agreements. See “Underwriting—Lock-Up Agreements.”

Registration Rights

As described above in “Certain Relationships and Related Party Transactions—Registration Agreement,” subject to the lock-up agreements described above, immediately after completion of this offering, holders of 5,561,382 shares of our common stock (or 3,311,382 shares of our common stock if the underwriters’ over- allotment option is exercised in full), all of which shares will be “restricted securities” under Rule 144, will have the right to require us to register those shares under the Securities Act or include those shares in subsequent registration statements we may file with the SEC, in each case to enable the holders to sell those shares in the public markets. Shares registered by those stockholders will be available for sale in the public markets without restriction. However, all of the stockholders entitled to these registration rights have entered into the lock-up agreements referred to above. By exercising their registration rights and causing a large number of shares to be registered and sold in the public market, these holders could cause the market price of the common stock to fall. In addition, any demand to include such shares in our registration statements could have a material adverse effect on our ability to raise needed capital.

2006 Stock Incentive Plan

We intend to file a registration statement on Form S-8 under the Securities Act to register approximately 3,300,000 shares of common stock initially reserved for issuance under our 2006 Stock Incentive Plan to be adopted by us in connection with this offering. This registration statement is expected to be filed following the effective date of the registration statement of which this prospectus is a part and will be effective upon filing. Upon effectiveness of this registration statement, shares issued under this plan (including shares issued upon the exercise of options) will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates and the lock-up agreements described above. In connection with this offering, we intend to issue 75,000 shares of restricted common stock and options to purchase 1,300,000 shares of common stock under this plan.

U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership, and disposition of our common stock purchased pursuant to this offering by a beneficial owner that, for U.S. federal income tax purposes, is a non-U.S. holder. As used in this prospectus, the term "non-U.S. holder" means a person that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. tax purposes) created or organized in the United States or under the laws of the United States or of any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, in general, if its administration is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all of its substantial decisions, or if it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This discussion assumes that you will hold our common stock issued pursuant to this offering as a capital asset within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (i.e., generally, property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a non-U.S. holder in light of the holder's investment or tax circumstances. In addition, this discussion of U.S. federal income and estate tax consequences does not address:

- other U.S., state or local, non-U.S. or other tax consequences;
- specific facts and circumstances that may be relevant to a particular non-U.S. holder's tax position;
- the tax consequences for the stockholders or beneficiaries of a non-U.S. holder;
- special tax rules that may apply to certain non-U.S. holders, including without limitation, banks, insurance companies, financial institutions, broker-dealers, tax-exempt entities, passive foreign investment companies, controlled foreign corporations or U.S. expatriates; or
- special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge or conversion transaction or other integrated investment.

If a partnership (including any entity or arrangement treated as a partnership for U.S. tax purposes) is a beneficial owner of our common stock, the treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner of our common stock that is a partnership and partners in such a partnership should consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning, and disposing of our common stock.

This discussion is based on current provisions of the Code, final, temporary and proposed U.S. Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service (the "IRS"), and other applicable authorities, all as in effect on the date hereof and all of which are subject to differing interpretations or change, possibly with retroactive effect. We have not sought, and will not seek, any ruling from the IRS or any opinion of counsel with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

Dividends

As described under "Dividend Policy" included elsewhere in this prospectus, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. However, if cash distributions are paid to non-U.S. holders on our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will constitute a return of capital that is applied against and reduces the non-U.S. holder's adjusted tax basis in our common stock, and thereafter will be treated as gain realized on the sale or other disposition of our common stock and as described under "—Gain on Sale, Exchange or other Taxable Disposition of Common Stock" below.

Dividends paid to a non-U.S. holder that are not effectively connected with the non-U.S. holder's conduct of a trade or business in the United States generally will be subject to withholding of U.S. federal income tax at the rate of 30% or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty (including, without limitation, the need to obtain a U.S. taxpayer identification number).

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States, directly or through an entity or arrangement treated as a partnership for U.S. tax purposes, and, if provided in an applicable income tax treaty, dividends that are attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States, are not subject to the 30% U.S. withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated U.S. federal income tax rates. Certain certification and disclosure requirements must be complied with for effectively connected income or income attributable to a permanent establishment to be exempt from withholding. Any effectively connected dividends or dividends attributable to a permanent establishment received by a non-U.S. holder that is treated as a foreign corporation for U.S. tax purposes may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

To claim the benefit of an income tax treaty or an exemption from withholding because dividends are effectively connected with the conduct of a trade or business in the United States, a non-U.S. holder must provide a properly executed IRS Form W-8BEN for treaty benefits or IRS Form W-8ECI for effectively connected income, before the payment of dividends. These forms generally must be updated periodically. Non-U.S. holders may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund. However,

- in the case of common stock held by a foreign partnership (including an entity or arrangement treated as a partnership for U.S. tax purposes), the certification requirement generally will be applied to the partners of the partnership and the partnership will be required to provide certain information;
- in the case of common stock held by a foreign trust, the certification requirement generally will be applied to the trust or the beneficial owners of the trust depending on whether the trust is a "foreign complex trust," "foreign simple trust," or "foreign grantor trust" as defined in U.S. Treasury regulations; and
- look-through rules will apply to tiered partnerships, foreign simple trusts and foreign grantor trusts.

A non-U.S. holder that is a foreign partnership or a foreign trust is urged to consult its own tax advisor regarding its status under U.S. tax law and the certification requirements applicable to it.

Gain on Sale, Exchange or Other Taxable Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale, exchange or other taxable disposition of our common stock unless any of the following applies:

1. The non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other taxable disposition, and certain other requirements are met;

2. The gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, directly or through an entity or arrangement treated as a partnership for U.S. tax purposes and, if provided in an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States; or

3. We are or have been, at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter) a "United States real property holding corporation" within the meaning of Section 897(c) (2) of the Code, unless our common stock is regularly traded on an established securities market and the non-U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, during the relevant period (the "5% exception"). We believe that we have not been and are not currently a United States real property holding corporation, and we do not expect to become a United States real property holding corporation. However, no assurances can be made in this regard. Furthermore, no assurances can be provided that our stock will continue to be regularly traded on an established securities market.

Non-U.S. holders described in clause (1) above are taxed on their gains (which may be offset by U.S. source capital losses of the non-U.S. holder, if any) at a flat rate of 30% or such lower rate as may be specified by an applicable income tax treaty. A non-U.S. holder described in clause (2) above or, if clause (3) above applies and the 5% exception does not apply to a non-U.S. holder, such non-U.S. holder, will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. If such non-U.S. holder is a corporation, it may be subject to an additional "branch profits tax" at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. In addition, if we are determined to be a United States real property holding corporation and the 5% exception does not apply, then a purchaser of our common stock would be required to withhold 10% of the proceeds payable to a non-U.S. holder from a sale or other taxable disposition of our common stock. Amounts withheld would be allowed as a refund or credit against a non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate refund claim or tax return is filed with the IRS in a timely manner.

U.S. Federal Estate Taxes

Our common stock beneficially owned or treated as beneficially owned by an individual who at the time of death is a non-U.S. holder, and certain lifetime transfers of an interest in common stock made by such an individual, will be included in his or her gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Information Reporting and Backup Withholding

Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such non-U.S. holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or because withholding was reduced or eliminated by an applicable income tax treaty. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

The gross amount of dividends paid to a non-U.S. holder that fails to certify its non-U.S. holder status in accordance with applicable U.S. Treasury regulations generally will be reduced by backup withholding at the applicable rate (currently 28%).

A non-U.S. holder is required to certify its non-U.S. status under penalties of perjury or otherwise establish an exemption in order to avoid information reporting and backup withholding on disposition proceeds where the transaction is effected by or through a U.S. office of a broker.

U.S. information reporting and backup withholding generally will not apply to a payment of proceeds of a disposition of common stock where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, information reporting requirements, but not backup withholding, generally will apply to such a payment if the broker is: (i) a U.S. person; (ii) a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States; (iii) a controlled foreign corporation as defined in the Code; or (iv) a foreign partnership (including an entity or arrangement treated as a partnership for U.S. tax purposes) with certain U.S. connections, unless the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Amounts that we withhold under the backup withholding rules may be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that certain required information is furnished to the IRS in a timely manner. Non-U.S. holders should consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding under current U.S. Treasury regulations.

The foregoing discussion is only a summary of certain U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by non-U.S. holders. You are urged to consult your own tax advisor with respect to the particular tax consequences to you of your ownership and disposition of our common stock, including the effect of any U.S. federal, state or local, non-U.S. or other tax laws and any applicable income or estate tax treaty.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, we and the selling stockholders have agreed to sell to the underwriters named below, and the underwriters, for whom Wachovia Capital Markets, LLC and Banc of America Securities LLC are acting as representatives and joint book-running managers, have severally agreed to purchase, the respective number of shares of common stock appearing opposite their names below:

Underwriter	Number of Shares
Wachovia Capital Markets, LLC	
Banc of America Securities LLC	
RBC Capital Markets Corporation	
Raymond James & Associates, Inc.	
Total	15,000,000

The underwriters have agreed to purchase all of the shares shown in the above table if any of those shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The shares of common stock are offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by counsel for the underwriters and other conditions. The underwriters reserve the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

The underwriters have informed us that they will not confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the total number of shares offered by them.

Commissions and Discounts. The underwriters have advised us that they propose to offer the shares of common stock to the public at the public offering price appearing on the cover page of this prospectus and to certain dealers at that price less a concession of not more than $ per share, of which up to $ may be reallowed to other dealers. After the initial offering, the public offering price, concession and reallowance to dealers may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds, before expenses, to us and to the selling stockholders, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriters of their over-allotment option.

		Total	
	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discounts and commissions payable by us	$	$	$
Proceeds, before expenses, to us	$	$	$
Underwriting discounts and commissions payable by the selling stockholders	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately $3,500,000. We have agreed to pay certain expenses of the selling stockholders incurred in connection with this offering, other than underwriting discounts and commissions payable in respect of the shares sold by the selling stockholders.

Over-allotment Option. The selling stockholders have granted to the underwriters an option, exercisable during the 30-day period after the date of this prospectus, to purchase up to 2,250,000 additional shares of common stock at the public offering price per share less the underwriting discounts and commissions per share shown on the cover page of this prospectus, and less an amount per share equal to any dividends or distributions declared, paid or payable by us on the shares of common stock that the underwriters are obligated to purchase but that are not payable on the additional shares to be purchased upon exercise of that option. To the extent that the underwriters exercise this option, each underwriter will have a firm commitment, subject to conditions, to purchase approximately the same percentage of those additional shares that the number of shares of common stock to be purchased by that underwriter as shown in the above table represents as a percentage of the total number of shares shown in that table.

Indemnity. We and the selling stockholders have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-up Agreements. We, all of our directors and officers, and certain of our stockholders prior to this offering, including the selling stockholders, which directors, officers and stockholders will own a total of approximately 27.1% of our outstanding common stock (or approximately 16.7% if the underwriters' over-allotment option is exercised in full) immediately upon completion of this offering, based on shares outstanding as of September 30, 2006, have agreed that, without the prior written consent of Wachovia Capital Markets, LLC and Banc of America Securities LLC, we and they will not, during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock;
- file or cause the filing of any registration statement under the Securities Act with respect to any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock, other than any registration statement filed to register shares of common stock to be sold to the underwriters pursuant to the underwriting agreement and registration statements on Form S-8 to register our common stock or options to purchase our common stock pursuant to our 2006 Stock Incentive Plan, described above under "Management—Management Arrangements—Employee Benefit Plans—2006 Stock Incentive Plan", as that plan is in effect on the date of this prospectus; or
- enter into any swap or other agreement, arrangement or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our common stock or any securities convertible into or exercisable or exchangeable for our common stock,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock, other securities, in cash or otherwise. Moreover, if:

- during the last 17 days of the 180-day restricted period referred to above we issue an earnings release or material news or a material event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results or become aware that material news or a material event relating to us will occur during the 16-day period beginning on the last day of the 180-day restricted period,

the restrictions described in the immediately preceding sentence will continue to apply until the expiration of the 18-day period beginning on the date of issuance of the earnings release or the occurrence of the material news or material event, as the case may be, unless Wachovia Capital Markets, LLC and Banc of America Securities LLC waive, in writing, that extension.

The restrictions described in the immediately preceding paragraph do not apply to:

(1) the sale of shares to the underwriters pursuant to the underwriting agreement;

(2) the issuance by us of shares, or options to purchase shares, of our common stock pursuant to our 2006 Stock Incentive Plan described above under "Management—Management Arrangements—Employee Benefit Plans—2006 Incentive Stock Plan," as that plan is in effect on the date of this prospectus;

(3) the issuance by us of shares of common stock upon the exercise of stock options outstanding on the date of this prospectus or issued after the date of this prospectus under our 2006 Stock Incentive Plan referred to in clause (2) above, as those stock options and plan are in effect on the date of this prospectus;

(4) in the case of any director or officer or any stockholder that is a natural person, bona fide gifts for charitable or estate planning purposes; and

(5) in the case of any stockholder that is a corporation, partnership or limited liability company, transfers to any stockholder, partner or member, as the case may be, of such corporation, partnership or limited liability company if, in any such case, such transfer is not for value;

provided that, in the case of any transfer or gift described in clause (4) or (5) above, (a) the transferee or donee, as the case may be, executes and delivers to Wachovia Capital Markets, LLC and Banc of America Securities LLC, acting on behalf of the underwriters, not later than one business day prior to such transfer or gift, a written agreement wherein it agrees to be subject to the restrictions described in the immediately preceding paragraph, subject to the applicable exceptions described above in this paragraph and (b) if the transferor is required to file a report under Section 16(a) of the Securities Exchange Act of 1934 reporting a reduction in beneficial ownership of shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock during the 180-day restricted period, as the same may be extended as described above, the transferor shall include a statement in that report to the effect that, in the case of any transfer pursuant to clause (4) above, the transfer is being made as a gift for charitable or estate planning purposes or, in the case of any transfer pursuant to clause (5) above, the transfer is being made to a stockholder, partner or member of the transferor and is not a transfer for value.

Wachovia Capital Markets, LLC and Banc of America Securities LLC may, in their sole discretion and at any time or from time to time, without notice, release all or any portion of the shares or other securities subject to the lock-up agreements.

Listing on The NASDAQ Global Market. We have filed an application for our common stock to be listed on The NASDAQ Global Market under the symbol "TAST."

Stabilization. In order to facilitate this offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common stock. Specifically, the underwriters may sell more shares of common stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the over-allotment option. The underwriters may close out a covered short sale by exercising the over-allotment option or purchasing common stock in the open market. In determining the source of common stock to close out a covered short sale, the underwriters may consider, among other things, the market price of common stock compared to the price payable under the over-allotment option. The underwriters may also sell shares of common stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after the date of pricing of this offering that could adversely affect investors who purchase in this offering.

As an additional means of facilitating this offering, the underwriters may bid for, and purchase, common stock in the open market to stabilize the price of our common stock. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing common stock in this offering if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock.

The foregoing transactions, if commenced, may raise or maintain the market price of our common stock above independent market levels or prevent or retard a decline in the market price of the common stock.

The representatives have advised us that these transactions, if commenced, may be effected on The NASDAQ Global Market or otherwise. Neither we nor any of the underwriters makes any representation that the underwriters will engage in any of the transactions described above and these transactions, if commenced, may be discontinued without notice. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock.

Pricing of this Offering. Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock was determined by negotiations among us and the representatives of the underwriters. The factors considered in determining the initial public offering price included:

- prevailing market conditions;
- our results of operations and financial condition;
- financial and operating information and market valuations with respect to other companies that we and the representatives of the underwriters believe to be comparable or similar to us;
- the present state of our development; and
- our future prospects.

An active trading market for our common stock may not develop. It is possible that the market price of our common stock after this offering will be less than the initial public offering price. In addition, the estimated initial public offering price range and the number of shares to be sold in this offering appearing on the cover of this preliminary prospectus are subject to change as a result of market conditions or other factors.

Sales Outside the United States

Each of the underwriters may arrange to sell shares in certain jurisdictions outside the United States, either directly where they are permitted to do so or through affiliates. In that regard, Wachovia Capital Markets, LLC may arrange to sell the shares in certain jurisdictions through an affiliate, Wachovia Securities International Limited, or WSIL. WSIL is a wholly-owned indirect subsidiary of Wachovia Corporation and an affiliate of Wachovia Capital Markets, LLC. WSIL is a UK incorporated investment firm regulated by the Financial Services Authority. Wachovia Securities is the trade name for the corporate and investment banking services of Wachovia Corporation and its affiliates, including Wachovia Capital Markets, LLC and WSIL.

Each of the underwriters has represented and agreed that:

- it has not made or will not make an offer of the securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA);

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to us; and
- it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

The securities will not be offered in Norway other than (i) to investors who are deemed professional investors under Section 5-4 of the Norwegian Securities Trading Act of 1997 as defined in Regulation no. 1424 of 9 December 2005 ("Professional Investors"), (ii) to fewer than 100 investors that are not Professional Investors or with a total consideration of less than €100,000 calculated over a period of 12 months, or (iii) with a minimum subscription amount of €50,000. Consequently, no public offering will be made in Norway and this prospectus has not been filed with or approved by any Norwegian authority. This prospectus must not be reproduced or otherwise distributed to others by the recipient in Norway.

This prospectus has not been prepared to comply with the standards and requirements regarding public offering set forth in the Finnish Securities Market Act (1989/495, as amended) and it has not been approved by the Finnish Financial Supervision Authority. The securities may not be offered, sold, advertised or otherwise marketed in Finland under circumstances which constitute public offering of securities under Finnish law.

The securities will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations.

The securities (i) will not be offered or sold, directly or indirectly, to the public (appel public a l'épargne) in the Republic of France and (ii) offers and sales of the securities in the Republic of France (a) will only be made to qualified investors (investisseurs qualifiés) as defined in, and in accordance with, Articles L 411-1, L 411-2 and D 411-1 to D 411-3 of the French Code monétaire et financier or (b) will be made in any other circumstances which do not require the publication by us of a prospectus pursuant to Article L 411-2 of the Code monétaire et financier and Article 211-2 of the Règlement Général of the Autorité des marchés financiers.

Investors are informed that this prospectus has not been admitted to the clearance procedures of the Autorité des marchés financiers, and that any subsequent direct or indirect circulation to the public of the securities so acquired may not occur without meeting the conditions provided for in Articles L 411-1, h 411-2, L 412-2 and L 621-5 to L 621-8-2 of the Code monétaire et financier.

In addition, we represent and agree that we have not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, this prospectus or any other offering material relating to the securities other than to those investors (if any) to whom offers and sales of the securities in the Republic of France may be made as described above.

The offering of the securities has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa, the "CONSOB") pursuant to Italian securities legislation and, accordingly, each of the underwriters has represented and agreed that the securities may not and will not be offered, sold or delivered, nor may or will copies of the prospectus or any other documents relating to the securities be distributed in Italy, except (i) to professional investors (operatori qualificati), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended (the "Regulation No. 11522"), or (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Service Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of the securities or distribution of copies of the prospectus or any other document relating to the securities in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative decree No. 385 of September 1, 1993, as amended (the "Italian Banking Law"), Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

The securities and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted form the rules on solicitation of investments pursuant to Article 100 of the "Financial Service Act" and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Italy has only partially implemented the Prospectus Directive and the provisions in the immediately following paragraph shall apply with respect to Italy only to the extent that the relevant provisions of the Prospectus Directive have already been implemented in Italy. Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

In relation to each Member State of the European Economic Area (Iceland, Norway and Lichtenstein in addition to the member states of the European Union) that has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the securities that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the securities to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural of legal persons (other than qualified investors, as defined in the Prospectus Directive) subject to obtaining the prior consent of Wachovia Capital Markets, LLC and Banc of America Securities LLC for any such offer; or
- in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any securities under, the offer contemplated in this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

- in the case of any securities acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the securities acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member Stale other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Wachovia Capital Markets, LLC and Banc of America Securities LLC has been given to the offer or resale; or (2) where securities have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those securities to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the provisions in the two immediately preceding paragraphs, the expression an "offer of the securities to the public" in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Any investor purchasing the securities in the offering is solely responsible for ensuring that any offer or resale of the securities it purchased in the offering occurs in compliance with applicable laws and regulations.

Other. The selling stockholders may be deemed to be "underwriters" within the meaning of the Securities Act.

Certain of the underwriters and/or their affiliates have provided and in the future may provide investment banking, commercial banking and/or financial advisory services to us for which they have received and in the future may receive compensation. In particular, affiliates of Wachovia Capital Markets, LLC and Banc of America Securities LLC, each an underwriter in this offering, are agents and lenders under our senior credit facility. In addition, Wachovia Capital Markets, LLC and Banc of America Securities LLC, each an underwriter in this offering, acted as initial purchasers in the offering of the Notes.

LEGAL MATTERS

The validity of the common stock we and the selling stockholders are offering by this prospectus will be passed upon for us by Katten Muchin Rosenman LLP, New York, New York. Sidley Austin LLP, New York, New York, will act as counsel for the underwriters.

EXPERTS

The consolidated financial statements as of December 31, 2005 and for the year then ended, included in the prospectus and the related financial statement schedules included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements as of December 31, 2004 and for each of the two years in the period ended December 31, 2004, included in this prospectus, have been so included in reliance on the report (which contains an explanatory paragraph relating to our restatement of our financial statements as described in Note 2 to our Consolidated Financial Statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the registration of common stock offered for sale with this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all the information included in the registration statement nor all of the exhibits. Additional information about us is included in the registration statement and the exhibits. Statements contained in this prospectus regarding the contents of any contract or any other document to which reference is made are not complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. A copy of the registration statement and the exhibits filed may be inspected without charge at the public reference room maintained by the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained upon the payment of the fees prescribed by the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of this website is http://www.sec.gov.

You may request a copy of any of our filings with the Securities and Exchange Commission, or any of the agreements or other documents that might constitute exhibits to those filings, at no cost, by writing or telephoning us at the following address or phone number:

Carrols Restaurant Group, Inc.
968 James Street
Syracuse, New York 13203
Telephone: (315) 424-0513

Upon completion of this offering, we will be subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and will be required to file reports, proxy statements and other information with the SEC. You will be able to inspect and copy these reports, proxy statements and other information at the public reference facilities maintained by the SEC at the address noted above. You will also be able to obtain copies of this material from the Public Reference Room of the SEC as described above, or inspect them without charge at the SEC's website. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by, reported on, and with an opinion expressed by an independent accounting firm.

Index to Consol idated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Carrols Restaurant Group, Inc. (formerly Carrols Holdings Corporation)
Syracuse, New York

We have audited the accompanying consolidated balance sheet of Carrols Restaurant Group, Inc. (formerly Carrols Holdings Corporation) and subsidiary (the “Company”) as of January 1, 2006, and the related consolidated statements of operations, changes in stockholders’ equity (deficit), and cash flows for the year then ended. Our audit also included the 2005 financial statement schedules listed in the Index at Item 16(b) in the registration statement of which this prospectus is a part. These financial statements and the financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 1, 2006, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 2005 financial statement schedules, when considered in relation to the basic 2005 consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.
Rochester, New York

June 30, 2006 (, 2006 as to Note 19)

The accompanying financial statements give effect to an 11.288 for 1 stock split of the common stock of Carrols Restaurant Group, Inc. which will take place prior to the effective date of the registration statement of which this prospectus is a part. The preceding report is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon completion of the 11.288 for 1 stock split of the common stock of Carrols Restaurant Group, Inc. described in Note 19 to the financial statements and assuming that from June 30, 2006 to the date of such completion no other material events have occurred that would affect the accompanying financial statements or disclosure therein.

/s/ Deloitte & Touche LLP

Rochester, New York

November 21, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Carrols Restaurant Group, Inc.:

The stock split described in Note 19 to the consolidated financial statements has not been consummated at November 22, 2006. When it is consummated we will be in a position to furnish the following report:

"In our opinion, the consolidated balance sheet as of December 31, 2004 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31,2004, present fairly, in all material respects, the financial position of Carrols Restaurant Group, Inc. (formerly named Carrols Holdings Corporation) and its subsidiary at December 31, 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules for each of the two years in the period ended December 31, 2004, listed at item 16(b) in the registration statement of which this prospectus is a part, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of Carrols Restaurant Group, Inc.'s management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the consolidated financial statements as of December 31, 2004 and for the years ended December 31, 2004 and 2003 have been restated."

/s/ PricewaterhouseCoopers LLP

Syracuse, New York

July 27, 2005, except for the restatement referred to in Note 2 to the consolidated financial statements as to which the date is June 29, 2006, the business segment information in Note 14 and the earnings per share information within the statements of operations and in Note 18 as to which the date is September 21, 2006, and the effects of the stock split described in Note 19, as to which the date is November 21, 2006.

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CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(Information as of September 30, 2006 is Unaudited)
(In thousands of dollars except share and per share amounts)

	December 31, Restated (Note 2) 2004	December 31, 2005	September 30, 2006 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 31,466	$ 9,331	$ 2,786
Trade and other receivables, net of reserves of $81, $0 and $0, respectively	2,578	3,017	4,322
Inventories	4,831	5,333	4,712
Prepaid rent	3,589	4,476	5,487
Prepaid expenses and other current assets	4,358	4,635	5,423
Refundable income taxes	3,326	593	—
Deferred income taxes (Note 11)	6,242	4,867	4,867
Total current assets	56,390	32,252	27,597
Property and equipment, net (Note 3)	213,489	217,506	181,268
Franchise rights, net (Note 4)	90,056	86,490	84,073
Goodwill (Note 4)	122,241	124,934	124,934
Intangible assets, net (Note 4)	—	1,465	1,249
Franchise agreements, at cost less accumulated amortization of $4,954, $5,208, and $5,478, respectively	6,480	5,869	5,693
Deferred income taxes (Note 11)	12,940	13,279	13,120
Other assets	14,650	15,150	15,792
Total assets	$ 516,246	$ 496,945	$ 453,726
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Current portion of long-term debt (Note 8)	$ 2,611	$ 2,588	$ 2,499
Accounts payable	17,581	19,022	18,724
Accrued interest	956	7,615	7,544
Accrued payroll, related taxes and benefits	24,940	15,703	16,507
Accrued income taxes payable	—	—	1,314
Accrued bonus to employees and a director (Note 12)	20,860	—	—
Accrued real estate taxes	2,419	3,933	4,646
Other liabilities	11,538	8,832	12,182
Total current liabilities	80,905	57,693	63,416
Long-term debt, net of current portion (Note 8)	398,614	391,108	366,041
Lease financing obligations (Note 9)	111,715	110,898	58,440
Deferred income—sale-leaseback of real estate (Note 7)	8,585	10,660	31,420
Accrued postretirement benefits (Note 17)	3,504	4,068	4,519
Other liabilities (Note 6)	28,471	26,055	23,826
Total liabilities	631,794	600,482	547,662
Commitments and contingencies (Notes 7 and 15)			
Stockholders' deficit (Notes 12 and 13):			
Preferred stock, par value $.01; authorized 20,000,000 shares, issued and outstanding—none	—	—	—
Voting common stock, par value $.01; authorized 100,000,000 shares, issued and outstanding—12,915,095; 15,917,176; and 15,883,874 shares, respectively	129	159	159
Additional paid-in capital	(84,870)	(68,539)	(68,539)
Accumulated deficit	(30,807)	(35,157)	(25,415)
Treasury stock, at cost	—	—	(141)
Total stockholders' deficit	(115,548)	(103,537)	(93,936)
Total liabilities and stockholders' deficit	$ 516,246	$ 496,945	$ 453,726

The accompanying notes are an integral part of these consolidated financial statements.

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CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(Information for the nine months ended September 30, 2005 and 2006 is Unaudited)
(In thousands of dollars except share and per share amounts)

	Years ended December 31,			Nine months ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005 (Unaudited)	2006 (Unaudited)
Revenues:					
Restaurant sales	$ 643,579	$ 696,343	$ 705,422	$ 531,442	$ 561,719
Franchise royalty revenues and fees	1,406	1,536	1,488	1,160	1,002
Total revenues	644,985	697,879	706,910	532,602	562,721
Costs and expenses:					
Cost of sales	181,182	202,624	204,620	154,424	158,299
Restaurant wages and related expenses	194,315	206,732	204,611	153,740	164,400
Restaurant rent expense	31,089	34,606	34,668	25,818	27,183
Other restaurant operating expenses	89,880	92,891	102,921	75,976	82,466
Advertising expense	27,351	24,711	25,523	19,791	20,768
General and administrative (including stock-based compensation expense of $253, $1,818, $16,432, $16,432 and $0, respectively)	37,388	43,585	58,621	47,837	35,799
Depreciation and amortization	40,228	38,521	33,096	24,929	25,177
Impairment losses (Note 5)	4,151	1,544	1,468	1,427	832
Bonus to employees and a director (Note 12)	—	20,860	—	—	—
Other expense (income) (Notes 6 and 10)	—	2,320	—	—	(1,389)
Total operating expenses	605,584	668,394	665,528	503,942	513,535
Income from operations	39,401	29,485	41,382	28,660	49,186
Interest expense	37,334	35,383	42,972	31,830	34,616
Loss on extinguishment of debt (Note 8)	—	8,913	—	—	—
Income (loss) before income taxes	2,067	(14,811)	(1,590)	(3,170)	14,570
Provision (benefit) for income taxes (Note 11)	741	(6,720)	2,760	2,054	4,828
Net income (loss)	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742
Basic and diluted net income (loss) per share (Note 18)	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)	$ 0.61
Basic and diluted weighted average common shares outstanding (Note 18)	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147

The accompanying notes are an integral part of these consolidated financial statements.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Information as of and for the nine months ended September 30, 2006 is Unaudited)
(In thousands of dollars)

	Voting Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity (Deficit)
Balance at December 31, 2002, as previously reported	$ 129	$ 31,924	$ (22,257)	$ —	$ 9,796
Restatement adjustments (Note 2)	—	—	(1,785)	—	(1,785)
Balance at December 31, 2002, restated (Note 2)	129	31,924	(24,042)	—	8,011
Net income (restated)	—	—	1,326	—	1,326
Balance at December 31, 2003, restated (Note 2)	129	31,924	(22,716)	—	9,337
Net loss (restated)	—	—	(8,091)	—	(8,091)
Dividends declared (Note 12)	—	(116,794)	—	—	(116,794)
Balance at December 31, 2004, restated (Note 2)	129	(84,870)	(30,807)	—	(115,548)
Net loss	—	—	(4,350)	—	(4,350)
Issuance of stock (Note 13)	30	16,331	—	—	16,361
Balance at December 31, 2005	159	(68,539)	(35,157)	—	(103,537)
Net income (unaudited)	—	—	9,742	—	9,742
Purchase of treasury shares (unaudited)	—	—	—	(141)	(141)
Balance at September 30, 2006 (unaudited)	$ 159	$ (68,539)	$ (25,415)	$ (141)	$ (93,936)

The accompanying notes are an integral part of these consolidated financial statements.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Information for the nine months ended September 30, 2005 and 2006 is Unaudited)
(In thousands of dollars)

	Year Ended December 31,			Nine months ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005 (Unaudited)	2006 (Unaudited)
Cash flows provided from (used for) operating activities:					
Net income (loss)	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742
Adjustments to reconcile net income (loss) to net cash provided from operating activities:					
Gain on disposal of property and equipment	(386)	(176)	(620)	(585)	—
Stock-based compensation	253	1,818	16,310	16,310	—
Other income	—	—	—	—	(1,389)
Depreciation and amortization	40,228	38,521	33,096	24,929	25,177
Amortization of deferred financing costs	1,540	1,527	1,529	1,154	1,098
Amortization of unearned purchase discounts	(2,146)	(2,154)	(2,156)	(1,616)	(1,616)
Amortization of deferred gains from sale-leaseback transactions	(180)	(458)	(481)	(377)	(897)
Impairment losses	4,151	1,544	1,468	1,427	832
Loss on extinguishment of debt	—	8,913	—	—	—
Gain on settlement of lease financing obligations	—	—	—	—	(120)
Accretion of interest on lease financing obligations	443	406	344	257	281
Deferred income taxes	(1,156)	(6,466)	1,036	(876)	159
Changes in operating assets and liabilities:					
Accrued income taxes payable	2,089	(4,162)	2,435	1,958	1,314
Accounts payable	1,258	(2,427)	1,140	378	(298)
Accrued payroll, related taxes and benefits	(3,585)	9,666	(9,186)	(10,506)	835
Accrued bonus to employees and a director	—	20,860	(20,860)	(20,860)	—
Other liabilities—current	381	1,762	(931)	1,283	4,063
Accrued interest	134	(593)	6,659	2,555	(71)
Other liabilities—long-term	475	(428)	(603)	(284)	(520)
Other	1,524	(851)	(2,822)	700	(1,738)
Net cash provided from operating activities	46,349	59,211	22,008	10,623	36,852
Cash flows provided from (used for) investing activities:					
Capital expenditures:					
New restaurant development	(18,706)	(9,654)	(20,613)	(15,497)	(20,370)
Restaurant remodeling	(3,317)	(845)	(4,018)	(2,093)	(4,885)
Other restaurant capital expenditures	(6,944)	(7,503)	(8,684)	(6,188)	(5,478)
Corporate and restaurant information systems	(1,404)	(1,071)	(1,319)	(985)	(1,324)
Acquisition of Taco Cabana restaurants	—	—	(4,215)	(4,220)	—
Total capital expenditures	(30,371)	(19,073)	(38,849)	(28,983)	(32,057)
Properties purchased for sale-leaseback	(3,149)	(1,574)	(1,091)	(275)	(2,663)
Proceeds from sale-leaseback transactions	44,180	10,984	5,237	1,137	31,693
Proceeds from dispositions of property and equipment	3,921	1,174	795	669	—
Net cash provided from (used for) investing activities	14,581	(8,489)	(33,908)	(27,452)	(3,027)

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(Information for the nine months ended September 30, 2005 and 2006 is Unaudited)
(In thousands of dollars)

	Year Ended December 31,			Nine months ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005 (Unaudited)	2006 (Unaudited)
Cash flows used for financing activities:					
Payments on revolving credit facility, net	(52,200)	(600)	—	—	—
Scheduled principal payments on term loans	(11,000)	(10,125)	(2,200)	(1,650)	(1,650)
Principal pre-payments on term loans	—	—	(6,000)	(6,000)	(23,200)
Proceeds from issuance of debt	—	400,000	—	—	—
Tender and redemption of 9 1/2% senior subordinated notes	—	(175,756)	—	—	—
Repayment of borrowings under previous credit facility	—	(113,375)	—	—	—
Financing costs associated with issuance of debt and lease financing obligations	(186)	(9,013)	(542)	(304)	—
Proceeds from lease financing obligations	3,625	4,500	—	—	—
Dividends paid	—	(116,794)	—	—	—
Settlement of lease financing obligations	—	—	(1,074)	(1,074)	(15,215)
Payments on other notes payable	(847)	(117)	—	—	—
Principal payments on capital leases	(446)	(390)	(419)	(311)	(305)
Net cash used for financing activities	(61,054)	(21,670)	(10,235)	(9,339)	(40,370)
Net increase (decrease) in cash and cash equivalents	(124)	29,052	(22,135)	(26,168)	(6,545)
Cash and cash equivalents, beginning of period	2,538	2,414	31,466	31,466	9,331
Cash and cash equivalents, end of period	$ 2,414	$ 31,466	$ 9,331	$ 5,298	$ 2,786
Supplemental disclosures:					
Interest paid on long-term debt	$ 25,231	$ 23,368	$ 23,763	$ 19,843	$ 24,752
Interest paid on lease financing obligations	$ 9,991	$ 10,626	$ 10,677	$ 8,020	$ 8,665
Income taxes paid (refunded), net	$ (195)	$ 3,905	$ (824)	$ (2,229)	$ 2,753
Increase (decrease) for accruals for capital expenditures	$ (127)	$ 1,153	$ 301	$ (44)	$ 601
Capital lease obligations acquired and incurred	$ —	$ —	$ 1,090	$ 987	$ —
Non-cash reduction of assets under lease financing obligations due to lease amendments	$ —	$ —	$ —	$ —	$ 24,707
Non-cash reduction of lease financing obligations due to lease amendments	$ —	$ —	$ —	$ —	$ 37,544

The accompanying notes are an integral part of these consolidated financial statements.

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1. Summary of Significant Accounting Policies

Basis of Consolidation. The consolidated financial statements presented herein include the accounts of Carrols Restaurant Group, Inc. ("Carrols Restaurant Group"), formerly known as Carrols Holdings Corporation, and its wholly-owned subsidiary Carrols Corporation ("Carrols"). Carrols Restaurant Group is a holding company and conducts all of its operations through Carrols and its wholly-owned subsidiaries. Unless the context otherwise requires, Carrols Restaurant Group, Carrols and the direct and indirect subsidiaries of Carrols are collectively referred to as the "Company." All intercompany transactions have been eliminated in consolidation. The consolidated financial statements for the nine months ended September 30, 2005 and 2006 are unaudited.

Business Description. At September 30, 2006 the Company operated, as franchisee, 328 quick-service restaurants under the trade name "Burger King" in 12 Northeastern, Midwestern and Southeastern states. At September 30, 2006, the Company also owned and operated 73 Pollo Tropical restaurants; 72 located in Florida and one Pollo Tropical restaurant located in the New York City metropolitan area in northern New Jersey and franchised a total of 26 Pollo Tropical restaurants: 22 in Puerto Rico, two in Ecuador and two on college campuses in Florida. At September 30, 2006, the Company owned and operated 141 Taco Cabana restaurants located primarily in Texas and franchised two Taco Cabana restaurants in New Mexico and one in Georgia.

At December 31, 2005, the Company operated, as franchisee, 336 quick-service restaurants under the trade name "Burger King" in 13 Northeastern, Midwestern and Southeastern states. At December 31, 2005, the Company also owned and operated 69 Pollo Tropical restaurants located in Florida and franchised a total of 26 Pollo Tropical restaurants in Puerto Rico, Ecuador and Florida. At December 31, 2005, the Company owned and operated 135 Taco Cabana restaurants located primarily in Texas and franchised two Taco Cabana restaurants in New Mexico and one in Georgia.

Use of Estimates. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include: accrued occupancy costs, insurance liabilities, legal obligations, income taxes, evaluation for impairment of goodwill, impairment of long-lived assets and impairment of Burger King franchise rights. Actual results could differ from those estimates.

Fiscal Year. The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. All references herein to fiscal years ended December 28, 2003, January 2, 2005 and January 1, 2006 will be referred to as the years ended December 31, 2003, 2004 and 2005, respectively. Similarly, all references herein to the 39 weeks ended October 2, 2005 and October 1, 2006 will be referred to as the nine months ended September 30, 2005 and September 30, 2006, respectively. The years ended December 31, 2003 and 2005 each contained 52 weeks. The year ended December 31, 2004 contained 53 weeks. The nine months ended September 30, 2005 and 2006 each contained 39 weeks.

Unaudited Interim Financial Statements. The unaudited consolidated financial statements included herein for the nine months ended September 30, 2006 and 2005 have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission and do not include certain

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of the information and the footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of such financial statements have been included. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year.

Cash and Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At December 31, 2005 and 2004, the Company had $2.0 million and $28.0 million, respectively, invested in money market funds.

Inventories. Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories are primarily comprised of food and paper.

Property and Equipment. The Company capitalizes all direct costs incurred to construct and substantially improve its restaurants. These costs are depreciated and charged to expense based upon their property classification when placed in service. Property and equipment are recorded at cost. Repair and maintenance activities are expensed as incurred. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

Owned buildings	5 to 30 years
Equipment	3 to 15 years
Computer hardware and software	3 to 7 years
Assets subject to capital leases	Shorter of useful life or lease term

Leasehold improvements are being depreciated over the shorter of their useful lives or the underlying lease term. In circumstances where an economic penalty, as defined under Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, (“SFAS 13”) would be presumed by not exercising one or more renewal options under the lease, the Company includes those renewal option periods when determining the lease term. For significant leasehold improvements made during the latter part of the lease term, the Company amortizes those improvements over the shorter of their useful life or an extended lease term. The extended lease term would consider the exercise of renewal options if the value of the improvements would cause a penalty to be incurred without the renewal of the option. Building costs incurred for new restaurants on leased land are depreciated over the lease term, which is generally a 20 year period.

Burger King Franchise Rights. For its Burger King restaurant acquisitions prior to January 1, 2002, the Company has generally allocated to franchise rights, an intangible asset, the excess of purchase price and related costs over the value assigned to the net tangible and intangible assets acquired. The Company made an assessment of remaining life of its intangible assets as part of its implementation of SFAS No. 142, “Goodwill and Other Intangible Assets”, (“SFAS 142”). As of January 1, 2002, amounts allocated to franchise rights for each acquisition are amortized using the straight-line method over the average remaining term of the acquired franchise agreements at January 1, 2002 plus one 20 year renewal period.

Burger King Franchise Agreements. Fees for initial franchises and renewals are amortized using the straight-line method over the term of the agreement, which is generally 20 years.

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Goodwill. Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with SFAS 142, goodwill is not subject to amortization but is tested at least annually for impairment. The Company performs its impairment evaluation annually at December 31.

Long-Lived Assets. The Company assesses the recoverability of property and equipment, franchise rights and intangible assets by determining whether the carrying value of these assets, over their respective remaining lives, can be recovered through undiscounted future operating cash flows. Impairment is reviewed whenever events or changes in circumstances indicate the carrying amounts of these assets may not be fully recoverable.

Deferred Financing Costs. Financing costs, that are included in other assets and were incurred in obtaining long-term debt and lease financing obligations, are capitalized and amortized over the life of the related obligation as interest expense using the effective interest method.

Leases. Leases are accounted for in accordance with SFAS 13 and other related authoritative guidance. Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including any option period included in the determination of the lease term. Contingent rentals are generally based upon a percentage of sales or a percentage of sales in excess of stipulated amounts and are generally not considered minimum rent payments but are recognized as rent expense when incurred.

Lease Financing Obligations. Lease financing obligations pertain to real estate transactions required by SFAS No. 98 “Accounting for Leases” (“SFAS 98”) to be accounted for under the financing method. The assets (land and building) subject to these obligations remain on the consolidated balance sheet at their historical costs and such assets (excluding land) continue to be depreciated over their remaining useful lives, the proceeds received by the Company from these transactions are recorded as lease financing obligations and the lease payments are applied as payments of principal and interest. The selection of the interest rate on lease financing obligations is evaluated based on the Company’s incremental borrowing rate adjusted to the rate required to prevent recognition of a non-cash loss or negative amortization of the obligation through the end of the primary lease term. In addition, if a purchase option exists for any properties subject to a lease financing obligation, the purchase option is evaluated for its probability of exercise on an ongoing basis. This evaluation considers many factors including, without limitation, the Company’s intentions, the fair value of the underlying properties, the Company’s ability to acquire the property, economic circumstances and its other available alternatives for the continued use of the property. At December 31, 2004 and 2005 and September 30, 2006, no purchase options were considered probable of exercise by the Company.

Revenue Recognition. Revenues from Company owned and operated restaurants are recognized when payment is tendered at the time of sale. Franchise royalty revenues associated with Pollo Tropical and Taco Cabana restaurants are based on a percent of gross sales and are recorded as income when earned.

Income Taxes. The Company provides for income taxes in accordance with the provisions of SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”). Under the liability method specified by SFAS 109, deferred tax assets and liabilities are based on the difference between the financial statement and tax bases of assets and liabilities as measured by the tax rates that are anticipated to be in effect when these differences reverse. The deferred tax provision generally represents the net change in deferred tax assets and liabilities during the period. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is established

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when it is necessary to reduce deferred tax assets to amounts for which realization is more likely than not. The Company also records a reserve for uncertain tax positions when it is probable and estimable. The Company and its subsidiary file a consolidated federal income tax return.

Advertising Costs. All advertising costs are expensed as incurred.

Cost of Sales. The Company includes the cost of food, beverage and paper, less purchase discounts, in cost of sales.

Insurance. The Company is insured for workers' compensation, general liability and medical insurance claims under policies where it pays all claims, subject to annual stop-loss limitations both for individual claims and claims in the aggregate. Losses are accrued based upon the Company's estimates of the aggregate liability for claims based on Company experience and certain actuarial methods used to measure such estimates. The Company does not discount any of its self-insurance obligations.

Fair Value of Financial Instruments. The following methods were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the fair value:

- *Current Assets and Liabilities.* The carrying value of cash and cash equivalents and accrued liabilities approximates fair value because of the short maturity of those instruments.
- *Senior Subordinated Notes.* The fair values of outstanding senior subordinated notes are based on quoted market prices. The fair values at December 31, 2004 and 2005 were approximately $186.3 million and $174.6 million, respectively.
- *Revolving and Term Loan Facilities.* Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value. The recorded amounts, as of December 31, 2005 and 2004, approximated fair value.

Income (Loss) per Share. As discussed in Note 13, prior to October 27, 2004, the Company had a tracking stock capital structure under which it had three authorized classes of common stock comprised of the Carrols class of common stock, the Pollo Tropical class of common stock and the Taco Cabana class of common stock. No shares of Pollo Tropical or Taco Cabana classes of common stock (the tracking stock) were ever issued or outstanding and only options for such classes of common stock were granted and outstanding under the Company's equity incentive plans. Therefore, the Carrols class of common stock retained a 100% undivided interest in the net assets and net income of the Pollo Tropical and the Taco Cabana classes of common stock in accordance with the terms of the Company's certificate of incorporation.

On October 27, 2004, the Pollo Tropical and Taco Cabana authorized classes of common stock were eliminated and all outstanding options to purchase Pollo Tropical and Taco Cabana classes of common stock were converted into options to purchase the Company's current single class of common stock. Prior to the elimination of this capital structure, the Company calculated income (loss) per share using the two-class method which included the allocation of income or losses to each of the three classes of common stock in a consistent manner between the three classes. There was no basic income per share for the Pollo Tropical or Taco Cabana classes of common stock in any of the periods since no shares of these classes were ever issued or outstanding. The income allocated to the Pollo Tropical class of common stock was immaterial due to the small interest in that income by the option holders of that common stock and there was no income allocated to the Taco Cabana class of common stock since there was no interest in that income by the option holders of that common stock because the outstanding options were anti-dilutive. Accordingly, no diluted income per share for either of these classes of common stock have been presented in the accompanying financial statements.

Stock-Based Compensation. Effective May 3, 2005, the Company issued an aggregate of 2,941,653 shares of its common stock in exchange for the cancellation and termination of an identical number of outstanding options to purchase shares of its common stock. During the second quarter of 2005, the Company also issued an additional 61,406 shares of its common stock in separate awards. As a consequence of the exchange, all outstanding stock options were cancelled and terminated. The Company recorded a pre-tax compensation charge, including applicable payroll taxes, of $16.4 million in the second quarter of 2005 due to these stock awards. See Note 13 for a complete discussion of the stock awards.

SFAS No. 123, “Accounting for Stock-Based Compensation,” (“SFAS 123”) permitted entities to recognize as an expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123, as amended, allowed entities to continue to apply the provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, (“APB 25”) and provide pro forma net income disclosures for employee stock option grants as if the fair-value-based method defined in SFAS 123 has been applied. The Company did not elect to change to the fair value-based-method of accounting for stock-based compensation and has continued to apply the provisions of APB 25 and provide the pro forma disclosure provisions of SFAS 123 in 2003, 2004 and 2005. Certain provisions of the Company’s option plans caused the Company to account for stock options using a variable accounting treatment. Under variable accounting, compensation expense must be remeasured each balance sheet date based on the difference between the current market price of the Company’s stock and the option’s exercise price. An accrual for compensation expense is determined based on the proportionate vested amount of each option as prescribed by Financial Interpretation No. 28, “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.” Each period, adjustments to the accrual are recognized in the income statement. Stock-based compensation expense for the Company’s options was $253 in 2003, $1,818 in 2004 and $75 in 2005.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123(R), “Share-Based Payment” (“SFAS 123R”) which requires companies to measure and recognize compensation expense for all share-based payments at fair value. In addition, the FASB has issued a number of supplements to SFAS 123R to guide the implementation of this new accounting pronouncement. Share-based payments include stock option grants and other equity-based awards granted under the Company’s long-term incentive and stock option plans. SFAS 123R was effective for the Company beginning January 1, 2006. The Company used the modified prospective transition method, which requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption (the “Existing Awards”) and requires that prior periods not be restated. However, as all shares of stock issued in the stock award in the second quarter of 2005 were fully vested and the Company did not have a stock option plan or any stock options outstanding at December 31, 2005 and September 30, 2006, the Company has not recorded any stock-based compensation expense related to the adoption of SFAS 123R. The Company is currently evaluating valuation models to be utilized in connection with any future adoption of a stock option or other stock incentive plan.

SFAS 123R also requires an entity to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to adopting SFAS 123R (the “APIC Pool”). In November 2005, the FASB issued FSP No. FAS 123(R)-3 “Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.” This FSP provides an elective alternative simplified method for calculating the pool of

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excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R and reported in the consolidated statements of cash flows. Companies may take up to one year from the effective date of the FSP to evaluate the available transition alternatives and make a one-time election as to which method to adopt. The Company is currently in the process of evaluating the alternative methods.

The following table presents the Company's pro forma net income (loss) had compensation cost been determined based upon the fair value of the stock options at the grant date consistent with the fair-value based method of SFAS 123:

	Year Ended December 31,			Nine months ended September 30,
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005 (Unaudited)
Net income (loss)—as reported	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects(1)(2)	152	13,279	13,188	13,188
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects(2)	(257)	(5,656)	(12,011)	(12,011)
Pro forma net income (loss)	$ 1,221	$ (468)	$ (3,173)	$ (4,047)
Basic and diluted income (loss) per share:				
As reported (Note 18)	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)
Pro forma	$ 0.09	$ (0.04)	$ (0.21)	$ (0.27)

(1) The amount of stock-based compensation expense included in reported net income (loss) includes certain stock options requiring variable accounting (see Note 13) and for the year ended December 31, 2005, includes $13.1 million of expense related to stock awards granted in the second quarter of 2005, net of tax. This expense, net of tax, has also been included in the determination of compensation expense determined under the fair-value based method for the year ended December 31, 2005.

(2) For the year ended December 31, 2004, the equity value of the Company was reduced as a result of the December 2004 refinancing (See Note 8) in which a non-recurring dividend of $116.8 million was paid to our stockholders. In conjunction with this, the Company also approved a compensatory bonus payment of approximately $20.3 million to a number of employees (including management) and a director who owned stock options, on a pro rata basis in proportion to the number of shares of common stock issuable upon exercise of the options owned by such persons. The Company did not modify its outstanding stock options to reflect the reduction in equity value. Therefore for the year ended December 31, 2004, this reduction has been offset against the $20.3 million bonus payment recorded for the determination of compensation expense under SFAS 123. The $20.3 million bonus payment, net of tax, has also been included in stock-based employee compensation expense included in reported net loss for the year ended December 31, 2004 in the above table.

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The Company did not grant any options in 2005 or in the nine months ended September 30, 2006. The fair value of each option grant in 2003 and 2004 was estimated using the minimum value option-pricing model with the following weighted-average assumptions:

	2003	2004
Risk-free interest rate	3.17%	3.38%
Annual dividend yield	0%	0%
Expected life	5 years	5 years

Recent Accounting Developments

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company will apply this literature in the event of changes in accounting principle and error corrections for periods beginning on January 1, 2006.

In March 2006, the Emerging Issues Task Force ("EITF") issued EITF Issue 06-3, "How Sales Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement." (Issue 06-3) This Issue discussed how entities are to adopt a policy of presenting sales taxes in the income statement on either a gross or net basis. If taxes are significant, an entity should disclose its policy of presenting taxes and the amounts of taxes. The guidance is effective for periods beginning after December 15, 2006. The Company presents restaurant sales net of sales taxes and therefore Issue 06-3 will not impact the method for recording these sales taxes in our consolidated financial statements.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"), FIN 48 prescribes a comprehensive recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on the effective date. Initial derecognition amounts would be reported as a cumulative effect of a change in accounting principle. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact on its consolidated financial statements of adopting FIN 48.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefits, an amendment of FAS 87, 88, 106 and 132(R)" ("SFAS 158") which is effective for fiscal years ending after December 15, 2006. SFAS No. 158 requires an employer that sponsors postretirement plans to recognize an asset or liability on its balance sheet for the overfunded or underfunded status of the plan and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 does not change the amount of actuarially determined expense that is recorded in the Company's consolidated statement of operations. SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's balance sheet, which is consistent with the Company's historical measurement date. The impact of the adoption of SFAS 158 will be to record a liability and a charge to accumulated other comprehensive income, a component of stockholder's deficit, at December 31, 2006 equal to the difference between the Company's accrued benefit cost and the Company's projected benefit obligation which was $2.0 million at December 31, 2005.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. The statement applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for the Company's fiscal year beginning January 1, 2008. The Company is evaluating the impact the adoption of SFAS 157 will have on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," ("SAB 108") to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements (both the statement of operations and statement of financial position) and related disclosures. The application of SAB 108 in the fourth quarter of 2006 is not expected to have any impact on the Company's consolidated financial statements.

2. Restatement of Previously Issued Financial Statements

Lease Financing Obligations

The Company reviewed its accounting with respect to the depreciation of assets and recording of interest expense associated with lease financing obligations related to sale-leaseback transactions required to be accounted for under the financing method. Under the financing method, the assets subject to these obligations remain on the consolidated balance sheet at their historical costs and continue to be depreciated over their useful lives; the proceeds the Company received from the transaction are recorded as a lease financing obligation and the lease payments are applied as payments of principal and/or interest.

The Company previously considered the land and building as a single asset and depreciated this asset (both land and building) over a depreciable life that was deemed to be the 20-year primary lease term of the underlying obligation. The Company has concluded that its prior accounting was in error and the portion of the asset representing land should not be depreciated and the depreciation of the building portion of this asset should continue using its original estimated useful life rather than the term of the underlying obligation. The effect of this restatement resulted in a reduction of depreciation expense of $2.0 million in both of the years ended December 31, 2003 and 2004 and an increase to net income in both years of $1.2 million.

Historically, the Company allocated the related lease payments between interest and principal using an interest rate that would fully amortize the lease financing obligation by the end of the primary lease term. Due to the change in depreciation described above, the assets subject to the lease financing obligations will have a net book value at the end of the primary lease term, primarily for the land portion. To prevent the recognition of a non-cash loss or negative amortization of the obligation through the end of the primary lease term, it was necessary to reevaluate the selection of interest rates, which included the Company's incremental borrowing rate, and to adjust the rates used to amortize the lease financing obligations so that a lease obligation equal to or greater than the unamortized asset remained at the end of the primary lease term. The effect of this restatement resulted in an increase in interest expense and decrease in net income related to the lease financing obligations of $2.7 million and $1.7 million in 2004, respectively, and $2.5 million and $1.5 million in 2003, respectively.

These restatements also resulted in an increase in land and buildings subject to lease financing obligations of $11.4 million and an increase in lease financing obligations of $14.6 million at December 31, 2004.

The Company also reviewed previously reported sale-leaseback transactions and determined 12 additional real estate transactions were required to be recorded as financing transactions rather than as sale-leaseback transactions under SFAS 98 due to certain forms of continuing involvement. The impact of this restatement is to keep the assets subject to such leases on the Company's balance sheet and to record the proceeds the Company received from these transactions (including the gains previously deferred) as lease financing obligations. This restatement also affected our operating results by increasing the depreciation expense for buildings subject to these transactions and recharacterizing the lease payments, previously reported as rent expense for these restaurants, as interest expense and principal repayments on the related financing obligations.

The effect of this restatement (a) for the years ended December 31, 2004 and 2003 was to (i) reduce rent expense by $1.1 million and $0.6 million, respectively; (ii) increase depreciation expense by $0.4 million and $0.2 million, respectively; (iii) increase interest expense by $1.3 million and $0.7 million, respectively; and (iv) reduce net income $0.4 million and $0.2 million, respectively; (b) at December 31, 2004 to (i) increase the net book value of the land and buildings subject to lease financing obligations by $9.5 million, (ii) reduce deferred income sale-leaseback of real estate by $3.0 million, and (iii) increase lease financing obligations by $14.7 million.

The net effect of the above restatements was to decrease net income $0.5 million and $0.9 million for the years ended December 31, 2003 and 2004, respectively.

Deferred Taxes

The Company also reviewed deferred taxes recorded for certain long-lived assets and liabilities that were previously acquired in business combinations and the related differences between the income tax bases and the financial reporting bases of these assets and liabilities and determined that the deferred taxes recorded at the acquisition dates were incorrect. The result of these restatements was to decrease goodwill and deferred tax liabilities by $2.1 million in the aggregate related to our 2000 acquisition of Taco Cabana and to increase goodwill and deferred tax liabilities by $0.6 million related to our 1998 acquisition of Pollo Tropical. This restatement also cumulatively decreased goodwill amortization expense by $0.1 million for periods prior to 2002.

Statements of Cash Flows

The Company has corrected its previously issued financial statements to reflect the proceeds from qualifying sale-leaseback transactions within investing activities rather than as financing activities as previously reported in the statements of cash flows. For the years ended December 31, 2003 and 2004 proceeds from qualifying sale-leaseback transactions included in the accompanying consolidated financial statements were $44.2 million and $11.0 million, respectively. The Company has also restated its consolidated statements of cash flows for the years ended December 31, 2003 and 2004 to reflect the impact of changes in accounts payable related to the acquisition of property and equipment as a non-cash item as required under SFAS No. 95.

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The following table sets forth the previously reported and restated amounts reflected in the accompanying consolidated financial statements:

	December 31, 2004	
	As Previously Reported	As Restated
Consolidated Balance Sheet:		
Property and equipment, net	$ 192,530	$ 213,489
Goodwill	123,724	122,241
Deferred income taxes – long-term	9,307	12,940
Other assets	14,585	14,650
Total assets	493,072	516,246
Current portion of lease financing obligations	2,595	—
Total current liabilities	83,500	80,905
Lease financing obligations	79,802	111,715
Deferred income – sale-leaseback of real estate	11,584	8,585
Total liabilities	605,474	631,794
Accumulated deficit	(27,661)	(30,807)
Total stockholders’ deficit	(112,402)	(115,548)
Total liabilities and stockholders’ deficit	493,072	516,246

	Year Ended December 31,			
	2003		2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Consolidated Statements of Operations:				
Restaurant rent expense	$ 31,710	$ 31,089	$ 35,699	$ 34,606
Depreciation and amortization	42,008	40,228	40,180	38,521
Total operating expenses	607,985	605,584	671,145	668,394
Income from operations	37,000	39,401	26,734	29,485
Interest expense	34,069	37,334	31,320	35,383
Income (loss) before income taxes	2,931	2,067	(13,499)	(14,811)
Provision (benefit) for income taxes	1,124	741	(6,288)	(6,720)
Net income (loss)	1,807	1,326	(7,211)	(8,091)
Basic and diluted net income (loss) per share (Note 18)	$ 0.14	$ 0.10	$ (0.56)	$ (0.63)
Consolidated Statements of Cash Flows:				
Net income (loss)	$ 1,807	$ 1,326	$ (7,211)	$ (8,091)
Depreciation and amortization	42,008	40,228	40,180	38,521
Amortization of deferred financing costs	1,445	1,540	1,419	1,527
Amortization of deferred gains from sale-leaseback transactions	(269)	(180)	(626)	(458)
Accretion of interest on lease financing obligations .	—	443	—	406
Deferred income taxes	(773)	(1,156)	(6,035)	(6,466)
Other liabilities – long-term	(3,817)	475	(4,736)	(428)
Net cash provided from operating activities	48,239	46,349	62,652	59,211
Total capital expenditures	(30,244)	(30,371)	(20,226)	(19,073)
Proceeds from sale-leaseback transactions	47,619	44,180	15,263	10,984
Net cash provided from (used for) investing activities	(29,472)	14,581	(20,626)	(8,489)
Principal payments on lease financing obligations	(2,017)	—	(2,288)	—
Financing costs associated with issuance of debt and lease financing obligations	—	(186)	(8,792)	(9,013)
Proceeds from lease financing obligations	—	3,625	—	4,500
Net cash used for financing activities	(18,891)	(61,054)	(12,974)	(21,670)

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Consolidated Statements of Changes in Stockholders' Equity (Deficit):

	Accumulated Deficit		Total Stockholders' Equity (Deficit)	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Balance at January 1, 2003	$ (22,257)	$ (24,042)	$ $9,796	$ 8,011
Net income	1,807	1,326	1,807	1,326
Balance at December 31, 2003	(20,450)	(22,716)	11,603	9,337
Net loss	(7,211)	(8,091)	(7,211)	(8,091)
Balance at December 31, 2004	(27,661)	(30,807)	(112,402)	(115,548)

The accumulated deficit previously reported at December 31, 2002 of $22,257 has been restated to $24,042, which is an increase of $1,785, to reflect the effect of the current restatement adjustments for the periods prior to 2003. Such cumulative adjustments had the corresponding effect of increasing property and equipment by $11,967, decreasing goodwill by $1,483, increasing deferred tax assets by $2,817, decreasing other assets by $140, increasing lease financing obligations by $16,036 and decreasing deferred income sale- leaseback of real estate by $1,090.

3. Property and Equipment

Property and equipment consisted of the following:

	Restated (Note 2) December 31, 2004	December 31, 2005	September 30, 2006
			(Unaudited)
Land	$ 54,682	$ 61,112	$ 31,901
Owned buildings	73,937	76,502	49,286
Leasehold improvements	126,148	129,015	140,781
Equipment	178,994	183,670	191,193
Assets subject to capital leases	12,299	8,106	7,704
	446,060	458,405	420,865
Less accumulated depreciation and amortization	(232,571)	(240,899)	(239,597)
	$ 213,489	$ 217,506	$ 181,268

Assets subject to capital leases pertain to buildings leased for certain restaurant locations and had accumulated amortization at December 31, 2004 and 2005 and September 30, 2006 of $11,864, $6,872 and $6,570, respectively. At December 31, 2004 and 2005 and September 30, 2006, land of $45,551, $45,077 and $18,050, respectively, and owned buildings of $57,186, $56,580 and $32,085, respectively, were subject to lease financing obligations accounted for under the financing method (See Note 9). Accumulated depreciation pertaining to owned buildings subject to lease financing obligations at December 31, 2004 and 2005 and September 30, 2006 was $21,877, $24,416 and $10,575, respectively.

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Depreciation expense for all property and equipment for the years ended December 31, 2003, 2004 and 2005 was $36,024, $34,462 and $29,110, respectively, and for the nine months ended September 30, 2005 and 2006 was $22,146 and $22,026, respectively.

4. Goodwill, Franchise Rights and Intangible Assets

Goodwill. In accordance with SFAS No. 142, the Company reviews goodwill for impairment annually, or more frequently when events and circumstances indicate that the carrying amounts may be impaired. The Company performs its annual impairment assessment as of December 31 and has determined its reporting units to be at the operating segment level: its Burger King restaurants, operating as a franchisee; Pollo Tropical and Taco Cabana at the brand level. No impairment losses have been recognized as a result of these tests since January 1, 2002. The Company recorded $2.7 million of goodwill associated with the acquisition of four Taco Cabana restaurants in July of 2005. Changes in goodwill for the years ended December 31, 2004 and 2005 and the nine months ended September 30, 2006 are summarized below:

	Pollo Tropical	Taco Cabana	Burger King	Total
Goodwill, January 1, 2004, restated (Note 2)	$ 56,307	$ 64,484	$ 1,450	$ 122,241
Changes in goodwill	—	—	—	—
Goodwill, December 31, 2004	56,307	64,484	1,450	122,241
Goodwill acquired in 2005	—	2,693	—	2,693
Goodwill, December 31, 2005	56,307	67,177	1,450	124,934
Changes in goodwill	—	—	—	—
Goodwill, September 30, 2006	$ 56,307	$ 67,177	$ 1,450	$ 124,934

Burger King Franchise Rights. Amounts allocated to franchise rights for each Burger King acquisition are amortized using the straight-line method over the average remaining term of the acquired franchise agreements at January 1, 2002 plus one 20 year renewal period. Following is a summary of the Company's franchise rights as of the respective balance sheet dates:

	December 31, 2004		December 31, 2005		September 30, 2006 (Unaudited)	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Franchise rights	$ 139,527	$ 49,471	$ 139,139	$ 52,649	$ 139,131	$ 55,058

Amortization expense related to Burger King franchise rights for the years ended December 31, 2003, 2004 and 2005 was $3,233, $3,233 and $3,215, respectively, and $2,313 and $2,412 for each of the nine months ended September 30, 2005 and 2006, respectively. Estimated annual amortization for the year ending December 31, 2006 for each of the five succeeding years is $3,215.

Intangible Assets. In July 2005, the Company acquired four Taco Cabana restaurants from a franchisee for a cash purchase price of approximately $4.2 million. Under Emerging Issues Task Force Issue No. 04 -1

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"Accounting for Preexisting Relationships between the Parties to a Business Combination ("EITF 04-1"), certain reacquired rights, including the right to the acquirer's trade name, are required to be recognized as intangible assets apart from goodwill. The Company allocated $1.6 million of the purchase price to this intangible asset and determined its weighted average life to be approximately seven years, based on the remaining terms of the acquired franchise agreements. The Company recorded amortization expense relating to the intangible asset of approximately $145 for the year ended December 31, 2005 and $72 and $216 for the nine months ended September 30, 2005 and 2006 and expects the annual expense for the year ending December 31, 2006 and for each of the five years ending 2007 through 2011 to be $289, $289, $211, $133, $125 and $117, respectively.

	December 31, 2005		September 30, 2006 (Unaudited)	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets	$ 1,610	$ 145	$ 1,610	$ 361

5. Impairment of Long-Lived Assets

The Company reviews its long-lived assets, principally property and equipment, for impairment at the restaurant level. If an indicator of impairment exists for any of the assets, an estimate of undiscounted future cash flows produced by each restaurant is compared to that long-lived asset's carrying value. If the carrying value is greater than the undiscounted cash flow, the Company then determines the fair value of the asset. If an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value.

The Company assesses the potential impairment of Burger King franchise rights whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If an indicator of impairment exists, an estimate of the aggregate undiscounted cash flows from the acquired restaurants is compared to the respective carrying value of franchise rights for each Burger King acquisition. If an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value. No impairment charges were recorded related to the Company's Burger King franchise rights for the year ended December 31, 2003. The Company recorded impairment charges related to its Burger King franchise rights of $283 and $316 for the years ended December 31, 2004 and 2005, respectively and $316 for the nine months ended September 30, 2005. There were no impairment charges related to franchise rights for the nine months ended September 30, 2006.

The Company recorded impairment losses on long-lived assets for its segments as follows:

	Year Ended December 31,			Nine months ended September 30,	
	2003	2004	2005	2005	2006
				(Unaudited)	
Burger King	$ 706	$ 1,544	$ 1,373	$ 1,332	$ 224
Taco Cabana	3,445	—	95	95	608
	$ 4,151	$ 1,544	$ 1,468	$ 1,427	$ 832

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6. Other Liabilities, Long-Term

Other liabilities, long-term, consisted of the following:

	At December 31, 2004	At December 31, 2005	At September 30, 2006 (Unaudited)
Unearned purchase discounts	$ 8,611	$ 6,686	$ 5,030
Accrued occupancy costs	11,400	10,674	8,532
Accrued workers' compensation costs	4,821	4,615	4,666
Other	3,639	4,080	5,598
	$28,471	$26,055	$ 23,826

Unearned purchase discounts are amortized as a reduction of cost of sales either over the life of the supplier contract or the estimated purchase commitment period. In 2000, Burger King Corporation arranged for the Coca-Cola Company and Dr. Pepper/Seven-Up, Inc. to provide funding to franchisees in connection with certain initiatives to upgrade restaurants. The Company received approximately $19.8 million in 2000 and $1.6 million in 2001 under this arrangement with these suppliers. The total amount of these purchase discounts amortized for each of the years ended December 31, 2003, 2004 and 2005 was $2.2 million and for each of the nine months ended September 30, 2005 and 2006 was $1.6 million.

Accrued occupancy costs include obligations pertaining to closed restaurant locations, contingent rent, accruals to expense operating lease rental payments on a straight-line basis over the lease term, and acquired leases with above market rentals.

In 2001, management made the decision to close seven Taco Cabana restaurants in the Phoenix, Arizona market and discontinue restaurant development underway in that market. At December 31, 2004 and 2005 and September 30, 2006, the Company had $0.6 million, $1.1 million and $0.7 million, in lease liability reserves, respectively, and $0.1 and $0 million and $0 million, respectively, in other exit cost reserves related to these restaurants that are included in accrued occupancy costs. The following table presents the activity in the exit cost reserve included in accrued occupancy costs:

	Year ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2005	Nine months ended September 30, 2006 (Unaudited)
Beginning Balance	$ 700	$ 847	$ 756	$ 1,083
Changes in estimates of accrued costs, net	347	—	467	(295)
Payments	(200)	(91)	(140)	(97)
Ending Balance	$ 847	$ 756	$ 1,083	$ 691

In 2005, lease liability reserves were increased due a change in circumstances affecting the Company's estimates of future sub-lease revenue for one restaurant property. During the third quarter of 2006, the Company reduced its lease liability reserves by $0.3 million due to an increase in the Company's estimates for

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future sublease income at such locations and also reduced collection reserves previously established for a $1.1 million note receivable related to the sale of leasehold improvements at two of the closed locations that were written off as part of the restructuring charge in 2001. This note was paid in full in the fourth quarter of 2006. The effect of these transactions is presented in other income in the consolidated statements of operations.

7. Leases

The Company utilizes land and buildings in operation under various lease agreements. The Company does not consider any of these individual leases material to the Company's operations. Initial lease terms are generally for 20 years and, in many cases, provide for renewal options and in some cases rent escalations. Certain leases require contingent rent, determined as a percentage of sales as defined by the terms of the applicable lease agreement. For most locations, the Company is obligated for occupancy costs including payment of property taxes, insurance and utilities.

In the years ended December 31, 2003, 2004 and 2005, the Company sold four, eight and thirty-one restaurant properties in sale-leaseback transactions for net proceeds of $44,180, $10,984 and $5,237, respectively. Deferred gains of $5,399, $2,391 and $2,556 for the years ended December 31, 2003, 2004 and 2005, respectively, have been recorded as a result of these sale-leaseback transactions and are being amortized over the lives of the related leases. These related leases have been classified as operating leases and generally contain a 20-year initial term with renewal options. The amortization of deferred gains related to these sale-leaseback transactions was $180, $458 and $481 for the years ended December 31, 2003, 2004 and 2005, respectively.

Minimum rent commitments under capital and non-cancelable operating leases at December 31, 2005 were as follows:

Years Ending	Capital	Operating
2006	$ 559	$ 33,992
2007	410	31,819
2008	234	29,081
2009	199	27,630
2010	158	25,552
Thereafter	1,720	209,795
Total minimum lease payments	3,280	$ 357,869
Less amount representing interest	(1,384)	
Total obligations under capital leases	1,896	
Less current portion	(388)	
Long-term obligations under capital leases	$ 1,508	

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Total rent expense on operating leases, including percentage rent on both operating and capital leases, for the past three years was as follows:

	Restated (Note 2) 2003	Restated (Note 2) 2004	2005
Minimum rent on real property	$ 29,100	$ 32,509	$ 32,416
Additional rent based on a percentage of sales	1,989	2,097	2,252
Restaurant rent expense	31,089	34,606	34,668
Administrative rent	782	783	822
Equipment rent	373	526	739
	$ 32,244	$ 35,915	$ 36,229

8. Long-Term Debt

Long-term debt consisted of the following:

	At December 31, 2004	At December 31, 2005	At September 30, 2006 (Unaudited)
Collateralized:			
Senior Credit Facility-Term loan B facility	$220,000	$211,800	$ 186,950
Unsecured:			
9% Senior Subordinated Notes	180,000	180,000	180,000
Capital leases	1,225	1,896	1,590
	401,225	393,696	368,540
Less current portion	(2,611)	(2,588)	(2,499)
	$398,614	$391,108	$ 366,041

December 2004 Refinancing

On December 15, 2004, Carrols completed the private placement of $180.0 million of 9% Senior Subordinated Notes due 2013. Concurrently, Carrols repaid all outstanding borrowings under its prior senior secured credit facility and amended and restated that credit facility with a new syndicate of lenders. Carrols received $400.0 million in total proceeds that included the issuance of the 9% senior subordinated notes and $220.0 million principal amount of term loan B borrowings under the senior credit facility. Those proceeds were primarily utilized to repay borrowings outstanding under the prior senior credit facility of $74.4 million, to retire all unsecured 9 1/2% senior subordinated notes due 2008 outstanding in the amount, including redemption premiums, of $175.9 million, to pay a dividend to Carrols Restaurant Group's stockholders in the amount of $116.8 million, to pay fees and expenses related to the refinancing of $8.8 million and to pay a bonus to employees and a director totaling $20.9 million including payroll taxes of $0.6 million. See discussion of these payments in Note 12. The Company also recorded an $8.9 million loss on early extinguishment of debt from the write-off of previously deferred financing costs and premiums in conjunction with the retirement of the 9 1/2% senior subordinated notes.

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Senior Secured Credit Facility:

On December 15, 2004, Carrols entered into a new senior secured credit facility with a syndicate of lenders. The senior secured credit facility provides for a revolving credit facility under which Carrols may borrow up to $50.0 million (including a sub limit of up to $20.0 million for letters of credit and up to $5.0 million for swingline loans), a term loan B facility of $220.0 million and incremental borrowing facilities, at Carrols' option, of up to $100.0 million, subject to the satisfaction of certain conditions.

There were no borrowings outstanding on the revolving credit facility at December 31, 2004 and 2005 or September 30, 2006. After reserving $14.6 million for letters of credit guaranteed by the facility, $35.4 million was available for borrowings under the revolving credit facility at September 30, 2006.

Borrowings under the revolving credit facility bear interest at a per annum rate, at Carrols' option, of either:

1) the sum of (a) the greater of (i) the prime rate or (ii) the federal funds rate plus 0.50%, plus (b) a margin ranging from 0.50% to 1.50% based on Carrols' total leverage ratio (as defined in the senior credit facility); or

2) LIBOR plus a margin ranging from 2.0% to 3.0% based on Carrols' total leverage ratio.

Borrowings under the term loan B bear interest at a per annum rate, at Carrols' option, of either:

1) the sum of (a) the greater of (i) the prime rate or (ii) the federal funds rate plus 0.50%, plus (b) a margin ranging from 0.75% to 1.0% based on Carrols' total leverage ratio; or

2) LIBOR plus a margin ranging from 2.25% to 2.50% based on Carrols' total leverage ratio.

The revolving credit facility expires on December 31, 2009 and the term loan B facility matures on December 31, 2010.

At September 30, 2006 amounts under the term loan B facility are repayable as follows:

1) 20 quarterly installments of $0.55 million beginning on the last day of the first quarter in 2005;

2) three quarterly installments of $52.25 million beginning with last day of the first quarter in 2010; and

3) a final installment of $23.05 million is due and payable on the term loan B maturity date.

Under the senior credit facility, Carrols is also required to make mandatory prepayments of principal on term loan B facility borrowings (a) annually in an initial amount equal to 50% of Excess Cash Flow (as defined in the senior credit facility), (b) in the event of certain dispositions of assets (all subject to certain exceptions) and insurance proceeds, in an amount equal to 100% of the net proceeds received by Carrols therefrom, and (c) in an amount equal to 100% of the net proceeds from any subsequent issuance of debt.

In general, Carrols' obligations under the senior credit facility are guaranteed by Carrols Restaurant Group and all of Carrols' material subsidiaries and are collateralized by all of Carrols' and its subsidiaries' assets, a pledge of Carrols' common stock and the stock of each of Carrols' subsidiaries. The senior credit

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facility contains certain covenants, including, without limitation, those limiting Carrols’ and its subsidiaries’ ability to incur indebtedness, incur liens, sell or acquire assets or businesses, change the nature of its business, engage in transactions with related parties, make certain investments or pay dividends. In addition, Carrols is required to maintain certain financial ratios, including fixed charge coverage, senior leverage, and total leverage ratios (all as defined under the senior credit facility). At September 30, 2006, Carrols was in compliance with these covenants in its senior credit facility.

Senior Subordinated Notes:

On December 15, 2004, Carrols issued $180.0 million of 9% Senior Subordinated Notes due 2013. The senior subordinated notes bear interest at a rate of 9% payable semi-annually on January 15 and July 15 (commencing July 15, 2005) and mature on January 15, 2013. The notes are redeemable at the option of Carrols in whole or in part on or after January 15, 2009 at a price of 104.5% of the principal amount if redeemed before January 15, 2010, 102.25% of the principal amount if redeemed after January 15, 2010 but before January 15, 2011 and at 100% of the principal amount after January 15, 2011.

In connection with the terms of the senior subordinated notes, because Carrols did not complete an exchange offer of the senior subordinated notes for identical senior subordinated notes registered under the Securities Act of 1933 on or prior to June 13, 2005, the interest rate on Carrols 9% Senior Subordinated Notes was increased by 0.25% per annum for the 90-day period immediately following June 13, 2005 and was increased by an additional 0.25% per annum in each of the subsequent 90-day periods immediately following September 11, 2005. On December 14, 2005, the exchange offer was completed which eliminated this additional interest expense after such date. This resulted in additional interest expense of $356 during 2005.

Restrictive covenants under the 9% senior subordinated notes include limitations with respect to the Carrols’ ability to incur additional debt, incur liens, sell assets, pay dividends and make certain investments. Except for Carrols’ obligation to timely furnish and file its Form 10-Q for the third quarter of 2005, Carrols was in compliance at December 31, 2005 with the restrictive covenants in the indenture governing the senior subordinated notes. Carrols subsequently furnished and filed the Form 10-Q for the third quarter of 2005.

At December 31, 2005, principal payments required on all long-term debt are as follows:

2006	$ 2,588
2007	2,477
2008	2,324
2009	2,300
2010	203,069
Thereafter	180,938
	$ 393,696

The weighted average interest rate on all debt, excluding lease financing obligations, for the years ended December 31, 2003, 2004 and 2005 and the nine months ended September 30, 2006 was 7.2%, 7.8%, 7.3% and 8.3%, respectively. Interest expense on the Company’s long-term debt was as $26,689, $24,122, $31,728 for the years ended December 31, 2003, 2004 and 2005, respectively and $22,394 and $24,681 for the nine months ended September 30, 2005 and 2006.

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9. Lease Financing Obligations

The Company entered into sale-leaseback transactions in various years involving certain restaurant properties that did not qualify for sale-leaseback accounting and as a result have been classified as financing transactions under SFAS 98. Under the financing method, the assets remain on the consolidated balance sheet and proceeds received by the Company from these transactions are recorded as a financing liability. Payments under these leases are applied as payments of imputed interest and deemed principal on the underlying financing obligations.

These leases generally provide for an initial term of 20 years plus renewal options. The rent payable under such leases includes a minimum rent provision and in some cases, includes rent based on a percentage of sales provision. These leases also require payment of property taxes, insurance and utilities.

Purchase options related to 44 properties sold in real estate transactions accounted for under the financing method are held by an entity wholly-owned by the nephew of the Chairman and Chief Executive Officer of the Company and such entity is deemed a related party for accounting purposes.

During the nine months ended September 30, 2006, the Company exercised its right of first refusal under the leases for 14 restaurant properties following the exercise of purchase options held by the related party and the Company purchased these 14 restaurant properties from the respective lessors. Concurrently with these purchases, the properties were sold in qualified sale-leaseback transactions. The Company recorded deferred gains representing the amounts by which the sales prices exceeded the net book value of the underlying assets. Deferred gains are being amortized as an adjustment to rent expense over the term of the leases, which is generally 20 years.

The Company also amended lease agreements for 21 restaurant properties in the second quarter of 2006 and amended a master lease agreement covering 13 restaurant properties in the third quarter of 2006, all of which were previously accounted for as lease financing obligations, to eliminate or otherwise cure the provisions that precluded the original sale-leaseback accounting under SFAS 98. As a result of such amendments, the Company recorded these sale-leaseback transactions as sales, removed all of the respective assets under lease financing obligations and related liabilities from its consolidated balance sheet and recognized gains from the sales, which were generally deferred and are being amortized as an adjustment to rent expense over the remaining term of the underlying leases.

As a result of the above transactions that occurred during the nine months ended September 30, 2006, the Company reduced its lease financing obligations by $52.8 million, reduced its assets under lease financing obligations by $36.2 million and recorded deferred gains of $18.3 million. The Company also recorded interest expense of $2.0 million which represents the net amount by which the purchase price for the restaurant properties sold exceeded the lease financing obligations. Of these amounts, $37.5 million of lease financing obligations and $24.7 million of assets under lease financing obligations have been reflected as non-cash transactions in the consolidated statements of cash flows for the nine months ended September 30, 2006.

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At December 31, 2005, payments required on lease financing obligations are as follows:

2006	$ 10,723
2007	10,840
2008	11,215
2009	11,308
2010	11,419
Thereafter, through 2023	199,466
Total minimum lease payments	254,971
Less: Interest implicit in obligations	(144,073)
Total lease financing obligations	$ 110,898

The interest rates on lease financing obligations range from 8.5% to 12.4% at December 31, 2005. Imputed interest expense on lease financing obligations totaled $10,645, $11,261 and $11,244 for the years ended December 31, 2003, 2004 and 2005, respectively.

10. Other Expense

During 2004, the Company filed a registration statement on Form S-1 to register an initial public offering of Enhanced Yield Securities (EYSs) comprised of its common stock and senior subordinated notes. On October 25, 2004, the Company withdrew and terminated its registration of such securities and expensed the costs incurred for this offering of $2.3 million in 2004.

11. Income Taxes

The income tax provision (benefit) was comprised of the following:

	Year Ended December 31,			Nine months ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005	2006
				(Unaudited)	
Current:					
Federal	$ 1,404	$ (1,250)	$1,426	$ 2,704	$ 4,601
Foreign	279	306	295	226	228
State	214	690	3	—	(160)
	1,897	(254)	1,724	2,930	4,669
Deferred (prepaid):					
Federal	(1,306)	(3,981)	661	(1,264)	250
State	150	(2,485)	(744)	(89)	(91)
	(1,156)	(6,466)	(83)	(1,353)	159
Valuation allowance	—	—	1,119	477	—
	$ 741	$ (6,720)	$2,760	$ 2,054	$ 4,828

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The components of deferred income tax assets and liabilities are as follows:

	At December 31,	
	Restated (Note 2) 2004	2005
Current deferred tax assets:		
Accounts receivable and other reserves	$ 181	$ 124
Accrued vacation benefits	1,913	2,084
Other accruals	3,573	2,659
Net federal operating loss carryforwards	575	—
Current deferred tax assets	6,242	4,867
Long term deferred tax assets/(liabilities):		
Deferred income on sale-leaseback of certain real estate	5,258	5,784
Lease financing obligations	8,873	10,317
Postretirement benefit expenses	1,386	1,609
Property and equipment depreciation	(775)	387
Net state operating loss carryforwards	1,870	2,331
Amortization of other intangible assets, net	2,995	2,294
Amortization of franchise rights	(22,129)	(22,542)
Occupancy costs	4,366	4,128
Tax credit carryforwards	6,213	5,786
Unearned purchase discounts	4,258	3,489
Other	625	815
Long-term net deferred tax assets	12,940	14,398
Less: Valuation allowance	—	(1,119)
Total long-term deferred tax assets	12,940	13,279
Carrying value of net deferred tax assets	$ 19,182	$ 18,146

The Company's state net operating loss carryforwards expire in varying amounts beginning in 2006 through 2025. In addition, the Company has available Federal alternative minimum tax credit carryforwards of $2.1 million with no expiration date and Federal employment tax credit carryforwards of $2.1 million that begin to expire in 2021. The Company had no Federal net operating loss carryforwards as of December 31, 2005.

The Company establishes a valuation allowance to reduce the carrying amount of deferred tax assets when it is more likely than not that it will not realize some portion or all of the tax benefit of its deferred tax assets. The Company evaluates whether its deferred tax assets are probable of realization on a quarterly basis. In performing this analysis, the Company considers all available evidence, both positive and negative, including historical operating results, the estimated timing of future reversals of existing taxable temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards. As of December 31, 2005, the Company has a valuation allowance of $1,119 against net deferred tax assets due to state net operating loss carryforwards where realization of related deferred tax asset amounts was not more likely than not. The estimation of future taxable income for federal and state purposes

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and the Company's resulting ability to realize deferred tax assets pertaining to state net operating loss carryforwards and tax credit carryforwards can significantly change based on future events and operating results. Thus, recorded valuation allowances may be subject to material future changes.

A reconciliation of the statutory federal income tax provision (benefit) to the effective tax provision for the years ended December 31 is as follows:

	Restated (Note 2) 2003	Restated (Note 2) 2004	2005
Statutory federal income tax provision	$ 707	$ (5,036)	$ (538)
State income taxes, net of federal benefit	271	(1,366)	(500)
Stock based compensation expense	—	—	3,302
Change in valuation allowance	—	—	1,119
Non-deductible expenses	101	5	56
Foreign taxes	279	306	295
Employment tax credits	(354)	(287)	(552)
Foreign tax credits	—	(306)	(295)
Miscellaneous	(263)	(36)	(127)
	$ 741	$ (6,720)	$2,760

The provision for income taxes for the nine months ended September 30, 2006 was derived using an estimated effective annual income tax rate for 2006 of 33.5% as well as the effect of any discrete tax items occurring in those periods.

On May 18, 2006 the state of Texas enacted House Bill 3, which replaces the state's current franchise tax with a "margin tax." This legislation significantly affects the tax system for most corporate taxpayers. The margin tax, which is based on revenues less certain allowed deductions, will be accounted for as an income tax, following the provisions of FASB Statement No. 109, "Accounting for Income Taxes". The Company has reviewed the provisions of this legislation and has concluded that the impact on its deferred taxes, due to the changes in the Texas tax law, is immaterial.

The provision for income taxes for the nine months ended September 30, 2005 was derived using an estimated effective annual income tax rate for 2005 of 33.2%, such rate excluding those items where a discrete tax expense has been recorded. The tax provision for the nine months ended September 30, 2005 also includes $3.8 million for the non-deductible portion of stock-based compensation expense related to stock awards in the second quarter of 2005 and $0.5 million of income tax expense associated with Ohio state tax legislation enacted in the second quarter of 2005, as discussed below. The discrete tax expense for each of these items was recorded in the second quarter.

On June 30, 2005, tax legislation in the state of Ohio was enacted that significantly restructured the state's tax system for most corporate taxpayers. Included in the legislation is a multi-year phase-out of the state franchise tax and tangible personal property tax. These taxes will be replaced with a Commercial Activity Tax that will be phased-in over a five-year period. In the second quarter of 2005, the Company recorded a tax expense of $0.5 million related to the impact of this legislation due to the reduction of deferred tax assets associated with the future utilization of Ohio net operating loss carryforwards.

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12. Dividend and Bonus Payments

On December 22, 2004, the Board of Directors of the Company approved the payment of a cash dividend of $116.8 million to its stockholders from the net proceeds of the December 2004 refinancing. The cash dividend was paid on December 28, 2004.

In conjunction with the December 2004 refinancing, the Company also approved a compensatory bonus payment of approximately $20.3 million to a number of employees (including management) and a director who owned stock options based on a pro rata basis in proportion to the number of shares of common stock issuable upon exercise of the options owned by such persons. The bonus payment was made in January 2005, and including applicable payroll taxes of $0.6 million, totaled $20.9 million.

13. Stockholders' Equity

The Company. The Company's Restated Certificate of Incorporation authorizes 100,000,000 shares of common stock and 20,000,000 shares of Preferred Stock, par value $0.01. Of the 100,000,000 common shares authorized, 15,917,176 shares and 15,883,874 shares of common stock and no shares of preferred stock were issued and outstanding at December 31, 2005 and September 30, 2006, respectively.

Stock Awards. Effective May 3, 2005, the Company issued an aggregate of 2,941,653 shares of common stock in exchange for the cancellation and termination of an identical number of outstanding options to purchase shares of common stock. As a consequence of the exchange, all outstanding stock options were cancelled and terminated, and the option plans (described below) were subsequently terminated. The Board of Directors also authorized and reserved the issuance of 101,592 shares of common stock under stock award agreements to employees of which 61,406 shares were issued in the second quarter of 2005. The Company has 40,186 shares of common stock reserved for future issuance.

All shares were issued pursuant to stock award agreements, which provide that such shares are fully vested and non-forfeitable upon issuance, but may not be sold or otherwise disposed of until the earlier of (i) May 3, 2007 or (ii) a "change in control" (as defined in the stock award agreement). Such agreements also provide that up to an aggregate of 16% of each recipients' shares (for those recipients that were issued 1,128 or more shares) are subject to repurchase by the Company (at its option) after December 31, 2006 under certain circumstances described in the award agreements. In addition, such shares may be subject to repurchase by the Company (at its option) in the event of a termination of employment before the occurrence of certain events. The fair market value of a share of common stock on the date of these awards was estimated to be $5.45. The Company recorded a pre-tax compensation charge, including applicable payroll taxes, of $16.4 million in 2005 relative to these stock awards.

Prior to October 27, 2004, the Company's authorized common stock consisted of three series comprised of 33,864,000 shares of Carrols Stock, par value $0.01 per share, 2,000,000 shares of Pollo Tropical Stock, par value $0.01 per share, and 2,000,000 shares of Taco Cabana Stock, par value $0.01 per share. The Pollo Tropical and Taco Cabana classes of stock were considered tracking stocks, a class of stock which tracked the separate performance of Pollo Tropical and Taco Cabana, respectively. On October 27, 2004, the Company eliminated this tracking stock by combining all of its authorized series of common stock into one series of common stock. The Company's Pollo Tropical class of common stock and Taco Cabana class of common stock were each converted into the series of common stock known as Carrols Stock, which at the time of the combination, was renamed and is now referred to as common stock.

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Prior to October 27, 2004, no shares of the Company's Pollo Tropical or Taco Cabana classes of common stock were outstanding. However, as a result of the combination, each outstanding option to purchase a share of the Company's Pollo Tropical class of common stock pursuant to the 1998 Pollo Tropical Long-Term Incentive Plan was converted on October 27, 2004 into an option to purchase 0.4144 shares (pre-stock split) of common stock. Similarly, each outstanding option to purchase a share of the Company's Taco Cabana class of common stock pursuant to the 2001 Taco Cabana Long-Term Incentive Plan was converted on October 27, 2004 into an option to purchase 0.0522 shares (pre-stock split) of common stock.

Stock Options. In 1996, the Company adopted a stock option plan entitled the 1996 Long-Term Incentive Plan ("1996 Plan") and reserved and authorized a total of 1,199,350 shares of common stock for grant thereunder. The number of shares reserved and authorized under this plan was increased to 1,255,790 in 2001 and to 2,137,100 in 2002. Options under this plan generally vested over a four-year period. In 1998, the Company adopted the 1998 Directors' Stock Option Plan ("1998 Directors' Plan") authorizing the grant of up to 112,880 options to non-employee directors. Options under this plan were exercisable over four years. Also, options for 366,036 shares of common stock not covered under any plan ("Non Plan Options") were granted in 1997 at a price of $9.01 with vesting over a five-year period. On February 26, 2002, the Compensation Committee of the Company extended the expiration date for the Non Plan Options and the 1996 Plan options granted prior to March 1, 2002 to February 29, 2012 for all executive officers and certain other officers of the Company.

The Company also adopted the 1998 Pollo Tropical Long-Term Incentive Plan ("1998 Pollo Plan") authorizing to grant up to 41,440 shares of the Company's common stock (100,000 shares of the Company's Pollo Tropical class of common stock prior to the conversion). The Company also adopted the 2001 Taco Cabana Long-Term Incentive Plan ("2001 Taco Plan") authorizing to grant up to 26,100 shares of the Company's common stock (500,000 shares of the Company's Taco Cabana class of common stock prior to the conversion). Options under both of these plans generally vested over a five-year period.

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A summary of all option activity under the Company's stock option plans for the years ended December 31, 2003, 2004 and 2005 was as follows:

	NonPlan Options	1996 Plan	Directors Plan	Pollo Plan	Taco Plan
Outstanding at January 1, 2003	366,036	2,033,003	33,864	84,075	306,000
Granted	—	59,262	5,644	6,900	104,500
Canceled	—	(19,246)	—	(200)	(71,500)
Outstanding at December 31, 2003	366,036	2,073,019	39,508	90,775	339,000
Granted	—	34,993	5,644	8,725	85,500
Canceled	—	(7,326)	—	(750)	(15,724)
Redeemed	—	(5,667)	—	(22,470)	—
Merger of tracking stock to common stock	—	—	—	(56,777)	(387,967)
Adjust tracking stock for common stock split	—	—	—	200,647	214,083
Outstanding at December 31, 2004	366,036	2,095,019	45,152	220,150	234,892
Canceled	(366,036)	(2,095,019)	(45,152)	(220,150)	(234,892)
Outstanding at December 31, 2005	—	—	—	—	—

	NonPlan Options	1996 Plan	Directors Plan	Pollo Plan	Taco Plan
Grant Prices (in whole dollars):					
2003	$ —	$ 10.99	$ 10.99	$ 164.00	$ 14.25
2004	$ —	$ 11.25	$ 11.25	$ 183.00	$ 14.50
Weighted Average Option Price (in whole dollars):					
At December 31, 2003	$ 9.01	$ 9.74	$ 10.38	$ 106.29	$ 12.59
At December 31, 2004	$ 9.01	$ 9.76	$ 10.49	$ 13.59	$ 13.86
Options Exercisable:					
At December 31, 2003	2,873	15,541	244	77,480	141,200
At December 31, 2004	2,873	15,874	288	151,620	124,495

14. Business Segment Information

The Company is engaged in the quick-service and quick-casual restaurant industry, with three restaurant concepts: Burger King operating as a franchisee, Pollo Tropical and Taco Cabana, both Company owned concepts. The Company's Burger King restaurants are all located in the United States, primarily in the Northeast, Southeast and Midwest. Pollo Tropical is a quick-casual restaurant chain featuring grilled marinated chicken and Caribbean style "made from scratch" side dishes. Pollo Tropical's core markets are located in South and Central Florida. Taco Cabana is a quick-casual restaurant chain featuring Mexican style food, including, flame-grilled beef and chicken fajitas, quesadillas and other Tex-Mex dishes. Taco Cabana's core markets are primarily located in Texas.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies. The following table includes Segment EBITDA which is the measure of segment profit or loss reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance. Segment EBITDA is defined as earnings attributable to the applicable segment

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before interest, income taxes, depreciation and amortization, impairment losses, stock-based compensation expense, bonus to employees and a director in connection with the Company's December 2004 refinancing, other expense and loss on extinguishment of debt.

The "Other" column includes corporate related items not allocated to reportable segments, including stock-based compensation expense. Other identifiable assets consist primarily of cash, certain other assets, corporate property and equipment, goodwill and deferred income taxes.

	Pollo Tropical	Taco Cabana	Burger King Restaurants	Other	Consolidated
Year Ended December 31, 2003 (Restated):					
Revenues	$110,194	$181,481	$ 353,310	$ —	$ 644,985
Cost of sales	33,260	53,562	94,360	—	181,182
Restaurant wages and related expenses	28,105	52,214	113,996	—	194,315
General and administrative expense(1)	6,027	11,082	20,026	253	37,388
Depreciation and amortization	4,451	8,707	24,236	2,834	40,228
Segment EBITDA	22,477	24,206	37,350		
Identifiable assets	46,650	72,763	220,025	159,616	499,054
Capital expenditures, including acquisitions	4,359	16,505	8,103	1,404	30,371
Year Ended December 31, 2004 (Restated):					
Revenues	$125,101	$202,941	$ 369,837	$ —	$ 697,879
Cost of sales	38,986	60,435	103,203	—	202,624
Restaurant wages and related expenses	31,380	57,702	117,650	—	206,732
General and administrative expense(1)	7,314	11,061	23,392	1,818	43,585
Depreciation and amortization	4,460	9,884	22,078	2,099	38,521
Segment EBITDA	27,884	30,082	36,582		
Identifiable assets	50,177	63,655	198,015	204,399	516,246
Capital expenditures, including acquisitions	6,636	6,555	4,811	1,071	19,073
Year Ended December 31, 2005:					
Revenues	$136,983	$209,831	$ 360,096	$ —	$ 706,910
Cost of sales	45,185	60,368	99,067	—	204,620
Restaurant wages and related expenses	32,275	58,932	113,404	—	204,611
General and administrative expense(1)	7,183	10,154	24,852	16,432	58,621
Depreciation and amortization	4,881	7,951	18,988	1,276	33,096
Segment EBITDA	28,684	31,927	31,767		
Identifiable assets	59,761	70,883	182,902	183,399	496,945
Capital expenditures, including acquisitions	14,124	16,792	6,614	1,319	38,849
Nine months ended September 30, 2005 (unaudited):					
Total revenues	$103,954	$156,796	$ 271,852	$ —	$ 532,602
Cost of sales	34,308	45,516	74,600	—	154,424
Restaurant wages and related expenses	24,326	43,997	85,417	—	153,740
General and administrative expense(1)	5,540	7,709	18,156	16,432	47,837
Depreciation and amortization	3,620	5,995	14,312	1,002	24,929
Segment EBITDA	22,369	23,584	25,495		
Capital expenditures, including acquisitions	10,293	13,467	4,238	985	28,983
Nine months September 30, 2006 (unaudited):					
Total revenues	$115,303	$171,983	$ 275,435	$ —	$ 562,721
Cost of sales	37,151	49,860	71,288	—	158,299
Restaurant wages and related expenses	29,235	48,728	86,437	—	164,400
General and administrative expense(1)	5,922	8,606	21,271	—	35,799
Depreciation and amortization	4,038	6,580	13,573	986	25,177
Segment EBITDA	21,792	25,669	26,345		
Identifiable assets at September 30, 2006	43,240	70,627	158,424	181,435	453,726
Capital expenditures, including acquisitions	13,050	11,633	6,050	1,324	32,057

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(1) For the Pollo Tropical and Taco Cabana segments, such amounts include general and administrative expenses related directly to each segment. For the Burger King segment such amounts include general and administrative expenses related directly to the Burger King segment as well as expenses associated with administrative support to all three of the Company's segments including executive management, information systems and certain accounting, legal and other administrative functions.

A reconciliation of segment EBITDA to consolidated net income (loss) is as follows:

	Year ended December 31,			Nine months ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005	2006
				(Unaudited)	
Segment EBITDA:					
Pollo Tropical	$ 22,477	$ 27,884	$28,684	$ 22,369	$ 21,792
Taco Cabana	24,206	30,082	31,927	23,584	25,669
Burger King	37,350	36,582	31,767	25,495	26,345
Subtotal	84,033	94,548	$92,378	71,448	73,806
Less:					
Depreciation and amortization	40,228	38,521	33,096	24,929	25,177
Impairment losses	4,151	1,544	1,468	1,427	832
Interest expense	37,334	35,383	42,972	31,830	34,616
Provision (benefit) for income taxes	741	(6,720)	2,760	2,054	4,828
Bonus to employees and a director	—	20,860	—	—	—
Stock-based compensation expense	253	1,818	16,432	16,432	—
Loss on extinguishment of debt	—	8,913	—	—	—
Other expense (income)	—	2,320	—	—	(1,389)
Net income (loss)	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742

15. Commitments and Contingencies

On November 16, 1998, the Equal Employment Opportunity Commission ("EEOC") filed suit in the United States District Court for the Northern District of New York (the "Court"), under Title VII of the Civil Rights Act of 1964, as amended, against Carrols. The complaint alleged that Carrols engaged in a pattern and practice of unlawful discrimination, harassment and retaliation against former and current female employees. The EEOC identified approximately 450 individuals (which was subsequently increased to 511 individuals) that it believed represented the class of claimants and was seeking monetary and injunctive relief from Carrols.

On April 20, 2005, the Court issued a decision and order granting Carrols' Motion for Summary Judgment that Carrols filed in January 2004. Subject to possible appeal by the EEOC, the case is dismissed, however the Court noted that it was not ruling on the claims, if any, that individual employees might have against Carrols. The Company does not believe that any individual claim, if any, would have a material adverse impact on its consolidated financial condition or consolidated results of operations and cash flows.

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On February 27, 2006, Carrols filed a motion for summary judgment to dismiss all but between four and 17 of the individual claims. On July 10, 2006, in its response to that motion, the EEOC has asserted that, notwithstanding the Court's dismissal of the case as a class action, the EEOC may still maintain some kind of collective action on behalf of these claimants. Oral argument before the Court was held on October 4, 2006 and the Company is awaiting the Court's decision on Carrols' summary judgment motion. Although the Company believes that the EEOC's continued class litigation argument is without merit, it is not possible to predict the outcome of the pending motion.

On November 30, 2002, four former hourly employees commenced a lawsuit against Carrols in the United States District Court for the Western District of New York entitled Dawn Seever, et al. v. Carrols Corporation. The lawsuit alleges, in substance, that Carrols violated certain minimum wage laws under the federal Fair Labor Standards Act and related state laws by requiring employees to work without recording their time and by retaliating against those who complained. The plaintiffs seek damages, costs and injunctive relief. They also seek to notify, and eventually certify, a class consisting of current and former employees who, since 1998, have worked, or are working, for Carrols. As a result of the July 21, 2005 Status Conference, the parties agreed to withdraw Plaintiff's Motions to Certify and for National Discovery, and Defendant's Motion to Disqualify Counsel and related motions, to allow both sides limited additional discovery. Carrols has since filed a Motion for Summary Judgment as to the existing plaintiffs that the Court has under consideration. The plaintiffs have indicated that they will re-file a Motion to certify and for National Discovery and Carrols intends to oppose such Motion. It is too early to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss. Consequently, it is not possible to predict what adverse impact, if any, this case could have on the Company's consolidated financial condition or consolidated results of operations and cash flows. Carrols intends to continue to contest this case vigorously.

The Company is a party to various other litigation matters incidental to the conduct of business. The Company does not believe that the outcome of any of these other matters will have a material adverse effect on its consolidated financial condition or results of operations and cash flows.

16. Retirement Plans

The Company offers its salaried employees the option to participate in the Carrols Corporation Retirement Savings Plan ("the Retirement Plan"). The Retirement Plan includes a savings option pursuant to section 401(k) of the Internal Revenue Code in addition to a post tax savings option. The Company may elect to contribute to the Retirement Plan on an annual basis. The Company's contributions are equal to 50% of the employee's contribution to a maximum Company contribution of $520 annually for any plan year that the Company participates in an employee match. Under the Retirement Plan the Company's contributions begin to vest after one year and fully vest after five years of service. A year of service is defined as a plan year during which an employee completes at least 1,000 hours of service. Participating employees may contribute up to 18% of their salary annually to either of the savings options, subject to other limitations. The employees have various investment options available under a trust established by the Retirement Plan. Contributions to the Retirement Plan were $432 and $403 for the years ended December 31, 2003 and 2005, respectively. For the 2004 plan year, the Company did not make any matching contributions.

The Company also has a Deferred Compensation Plan which permits employees not eligible to participate in the Carrols Corporation Plan because they have been excluded as "highly compensated" employees (as so defined in the Plan), to voluntarily defer portions of their base salary and annual bonus. All amounts deferred by the participants earn interest at 8% per annum. There is no Company matching on any portion of the funds. At December 31, 2005 there was a total of $870 deferred under this plan, including accrued interest.

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17. Postretirement Benefits

The Company provides postretirement medical and life insurance benefits covering substantially all Burger King administrative and restaurant management salaried employees. A December 31 measurement date is used for the postretirement benefits. The following is the plan status and accumulated postretirement benefit obligation (APBO) at December 31, 2004 and 2005:

	2004	2005
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,310	$ 4,943
Service cost	381	395
Interest cost	251	280
Plan participant’s contributions	1	8
Actuarial loss	107	598
Benefits paid	(107)	(149)
Benefit obligation at end of year	4,943	6,075
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	106	141
Plan participant’s contributions	1	8
Benefits paid	(107)	(149)
Fair value of plan assets at end of year	—	—
Funded status	4,943	6,075
Unrecognized prior service cost	103	73
Unrecognized net actuarial net loss	(1,542)	(2,080)
Accrued benefit cost	$ 3,504	$ 4,068
Weighted average assumptions:		
Discount rate used to determine benefit obligations	5.75%	5.55%
Discount rate used to determine net periodic benefit cost	6.15%	5.75%

The discount rate is determined based on high-quality fixed income investments that match the duration of expected retiree medical and life insurance benefits. The Company has typically used the corporate AA/Aa bond rate for this assumption.

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Assumed health care cost trend rates at December 31:

	2003	2004	2005
Medical benefits cost trend rate assumed for the following year	8.50%	8.25%	8.00%
Prescription drug benefit cost trend rate assumed for the following year	12.00%	12.00%	11.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2010	2012	2012

During the nine months ended September 30, 2006, the Company made contributions of $174 to its postretirement plan and expects to make additional contributions in 2006. The benefits expected to be paid in each year from 2006 through 2010 are $102, $110, $118, $136 and $158, respectively, and for the years 2011-2015 the aggregate amount of $1,318.

	Year ended December 31,			Nine months ended September 30,	
	2003	2004	2005	2005	2006
				(Unaudited)	
Components of net periodic post retirement benefit cost:					
Service cost	$ 287	$ 381	$ 395	$ 296	$ 354
Interest cost	232	251	280	205	251
Amortization of gains and losses	37	46	61	41	63
Amortization of unrecognized prior service cost	(30)	(30)	(30)	(22)	(22)
Net periodic postretirement benefit cost	$ 526	$ 648	$ 706	$ 520	$ 646

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 170	$ (135)
Effect on postretirement benefit obligation	1,267	(1,017)

18. Income (loss) per share

In connection with a proposed initial public offering ("IPO") , the Company authorized an 11.288 for-one stock split on November 21, 2006 (see Note 19). Accordingly, basic and diluted shares for all periods presented have been calculated based on the average shares outstanding, as adjusted for the stock split.

Basic income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. For periods ended after December 31, 2004, diluted income (loss) per share is computed by dividing net income (loss) by the weighted average

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number of common shares outstanding plus the dilutive effect of outstanding stock options using the treasury stock method. For periods ended on or prior to December 31, 2004, diluted income (loss) per share is computed by dividing the net income (loss) allocated to the Carrols class of common stock by the weighted average number of the Carrols class common shares outstanding plus the dilutive effect of outstanding stock options of the Carrols class common stock using the treasury stock method. The number of antidilutive options excluded from the loss per share calculation for the years ended December 31, 2004 and 2005 and the nine months ended September 30, 2005 was 144,384, 388, and 518, respectively.

Subsequent to the cancellation and termination of all outstanding stock options in connection with the stock awards in May 2005 as discussed in Note 13, there has been no subsequent issuance of stock options. Consequently, there are no dilutive stock options affecting periods subsequent to the year ended December 31, 2005.

The following table is a reconciliation of the income (loss) and share amounts used in the calculation of basic income (loss) per share and diluted income (loss) per share:

	Years ended December 31,			Nine Months Ended September 30,	
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005	2005	2006
				(Unaudited)	
Basic income (loss) per share:					
Net income (loss)	$ 1,326	$ (8,091)	$ (4,350)	$ (5,224)	$ 9,742
Weighted average common shares outstanding	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147
Basic net income (loss) per share	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)	$ 0.61
Diluted income (loss) per share:					
Net income (loss) for diluted income (loss) per share(1)	$ 1,276	$ (8,200)	$ (4,350)	$ (5,224)	$ 9,742
Shares used in computing basic income (loss) per share	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147
Dilutive effect of stock options—treasury stock method	—	—	—	—	—
Shares used in computing diluted income (loss) per share	12,915,095	12,915,095	14,905,750	14,564,903	15,887,147
Diluted net income (loss) per share	$ 0.10	$ (0.63)	$ (0.29)	$ (0.36)	$ 0.61

(1) Net income (loss) for diluted income (loss) per share was adjusted $50 in 2003 and $109 in 2004 for the allocation of income to the Company's authorized Pollo Tropical class of common stock.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of September 30, 2006 and for the nine months ended
September 30, 2005 and 2006 is Unaudited)
(In thousands of dollars, except share and per share amounts)

19. Initial Public Offering and Stock Split

Carrols Restaurant Group has authorized the filing of a registration statement with the Securities and Exchange Commission (“SEC”) that would permit the sale of shares of its common stock in a proposed IPO. In connection with the proposed IPO, the Company authorized a 11.288 for one stock split on November 21, 2006 and authorized the increase in the number of shares of its authorized common stock and preferred stock. The stock split and the increase in authorized shares will be effective immediately preceding the pricing of the IPO. Accordingly, all references to share and per share amounts related to common stock and stock options included in the consolidated financial statements and accompanying notes have been adjusted to reflect the stock split and change in the number of authorized shares on a retroactive basis. The stock split has been retroactively applied to the Company’s consolidated financial statements.

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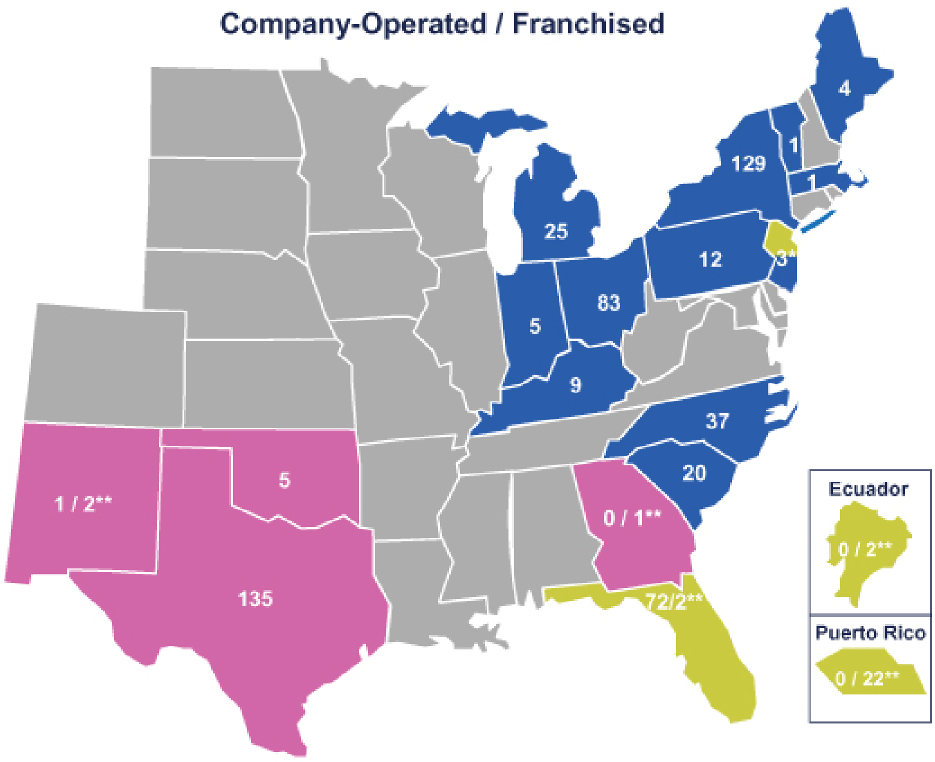
542 Company-Operated Restaurants in 16 States



542 Company-Operated Restaurants

- **73 Pollo Tropical (Company-Owned)**
- **141 Taco Cabana (Company-Owned)**
- **328 Burger King (Franchised)**

29 Franchised Restaurants

As of 9/30/06

* New Jersey includes one company-owned Pollo Tropical and two franchised Burger King restaurants.

** First number is company-operated restaurants, second number is franchised restaurants.

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15,000,000 Shares
Common Stock

PROSPECTUS

, 2006

Wachovia Securities
Banc of America Securities LLC
RBC Capital Markets
Raymond James

Through and including , 2007 (the 25th day after the date of this prospectus), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Carrols Restaurant Group, Inc. in connection with the offer and sale of the securities being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$ 29,532
NASD filing fee	28,100
The NASDAQ Global Market listing fee	100,000
Transfer agent fee	3,500
Printing and engraving expenses	225,000
Blue sky fees and expenses	15,000
Legal fees and expenses	1,800,000
Accounting fees and expenses	1,175,000
Miscellaneous	123,868
Total	$ 3,500,000

Item 14. Indemnification of Directors and Officers.

We are incorporated under the laws of the State of Delaware. Section 145 (“Section 145”) of the General Corporation Law of the State of Delaware (the “DGCL”) provides that a Delaware corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include expenses (including attorney’s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation’s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation may indemnify any persons who are, were or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reasons of the fact that such person is or was a director, officer, employee or agent of such corporation or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or another enterprise. The indemnity may include expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation’s best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation with respect to such claim, issue or matter. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Our restated certificate of incorporation will provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL and must also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Our board of directors and compensation committee approved the issuance and grant, effective as of May 3, 2005, of shares of our common stock to all of the holders of outstanding options to purchase our common stock, including our senior management, certain other of our employees and one of our directors (collectively, the “Recipients”), in consideration for and subject to the cancellation and termination of each such Recipient’s outstanding stock options to purchase our common stock. The number of shares of common stock issued to each Recipient was identical to the number of stock options held by such Recipient. As a result, an aggregate of 2,941,653 shares of our common stock were issued in exchange for the cancellation and termination of options to purchase an aggregate of 2,941,653 shares of our common stock.

All such shares of our common stock were issued pursuant to individual stock award agreements, effective as of May 3, 2005, which provide that such shares are fully vested and non-forfeitable upon issuance but may not be sold or otherwise disposed of for a period of two years from the date of issuance. Such agreements also provide that up to an aggregate of 16% of each Recipient’s shares of common stock issued thereunder (only for Recipients that were issued 1,128 or more shares) are subject to repurchase by us, at our option, after December 31, 2006 under certain circumstances described in such agreements. In addition, such agreements provide that we may repurchase such shares at our option in the event of a termination of employment or service of a Recipient before the occurrence of certain events.

The issuances listed above were deemed exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 3(a)(9) of the Securities Act and Rule 701 promulgated under the Securities Act.

On December 15, 2004, our wholly-owned subsidiary, Carrols Corporation, completed the sale of $180 million of 9% Senior Subordinated Notes due 2013 (the “Notes”). J.P. Morgan Securities Inc., Banc of America Securities LLC, Lehman Brothers Inc., Wachovia Capital Markets, LLC, and SunTrust Capital Markets, Inc. were the initial purchasers in connection with the sale of the Notes. The sale of the Notes was deemed exempt from registration under the Securities Act, as the Notes were offered and sold only to qualified institutional buyers under Rule 144A of the Securities Act and to persons outside of the United States under Regulation S of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits. Reference is made to the information contained in the Exhibit Index filed as part of this Registration Statement, which information is incorporated herein by reference pursuant to Rule 411 of the Securities and Exchange Commission’s Rules and Regulations under the Securities Act of 1933, as amended.

(b) Financial Statement Schedules.

Schedule I—Condensed Financial Information as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005.

Schedule II—Valuation and Qualifying Accounts

Item 17. Undertakings

The undersigned registrant hereby undertakes:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant also hereby undertakes to provide the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by the registrant against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding), is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY
SCHEDULE I—
CONDENSED FINANCIAL INFORMATION OF CARROLS RESTAURANT GROUP, INC.
(PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS
(in thousands of dollars)

	December 31,	
	Restated (Note 2) 2004	2005
ASSETS		
Investment in and advances from unconsolidated subsidiary	$(115,529)	$(103,511)
Total assets	$(115,529)	$(103,511)
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Due to unconsolidated subsidiary	$ 19	$ 26
Total current liabilities	19	26
Total liabilities	19	26
Stockholders' deficit:		
Preferred stock, par value $.01; authorized 20,000,000 shares, issued and outstanding—none	—	—
Voting common stock, par value $.01; authorized 100,000,000 shares, issued and outstanding 12,915,095 and 15,917,176 shares, respectively	129	159
Additional paid-in capital	(84,870)	(68,539)
Accumulated deficit	(30,807)	(35,157)
Total stockholders' deficit	(115,548)	(103,537)
Total liabilities and stockholders' deficit	$(115,529)	$(103,511)

The accompanying notes are an integral part of these condensed financial statements.

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CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY
SCHEDULE I—
CONDENSED FINANCIAL INFORMATION OF CARROLS RESTAURANT GROUP, INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Year Ended December 31,		
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005
Income (loss):			
Investment income (loss) from unconsolidated subsidiary	$ 1,338	$(8,084)	$(4,343)
Expenses:			
General and administrative	12	7	7
Net income (loss)	$ 1,326	$(8,091)	$(4,350)

The accompanying notes are an integral part of these condensed financial statements.

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CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY
SCHEDULE I—
CONDENSED FINANCIAL INFORMATION OF CARROLS RESTAURANT GROUP, INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Year Ended December 31,		
	Restated (Note 2) 2003	Restated (Note 2) 2004	2005
Cash flows from operating activities:			
Net income (loss)	$ 1,326	$ (8,091)	$(4,350)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Decrease (increase) in investment in unconsolidated subsidiary	(1,338)	8,084	4,343
Dividends from subsidiary	—	116,794	—
Increase in due to unconsolidated subsidiary	12	7	7
Net cash provided by operating activities	—	116,794	—
Cash flows used for financing activities:			
Dividends paid	—	(116,794)	—
Net cash used for financing activities	—	(116,794)	—
Net increase in cash and cash equivalents	—	—	—
Cash and cash equivalents, beginning of period	—	—	—
Cash and cash equivalents, end of period	$ —	$ —	$ —

The accompanying notes are an integral part of these condensed financial statements.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY
SCHEDULE I—
CONDENSED FINANCIAL INFORMATION OF CARROLS RESTAURANT GROUP, INC.
(PARENT COMPANY ONLY)
NOTE TO CONDENSED FINANCIAL STATEMENTS

Note 1–Basis of Presentation

Carrols Restaurant Group, Inc.'s (formerly known as Carrols Holdings Corporation) (the "Company") investment in subsidiary is stated at cost plus equity in the undistributed earnings of its subsidiary. The Company's share of net income (loss) of its unconsolidated subsidiary is included in consolidated income using the equity method. This condensed financial information of the parent company only should be read in conjunction with the Consolidated Financial Statements of the Company included elsewhere in this registration statement.

Note 2–Restatement of Previously Issued Financial Statements

For a discussion of the restatement, see Note 2 to the Company's Consolidated Financial Statements included elsewhere in this registration statement.

Note 3–Dividend Payment

On December 22, 2004, the Board of Directors of the Company approved the payment of a cash dividend of $116.8 million to its stockholders from the net proceeds of the December 2004 Transactions. The cash dividend was paid on December 28, 2004.

Note 4–Stock Awards

On May 3, 2005, the Company issued an aggregate of 2,941,653 shares of common stock in exchange for the cancellation and termination of an identical number of outstanding options to purchase shares of common stock. See Note 13 to the Company's Consolidated Financial Statements included elsewhere in this registration statement.

Note 5–Initial Public Offering and Stock Split

The Company has authorized the filing of a registration statement with the Securities and Exchange Commission ("SEC") that would permit the sale of shares of its common stock in a proposed IPO. In connection with the proposed IPO, the Company authorized a 11.288 for one stock split on November 21, 2006 and authorized the increase in the number of shares of its authorized common stock and preferred stock. The stock split and the increase in authorized shares will be effective immediately preceding the pricing of the IPO. Accordingly, all references to share amounts related to common stock included in the financial statements have been adjusted to reflect the stock split and change in the number of authorized shares on a retroactive basis.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2005, 2004 and 2003
(in thousands of dollars)

Column A	Column B	Col. C		Col. D	Col. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to other accounts	Deductions	Balance at End of Period
Year ended December 31, 2005:					
Reserve for doubtful trade accounts receivable	$ 81	$ —	$ —	$ (81)(a)	$ —
Reserve for note receivable	1,159	—	—	(65)(c)	1,094
Deferred income tax valuation allowance	—	1,119(d)	—	—	1,119
Year ended December 31, 2004:					
Reserve for doubtful trade accounts receivable	$ 94	$ —	$ —	$ (13)(a)	$ 81
Reserve for note receivable	1,184	—	—	(25)(c)	1,159
Year ended December 31, 2003:					
Reserve for doubtful trade accounts receivable	$ 128	$ —	$ —	$ (34)(a)	$ 94
Reserve for note receivable	—	—	1,200(b)	(16)(c)	1,184

(a) Represents write-offs of accounts.
(b) Represents the establishment of a reserve for the total amount of a note receivable at the date of its issuance.
(c) Represents payments received on this fully reserved note.
(d) Represents the establishment of a valuation allowance on certain deferred tax assets.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Syracuse, State of New York, on November 22, 2006.

CARROLS RESTAURANT GROUP, INC.

By: /S/ PAUL R. FLANDERS
Paul R. Flanders
Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act, this amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* **Alan Vituli**	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	November 22, 2006
* **Daniel T. Accordino**	President, Chief Operating Officer and Director	November 22, 2006
/S/ PAUL R. FLANDERS **Paul R. Flanders**	Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	November 22, 2006
* **Benjamin D. Chereskin**	Director	November 22, 2006
* **Brian F. Gleason**	Director	November 22, 2006
* **Robin P. Selati**	Director	November 22, 2006
* **Clayton E. Wilhite**	Director	November 22, 2006
* **Olaseni Adeyemi Sonuga**	Director	November 22, 2006

*By: /S/ PAUL R. FLANDERS
Paul R. Flanders
Attorney-in-Fact

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement**
3.1	Form of Restated Certificate of Incorporation of Carrols Restaurant Group, Inc.*
3.2	Form of Amended and Restated By-laws of Carrols Restaurant Group, Inc.*
4.1	Form of Stockholders Agreement by and among Carrols Holdings Corporation, Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners II, L.P., Atlantic Restaurants, Inc., Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman (incorporated by reference to Exhibit 10.23 to Carrols Corporation's 1996 Annual Report on Form 10-K)
4.2	First Amendment, dated as of October 14, 2003, to Carrols Holdings Corporation Stockholders Agreement (incorporated by reference to Exhibit 4.6 to Carrols Corporation December 31, 2003 Annual Report on Form 10-K)
4.3	Form of Registration Agreement by and among Carrols Holdings Corporation, Atlantic Restaurants, Inc., Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners II, L.P., Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman (incorporated by reference to Exhibit 10.24 to Carrols Corporation's 1996 Annual Report on Form 10-K)
4.4	Registration Rights Agreement, relating to the 9% Senior Subordinated Notes, dated as of December 15, 2004 by and among Carrols Corporation, the Guarantors named therein, J.P. Morgan Securities Inc., Banc of America Securities LLC, Lehman Brothers Inc., Wachovia Capital Markets, LLC and SunTrust Capital Markets, Inc. (incorporated by reference to Exhibit 10.1 to Carrols Corporation's Form 8-K filed on December 21, 2004)
4.5	Indenture governing the 9% Senior Subordinated Notes due 2013, dated as of December 15, 2004, between Carrols Corporation, the Guarantors named therein and The Bank of New York, as Trustee (incorporated by reference to Exhibit 10.2 to Carrols Corporation's Form 8-K filed on December 21, 2004)
4.6	Form of 9% Senior Subordinated Note due 2013 (incorporated by reference to Exhibit 4.5)
4.7	Form of Stock Certificate for Common Stock**
5.1	Opinion of Katten Muchin Rosenman LLP*
10.1	Stock Purchase Agreement dated as of February 27, 1997 by and among Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners II, L.P., Atlantic Restaurants, Inc., and Carrols Holdings Corporation (incorporated by reference to Exhibit 10.12 to Carrols Corporation's 1996 Annual Report of Form 10-K)
10.2	Form of Second Amended and Restated Employment Agreement dated March 27, 1997 by and between Carrols Corporation and Alan Vituli (incorporated by reference to Exhibit 10.25 to Carrols Corporation's 1996 Annual Report on Form 10-K)
10.3	Form of Second Amended and Restated Employment Agreement dated March 27, 1997 by and between Carrols Corporation and Daniel T. Accordino (incorporated by reference to Exhibit 10.26 to Carrols Corporation's 1996 Annual Report on Form 10-K)
10.4	Form of Carrols Holdings Corporation 1996 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.27 to Carrols Corporation's 1996 Annual Report on Form 10-K)
10.5	Purchase and Sale Agreement dated as of January 15, 1997 by and between Carrols Corporation, as Purchaser, Omega Services, Inc. as Seller and Mr. Harold W. Hobgood as Omega's Agent (incorporated by reference to Exhibit 10.39 to Carrols Corporation's current report on Form 8-K filed March 27, 1997)

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Exhibit Number	Description
10.6	Purchase and Sale Agreement dated as of January 15, 1997 by and between Carrols Corporation, as Purchaser, Omega Services, Inc. as Seller and Mr. Harold W. Hobgood as Omega's Agent (incorporated by reference to Exhibit 10.40 to Carrols Corporation's current report on Form 8-K filed March 27, 1997)
10.7	Purchase Agreement dated as of July 7, 1997 among Carrols Corporation, as Purchaser, and the individuals and trusts listed on Exhibit A attached thereto, as Sellers, the individuals and entities listed on Exhibit B attached thereto, as Affiliated Real Property Owners, and Richard D. Fors, Jr. and Charles J. Mund, as the Seller's representatives (incorporated by reference to Exhibit 10.41 to Carrols Corporation's current report on Form 8-K filed August 20, 1997)
10.8	Carrols Corporation Retirement Savings Plan dated April 1, 1999 (incorporated by reference to Exhibit 10.29 to Carrols Corporation's 1999 Annual Report on Form 10-K)
10.9	Carrols Holdings Corporation 2001 Taco Cabana Long-Term Incentive Plan (incorporated by reference to Exhibit 10.21 to Carrols Corporation's December 31, 2003 Annual Report or 10-K)
10.10	Carrols Corporation and Subsidiaries Deferred Compensation Plan dated January 1, 2002 (incorporated by reference to Exhibit 10.26 to Carrols Corporation's March 31, 2002 Quarterly Report on Form 10-Q)
10.11	Extension of Employment Agreement dated March 27, 2002 by and between Carrols Corporation and Alan Vituli (incorporated by reference to Exhibit 10.27 to Carrols Corporation's June 30, 2002 Quarterly Report on Form 10-Q)
10.12	Extension of Employment Agreement dated March 27, 2002 by and between Carrols Corporation and Daniel T. Accordino (incorporated by reference to Exhibit 10.28 to Carrols Corporation's June 30, 2002 Quarterly Report on Form 10-Q)
10.13	Carrols Corporation Retirement Savings plan July 1, 2002 Restatement (incorporated by reference to Exhibit 10.29 to Carrols Corporation's September 29, 2002 Quarterly Report on Form 10-Q)
10.14	Addendum incorporating EGTRRA Compliance Amendment to Carrols Corporation Retirement Savings Plan dated September 12, 2002 (incorporated by reference to Exhibit 10.30 to Carrols Corporation's September 29, 2002 Quarterly Report on Form 10-Q)
10.15	Form of Carrols Corporation Change of Control Agreement dated December 27, 2002 (incorporated by reference to Exhibit 10.27 to Carrols Corporation's December 31, 2003 Annual Report on Form 10-K)
10.16	First Amendment, dated as of January 1, 2004, to Carrols Corporation Retirement Savings Plan (incorporated by reference to Exhibit 10.35 to Carrols Corporation's December 31, 2003 Annual Report on Form 10-K)
10.17	Carrols Holdings Corporation First Amended and Restated 1998 Pollo Tropical Long-Term Incentive Plan (incorporated by reference to Exhibit 10.37 to Carrols Corporation's December 31, 2003 Annual Report on Form 10-K)
10.18	Amended and Restated Loan Agreement dated as of December 15, 2004 among Carrols Corporation, JPMorgan Chase Bank, Bank of America, N.A., Sun Trust Bank, Wachovia Bank, National Association, Manufacturers and Traders Trust Company, and other lenders now or hereafter parties hereto (incorporated by reference to Exhibit 10.3 to Carrols Corporation's Form 8-K filed on December 21, 2004)
10.19	Extension of Employment Agreement dated as of May 3, 2005 by and between Carrols Corporation and Alan Vituli (incorporated by reference to exhibit 10.31 to Carrols Corporation's 2004 Annual Report on Form 10-K)

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Exhibit Number	Description
10.20	Extension of Employment Agreement dated November 11, 2004 by and between Carrols Corporation and Daniel T. Accordino (incorporated by reference to exhibit 10.32 to Carrols Corporation's 2004 Annual Report on Form 10-K)
10.21	Extension of Employment Agreement dated as of May 3, 2005 by and between Carrols Corporation and Daniel T. Accordino (incorporated by reference to exhibit 10.33 to Carrols Corporation's 2004 Annual Report on Form 10-K)
10.22	Amendment to Carrols Holdings Corporation 1998 Pollo Tropical Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Carrols Corporation's Form 8-K filed on November 1, 2004)
10.23	Amendment to Carrols Holdings Corporation 2001 Taco Cabana Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Carrols Corporation's Form 8-K filed on November 1, 2004)
10.24	Form of Stock Award Agreement of Carrols Holdings Corporation dated as of May 3, 2005 (incorporated by reference to exhibit 10.38 to Carrols Corporation's 2004 Annual Report on Form 10-K)
10.25	Form of Exchange Agreement dated as of May 3, 2005 by and between Carrols Holdings Corporation and Vituli Family Trust (incorporated by reference to exhibit 10.39 to Carrols Corporation's 2004 Annual Report on Form 10-K)
10.26	Form of Stock Award Agreement dated as of May 3, 2005 by and between Carrols Holdings Corporation and Daniel T. Accordino (incorporated by reference to exhibit 10.40 to Carrols Corporation's 2004 Annual Report on Form 10-K)
10.27	2006 Stock Incentive Plan*
10.28	Form of Employment Agreement by and among Carrols Restaurant Group, Inc., Carrols Corporation and Alan Vituli*
10.29	Form of Employment Agreement by and among Carrols Restaurant Group, Inc., Carrols Corporation and Daniel T. Accordino*
10.30	Form of Change of Control/Severance Agreement*
10.31	Form of Agreement, by and among Carrols Restaurant Group, Inc., Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners, II, L.P., BIB Holdings (Bermuda) Ltd., Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman*
10.32	Form of Amendment No. 1 to Registration Agreement, by and among Carrols Restaurant Group, Inc., Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners, II, L.P., BIB Holdings (Bermuda) Ltd., Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman*
21.1	List of Subsidiaries***
23.1	Consent of PricewaterhouseCoopers LLP*
23.2	Consent of Deloitte & Touche LLP*
23.3	Consent of Katten Muchin Rosenman LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included in signature pages)***
99.1	Consent of Technomic, Inc.*
99.2	Consent of Jack A. Smith*
99.3	Consent of Joel M. Handel*

* Filed herewith
** To be filed by amendment
*** Previously filed

Exhibit 3.1

FORM OF

RESTATED CERTIFICATE OF INCORPORATION

OF

CARROLS RESTAURANT GROUP, INC.

Carrols Restaurant Group, Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, DOES HEREBY CERTIFY as follows:

1. The name of the Corporation is Carrols Restaurant Group, Inc.

2. The Certificate of Incorporation of the Corporation originally filed under the name Carrols Holdings Corporation with the Secretary of State on September 15, 1986, was restated pursuant to the Restated Certificate of Incorporation filed with the Secretary of State on December 22, 1986, was amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on August 18, 1993, was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on February 20, 1997, was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on November 3, 1999, was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on September 20, 2001, was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on October 5, 2004, was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on October 20, 2004 and was further amended pursuant to the Certificate of Amendment to Restated Certificate of Incorporation filed with the Secretary of State on November 21, 2006.

3. The Board of Directors of the Corporation and the stockholders of the Corporation adopted resolutions, pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL"), authorizing the amendment and restatement of the Certificate of Incorporation of the Corporation as follows:

FIRST: Name. The name of the Corporation is Carrols Restaurant Group, Inc.

SECOND: Registered Office. The registered office and registered agent of the Corporation in the State of Delaware is the Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

THIRD: Purposes. The purposes of the Corporation are to engage in any lawful act or activity for which corporations may be organized under the DGCL.

FOURTH: Capital Stock. The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is 120,000,000 shares, consisting of 20,000,000 shares of Preferred Stock, par value $.01 per share (the "Preferred Stock"), and 100,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock").

(A) Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (the "Board") of the Corporation is hereby authorized to create and provide for the issuance of shares of Preferred Stock in series and, by filing a certificate (hereinafter referred to as a "Preferred Stock Designation"), pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(1) The designation of the series, which may be by distinguishing number, letter or title;

(2) The number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares of such series then outstanding);

(3) Whether dividends, if any, shall be cumulative or noncumulative and the dividend rate, if any, of the series;

(4) The date or dates at which dividends, if any, shall be payable;

(5) The redemption rights and price or prices, if any, for shares of the series;

(6) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series;

(7) The amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(8) Whether the shares of the series shall be convertible or exchangeable into shares of any other class or series, or any other security, of the Corporation or any other entity, and, if so, the specification of such other class or series or of such other security, the conversion price or prices or exchange rate or rates and provisions for any adjustments to such prices or rates, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

(9) The ranking of such series with respect to dividends and amounts payable on the Corporation's liquidation, dissolution or winding-up, which may include provisions that such series will rank senior to the Common Stock with respect to dividends and those distributions;

(10) Restrictions on the issuance of shares of the same series or of any other class or series;

(11) Whether the Preferred Stock of a series shall have voting rights, in addition to the voting rights provided by law, and the terms of such voting rights, if any, of the holders of shares of the series; and

(12) Such other powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof as the Board shall determine.

(B) Common Stock. The following is a statement of the powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions of the Common Stock:

(1) Dividends. Subject to the rights of the holders of Preferred Stock, holders of the Common Stock shall be entitled to receive such dividends and other distributions in cash, stock of any corporation, other securities or property of the Corporation as may be declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in all such dividends and other distributions.

(2) Voting Rights. Except as otherwise provided by law or in a Preferred Stock Designation, all of the voting power of the stockholders of the Corporation shall be vested in the holders of the Common Stock, and holders of shares of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The holders of Common Stock shall vote together as a single class on all matters with respect to which stockholders are entitled to vote under applicable law, this Certificate of Incorporation as then in effect or the Bylaws of the Corporation, as then in effect (the "Bylaws"), or upon which a vote of stockholders is otherwise duly called for by the Corporation. At every meeting of the stockholders of the Corporation every holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock standing in his or her name in the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders. There shall be no cumulative voting in the election of directors.

(3) Liquidation or Dissolution. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment of or provision for all liabilities of the Corporation and the amounts, if any, required to be paid to the holders of Preferred Stock, if any, the remaining assets and funds of the Corporation shall be distributed pro rata to the holders of Common Stock. For purposes of this paragraph (3), unless otherwise provided with respect to any series of Preferred Stock, the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with one or more other corporations (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, either voluntary or involuntary.

(C) Record Holders. The Corporation shall be entitled to treat the person in whose name any share of its capital stock is registered on the stock transfer books of the Corporation as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

(D) Stock Split.

(1) Immediately upon the filing of this Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Effective Time"), each share of Common Stock then outstanding shall be, without further action by the Corporation or any of the holders thereof, changed and converted into a number of shares of Common Stock equal to that number determined by multiplying each outstanding share of Common Stock by 11.288 (the "Stock Split Factor"). The par value of the Common Stock after such stock split shall be $.01 per share.

(2) No fractional shares shall be issued in connection with the stock split. A holder of Common Stock who immediately prior to the Effective Time owns a number of shares of Common Stock which is not evenly divisible by the Stock Split Factor shall receive, in lieu of any fraction of a share of Common Stock resulting from the conversion of Common Stock described above in paragraph (1) to which such holder would otherwise be entitled, a cash payment equal to the product of (i) such fraction of a share of Common Stock and (ii) the initial public offering price per share of the Common Stock in the Corporation's initial public offering of Common Stock pursuant to the Corporation's Registration Statement on Form S-1 (Registration No. 333-137524) filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended. All shares of Common Stock (including fractions thereof) issuable upon the conversion of Common Stock described above in paragraph (1) to a holder thereof shall be aggregated for purposes of determining whether the conversion would result in a holder of shares of Common Stock holding a fractional share of Common Stock.

(3) The conversion of Common Stock into such new number of shares of Common Stock will be deemed to occur at the Effective Time, regardless of if or when any certificates previously representing such shares of Common Stock are physically surrendered to the Corporation in exchange for Certificates representing such new number of shares of Common Stock. Each certificate outstanding immediately prior to the Effective Time representing shares of Common Stock shall, until surrendered to the Corporation in exchange for a certificate representing such new number of shares of Common Stock as determined in paragraph (1), automatically represent from and after the Effective Time that number of shares of Common Stock equal to the number of shares shown on the face of the certificate multiplied by the Stock Split Factor.

(4) The Corporation shall not close its books against the transfer of the Common Stock issued or issuable upon conversion pursuant to paragraph (1) above in any manner which interferes with the timely conversion of the Common Stock. All shares of Common Stock which

are so issuable shall, when issued, be duly authorized and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Common Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion pursuant to paragraph (1) above.

FIFTH: Bylaws; Accounts and Books. In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized:

(1) to adopt, amend, repeal or change the Bylaws; provided, however, that the Bylaws or any provision therein may also be adopted, amended, repealed or changed by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 $^{2}/_{3}$%) of the voting power of the then outstanding Voting Stock (as defined below), voting together as a single class; and

(2) from time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts, books and documents of the Corporation, or any of them, shall be open to inspection of stockholders; and, except as so determined, or as expressly provided in this Certificate of Incorporation as then in effect or in any Preferred Stock Designation, no stockholder shall have any right to inspect any account, book or document of the Corporation other than such rights as may be conferred by applicable law.

For purposes of this Restated Certificate of Incorporation, "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

SIXTH: (A) Meetings of Stockholders. Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board or in the Bylaws.

(B) Special Meetings of Stockholders. Subject to any rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, special meetings of stockholders of the Corporation may be called only by the Board or the chief executive officer of the Corporation for any purpose and by the secretary of the Corporation if directed by the Board. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the Corporation's notice of meeting.

(C) No Stockholder Action by Written Consent. Subject to any rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances or to consent to specific actions taken by the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected only at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing in lieu of a meeting of such stockholders.

SEVENTH: Limited Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this Article Seventh by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

EIGHTH: Indemnification.

(A) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including involvement as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in paragraph (B) of this Article Eighth with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this paragraph (A) of this Article Eighth shall be a contract right and shall include the obligation of the Corporation to pay the expenses incurred in defending any such Proceeding in advance of its final disposition (an "Advance of Expenses"); provided, however, that an Advance of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a “Final Adjudication”) that such Indemnitee is not entitled to be indemnified for such expenses under this paragraph (A) of this Article Eighth or otherwise. The Corporation may, by action of the Board, provide indemnification to employees and agents of the Corporation with the same or lesser scope and effect as the foregoing indemnification of directors and officers.

(B) Procedure for Indemnification. Any indemnification of a director or officer of the Corporation or Advance of Expenses under paragraph (A) of this Article Eighth shall be made promptly, and in any event within forty-five days (or, in the case of an Advance of Expenses, twenty days, provided that the director or officer has delivered the Undertaking contemplated by paragraph (A) of this Article Eighth), upon the written request of the director or officer. If a determination by the Corporation that the director or officer is entitled to indemnification pursuant to this Article Eighth is required, and the Corporation fails to respond within sixty days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or Advance of Expenses, in whole or in part, or if payment in full pursuant to such request is not made within forty-five days (or, in the case of an Advance of Expenses, twenty days, provided that the director or officer has delivered the Undertaking contemplated by paragraph (A) of this Article Eighth), the right to indemnification or advances as granted by this Article Eighth shall be enforceable by the director or officer in any court of competent jurisdiction. Such person’s costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the Advance of Expenses where the Undertaking required pursuant to paragraph (A) of this Article Eighth, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. The procedure for indemnification of other employees and agents for whom indemnification is provided pursuant to paragraph (A) of this Article Eighth shall be the same procedure set forth in this paragraph (B) for directors or officers, unless otherwise set forth in the action of the Board providing indemnification for such employee or agent.

(C) Insurance. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee or agent of the Corporation or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the DGCL.

(D) Service for Subsidiaries. Any person serving as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture or other enterprise, at least 50% of whose equity interests are owned by the Corporation (a “Subsidiary” for this Article Eighth) shall be conclusively presumed to be serving in such capacity at the request of the Corporation.

(E) Reliance. Persons who after the date of the adoption of this provision become or remain directors or officers of the Corporation or who, while a director or officer of the Corporation, become or remain a director, officer, employee or agent of a Subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, Advance of Expenses and other rights contained in this Article Eighth in entering into or continuing such service. The rights to indemnification and to the Advance of Expenses conferred in this Article Eighth shall apply to claims made against an Indemnitee arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof.

(F) Non-Exclusivity of Rights. The rights to indemnification and to the Advance of Expenses conferred in this Article Eighth shall not be exclusive of and shall not limit any other right which any person may have or hereafter acquire under this Certificate of Incorporation as then in effect or under any statute, by-law, agreement, instrument, vote of stockholders or disinterested directors or otherwise.

(G) Merger or Consolidation. For purposes of this Article Eighth, references to the “Corporation” shall include, in addition to the resulting Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article Eighth with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent Corporation if its separate existence had continued.

(H) Savings Clause. If this Article Eighth or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under paragraph (A) of this Article Eighth as to all expense, liability and loss (including attorneys’ fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article Eighth to the full extent permitted by any applicable portion of this Article Eighth that shall not have been invalidated and to the full extent permitted by applicable law.

NINTH: Board of Directors. (A) The business and affairs of the Corporation shall be managed by or under the direction of the Board which shall consist of not less than three directors, the exact number of directors to be determined from time to time by resolution adopted by an affirmative vote of a majority of the Board. The directors shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board. Class I directors shall be originally elected for a term expiring at the first annual meeting of stockholders occurring after the Effective Time, Class II directors shall be originally elected for a term expiring at the second succeeding annual meeting of stockholders, and Class III directors shall be originally elected for a term expiring at the third succeeding annual meeting of stockholders. At each such succeeding annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected by a plurality vote of all votes cast at such meeting, to hold office for a term expiring at the third succeeding annual meeting. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any newly created directorship on the Board that results from an increase in the number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification or removal from office or any other cause shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director so elected to fill a vacancy in the Board resulting from death, resignation, disqualification or removal from office or any other cause shall have the same remaining term as that of his predecessor. Directors may be removed only for cause, and either by majority of the entire Board or the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 ²/3%) of the voting power of the outstanding Voting Stock, voting together as a single class.

(B) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation as then in effect (including any Preferred Stock Designation) applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article Ninth unless expressly provided by such terms.

(C) Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

TENTH: Amendment. Notwithstanding any provisions of this Restated Certificate of Incorporation to the contrary, Section (1) of Article Fifth, Sections (B) and (C) of Article Sixth, Article Seventh, Article Eighth, Article Ninth and this Article Tenth shall not be amended or repealed and no provision inconsistent therewith or herewith shall be adopted without the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 ²/3%) of the voting power of the then outstanding Voting Stock, voting together as a single class.

ELEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this reservation.

4. Each of Article FIFTH, Article SIXTH (C), Article NINTH, and Article TENTH of this Restated Certificate of Incorporation shall become effective and operative at the Time of Closing. As used herein, the term "Time of Closing" shall mean the time as of which the underwriters for the Corporation's initial public offering of the Corporation's Common Stock pursuant to the Corporation's Registration Statement on Form S-1 (Registration No. 333-137524) filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, shall have paid for all of the shares of Common Stock that they are obligated to purchase pursuant to the related underwriting agreement, excluding any shares that they underwriters may have an option to purchase pursuant to the over-allotment option.

5. This amendment and restatement of the Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL and by a majority of the Corporation's stockholders in accordance with Section 228 of the DGCL.

* * *

IN WITNESS WHEREOF, said Carrols Restaurant Group, Inc. has caused this Certificate to be signed by Joseph Zirkman, its Vice President this __ day of ______, 2006.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________

Joseph Zirkman
Vice President

Exhibit 3.2

FORM OF

AMENDED AND RESTATED BYLAWS

OF

CARROLS RESTAURANT GROUP, INC.

(Adopted ______, 2006)

ARTICLE I.

STOCKHOLDERS

Section 1. *Annual Meeting*. The annual meeting of the stockholders of Carrols Restaurant Group, Inc. (the "Corporation") for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held on such date, and at such time and place within or without the State of Delaware, as may be designated from time to time by the Board of Directors (the "Board") of the Corporation.

Section 2. *Special Meetings*. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Board or the Chief Executive Officer of the Corporation for any purpose and by the Secretary of the Corporation if directed by the Board. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the Corporation's notice of meeting.

Section 3. *Notice of Meetings*. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation as then in effect (the "Certificate of Incorporation") or these Bylaws, notice of the time, place and, in the case of a special meeting, the purpose or purposes of the meeting of stockholders shall not be given more than sixty, nor less than ten days before the date of such meeting, to each stockholder of record entitled to vote at the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage pre-paid, directed to the stockholder at such address as appears on the records of the Corporation.

Section 4. *Vote Required; Adjournment*. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of all business including, without limitation, (i) a vote for any director in a contested election, (ii) the removal of a director or (iii) the filling of a vacancy on the Board. If at any regularly called meeting of stockholders there be less than a quorum present, the stockholders present may adjourn the meeting from time to time without further notice other than announcement at the meeting until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At any meeting of stockholders, whether or not a quorum shall be present or represented by proxy, the Chairman of the Board or the chairperson of such meeting shall have the power to adjourn such meeting from time to time, to reconvene such meeting at the same or some other place, notice need not be given of such reconvened meeting if the time and place of the reconvened meeting are announced at the meeting that has been adjourned. At the reconvened meeting, any business may be transacted that might have been transacted at the meeting that has been adjourned. Notwithstanding the foregoing, if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of the adjournment shall be given, in accordance with the requirements of Section 3 of this Article I, to each stockholder of record entitled to notice of and to vote at the reconvened meeting.

Section 5. *Organization*. The Chairman of the Board, or in the Chairman's absence or at the Chairman's direction, any officer of the Corporation shall call all meetings of the stockholders to order and shall act as chairman of such meeting. The Secretary of the Corporation or, in such officer's absence, an Assistant Secretary shall act as secretary of the meeting. If neither the Secretary nor an Assistant Secretary is present, the chairman of the meeting shall appoint a secretary of the meeting. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the person presiding over any meeting of stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. *Proxies*. At all meetings of stockholders, any stockholder entitled to vote thereat shall be entitled to vote in person or by proxy, but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy pursuant to the General Corporation Law of the State of Delaware (the "DGCL"), the following shall constitute a valid means by which a stockholder may grant such authority: (1) a stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy, and execution of the writing may be accomplished by the stockholder or the stockholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; or (2) a stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors, or if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the preceding paragraph of this Section 6 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Proxies shall be filed with the Secretary of the meeting prior to or at the commencement of the meeting to which they relate.

A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. Any proxy is suspended when the person executing the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person executing the proxy. At each meeting of the stockholders, and before any voting commences, all proxies filed at or before the meeting shall be submitted to and examined by the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

Section 7. *Quorum; Voting Rights*. When a quorum is present at any meeting, the vote of the holders of a majority in voting power of the stock present in person or represented by proxy and entitled to vote on the matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Certificate of Incorporation, these Bylaws or the rules or regulations of any stock exchange applicable to the Corporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Except as provided for by the DGCL or by the Certificate of Incorporation, and subject to these Bylaws, every stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of Corporation's Common Stock, par value $.01 per share (the "Common Stock") held by such stockholder.

Section 8. *Fixing Date of Determination of Stockholders of Record*. In order that the Corporation may determine the stockholders (a) entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or (b) entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date (i) in the case of clause (a) above, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting and (ii) in the case of clause (b) above, shall not be more than sixty days prior to such action. If for any reason the Board shall not have fixed a record date for any such purpose, the record date for such purpose shall be determined as provided by law. A determination of the stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 9. *Listed Stockholders Entitled to Vote*. The officer who has charge of the stock ledger of the Corporation shall prepare and make at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, as required by applicable law. The list shall also be produced at the time and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 10. *Inspector of Elections*. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 11. *Stockholder Nominations for the Board; Stockholder Proposals*.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto) delivered pursuant to Article 1, Section 3 of these Bylaws, (b) by or at the direction of the Board or (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who has complied with the notice procedures set forth in subparagraphs (2) and (3) of this paragraph (A) of this Section and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and, in the case of business other than nominations, such other business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not more than one hundred twenty days, nor less than ninety days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty days, or delayed by more than seventy days, from such anniversary date, notice by the stockholder to be timely must be so delivered (a) not more than the one hundred twentieth day prior to such annual meeting and (b) not less than (i) the close of business on the later of the ninetieth day prior to such annual meeting or (ii) the tenth day following the day on which public

announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and that such shares have been held for the period required by any applicable law, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting in the case of a meeting called by the Chief Executive Officer of the Corporation or the Board or by the Secretary of the Corporation if directed by the Board pursuant to a resolution approved by the Board, pursuant to the Corporation's notice of meeting pursuant to Article I, Section 3 of these Bylaws, and such other purposes as shall be directed by the Board, in each case as set forth in the Corporation's notice of meeting pursuant to Article I, Section 3 of these Bylaws. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in these Bylaws and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board may be made at such a special meeting of stockholders if the stockholder's notice as required by paragraph (A)(2) of this Section shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

(C) General. (1) Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as directors elected by the Corporation's stockholders and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of these Bylaws, if the nominating or proposing stockholder (or a qualified representative of the nominating or proposing stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(2) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission (the "SEC") pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) For purposes of these Bylaws, no adjournment nor notice of adjournment of any meeting shall be deemed to constitute a new notice of such meeting for purposes of this Section 11, and in order for any notification required to be delivered by a stockholder pursuant to this Section 11 to be timely, such notification must be delivered within the periods set forth above with respect to the originally scheduled meeting.

(4) Notwithstanding the foregoing provisions of these Bylaws, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these Bylaws. Nothing in these Bylaws shall be deemed to affect any rights of (a) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation (including any certificate of designations relating to such series).

ARTICLE II.

BOARD OF DIRECTORS

Section 1. *Number*. The Board shall consist of such number of directors, which shall not be less than three, as shall from time to time be fixed exclusively by resolution of the Board. The directors shall be divided into three classes in the manner set forth in the Certificate of Incorporation, each class to be elected for the term set forth therein. Directors shall be elected by stockholders by a plurality of the votes cast by holders of shares present in person or represented by proxy and entitled to vote thereon. A majority of the total number of directors then in office (but not less than one-third of the number of directors constituting the entire Board) shall constitute a quorum for the transaction of business and, except as otherwise provided by law or by the Certificate of Incorporation, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board. Directors need not be stockholders.

Section 2. *Vacancy; Removal*. Subject to the rights of holders of the Preferred Stock, newly created directorships in the Board that result from (a) an increase in the number of directors or (b) death, resignation, retirement, disqualification or removal (whether or not for cause) shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; and the directors so chosen shall hold office for a term as set forth in the Certificate of Incorporation. Directors may be removed only for cause, and only by a majority of the directors then in office, although less than a quorum or by the affirmative vote of holders of no less than sixty-six and two-thirds percent (66 ²/3%) of all outstanding shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 3. *Regular Meetings; Special Meetings*. Meetings of the Board shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the Board or as may be specified in the notice of any meeting. Regular meetings of the Board shall be held at such times as may from time to time be fixed by resolution of the Board and special meetings may be held at any time upon the call of the Chairman of the Board, the Chief Executive Officer or a majority of the directors, by oral, or written notice including, telegram, cablegram, telecopy or other means of electronic transmission, duly served on or sent or mailed to each director at such director's address or telecopy number as shown on the books of the Corporation not less than twenty-four hours before the special meeting. The notice of any meeting need not specify the purposes thereof. A meeting of the Board may be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board held at times fixed by resolution of the Board. Notice of any meeting need not be given to any director who shall attend such meeting in person (except when the director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened), or who shall waive notice thereof, before or after such meeting, in writing or by electronic transmission. At all meetings of the Board, a majority of the whole Board shall constitute a quorum for the transaction of such business unless the Certificate of Incorporation or these Bylaws provide otherwise, for the vote of a majority of the directors present at any meeting of the Board at which a quorum is present shall be the actions of the Board.

Section 4. *Term*. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect one or more directors (separate and apart from any directors to be elected by the holders of Common Stock), the election, term of office, removal, and other features of such directorships shall be governed by the terms of the Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to Article Ninth of the Certificate of Incorporation unless expressly provided by such terms. The number of directors that may be elected by the holders of any such series of Preferred Stock shall be in addition to the number fixed by or pursuant to these Bylaws. Except as otherwise expressly provided in the terms of such series, the number of directors that may be so elected by the holders of any such series of Preferred Stock shall be elected for terms expiring at the next annual meeting of stockholders and without regard to the classification of the members of the Board as set forth in Section 1 hereof and vacancies among directors so elected by the separate vote of the holders of any such series of Preferred Stock shall be filled by the affirmative vote of a majority of the remaining directors elected by such series, or, if there are no such remaining directors, by the holders of such series in the same manner in which such series initially elected a director.

Section 5. *Quorum*. If at any meeting for the election of directors the Corporation has outstanding more than one class of stock, and one or more such classes or series thereof are entitled to vote separately as a class, and there shall be a quorum of only one such class or series of stock, that class or series of stock shall be entitled to elect its quota of directors notwithstanding the absence of a quorum of the other class or series of stock.

Section 6. *Executive Committee*. The Board may designate as many directors as it desires to constitute an executive committee, one of whom shall be designated Chairman of such committee. The members of such committee shall hold such office until the next election of the Board and until their successors are elected and qualify. Any vacancy occurring in the committee shall be filled by the Board. Regular meetings of the committee shall be held at such times and on such notice and at such places as it may from time to time determine. The committee shall act, advise with and aid the officers of the Corporation in all matters concerning the management of its business, and shall generally perform such duties and exercise such powers as may from time to time be delegated to it by the Board, and shall have authority to exercise all the powers of the Board, so far as may be permitted by law, in the management of the business and the affairs of the Corporation whenever the Board is not in session. The committee shall have the power to authorize the seal of the Corporation to be affixed to all papers which are required by the DGCL to have the seal affixed thereto. The fact that the executive committee has acted shall be conclusive evidence that the Board was not in session at such time.

The executive committee shall keep regular minutes of its transactions and shall cause them to be recorded in a book kept in the office of the Corporation designated for that purpose, and shall report the same to the Board at its regular meeting. The committee shall make and adopt its own rules for the governance thereof and shall elect its own officers and in the absence of such rules, each committee shall conduct its business pursuant to Article II of these Bylaws.

Section 7. *Committees*. The Board may from time to time establish such other committees to serve at the pleasure of the Board which shall be comprised of such members of the Board and have such duties as the Board shall from time to time establish. Any director may belong to any number of committees of the Board.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Provision shall be made for notice to members of all meetings; a majority of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present at any meeting at which there is a quorum. Except to the extent restricted by applicable law or the Certificate of Incorporation, each committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board.

Section 8. *Action by Written Consent*. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee, as the case may be in accordance with applicable law.

Section 9. *Telephonic Meeting*s. The members of the Board or any committee thereof may participate in a meeting of such Board or committee, as the case may be, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such a meeting.

Section 10. *Compensation*. The Board shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

Section 11. *Reliance upon Records*. Every director, and every member of any committee of the Board, shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board, or by any other person as to matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, including, but not limited to, such records, information, opinions, reports or statements as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid, or with which the Corporation's capital stock might properly be purchased or redeemed.

Section 12. *Interested Directors*. A director who is directly or indirectly a party to a contract or transaction with the Corporation, or is a director or officer of or has a financial interest in any other corporation, partnership, association or other organization which is a party to a contract or transaction with the Corporation, may be counted in determining whether a quorum is present at any meeting of the Board or a committee thereof at which such contract or transaction is considered or authorized, and such director may participate in such meeting and vote on such authorization to the extent permitted by applicable law, including, without limitation, Section 144 of the DGCL.

ARTICLE III.

OFFICERS

Section 1. *Executive Officers*. The Board shall elect officers of the Corporation, including a Chief Executive Officer, a Chief Financial Officer and a Secretary and may, if it so determines, a Chairman of the Board from amongst its members. The Board may also from time to time elect such other officers (including, without limitation, a President, one or more Vice Presidents, a Treasurer, one or more Assistant Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers) as it may deem proper or may delegate to any elected officer of the Corporation the power to appoint and remove any such other officers and to prescribe their respective terms of office, authorities and duties. Any Vice President may be designated Executive, Senior or Corporate, or may be given such other designation or combination of designations as the Board may determine. Any two or more offices may be held by the same person.

Section 2. *Term; Removal; Resignation; Vacancy*. All officers of the Corporation elected by the Board shall hold office for such term as may be determined by the Board or until their respective successors are chosen and qualified. Any officer may be removed from office at any time either with or without cause by the affirmative vote of a majority of the members of the Board then in office, and, in the case of appointed officers, by any elected officer upon whom such power of removal shall have been conferred by the Board. Any officer may resign at any time by giving written notice to the Chairman of the Board, if any, the Chief Executive Officer, the President or the Secretary. Unless otherwise stated in a notice of resignation, it shall take effect when received by the officer to whom it is directed, without any need for its acceptance. A vacancy occurring in any office of the Corporation may be filled for the unexpired portion of the term thereof by the Board at any regular or special meeting.

Section 3. *Powers and Duties*.

(A) Chairman of the Board. The Chairman of the Board of the Corporation shall preside at all meetings of the stockholders and of the Board and shall have such other powers and perform such other duties as may be prescribed to him or her by the Board or provided in these Bylaws.

(B) Chief Executive Officer. The Chief Executive Officer of the Corporation shall have the powers and perform the duties incident to that position. Subject to the powers of the Board and the Chairman of the Board, the Chief Executive Officer shall be in the general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The Chief Executive Officer shall have such other powers and perform such other duties as may be prescribed by the Board or provided in these Bylaws. The Chief Executive Officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Corporation. Whenever the President is unable to serve, by reason of sickness, absence or otherwise, the Chief Executive Officer shall perform all the duties and responsibilities and exercise all the powers of the president.

(C) The President. The President of the Corporation shall, subject to the powers of the Board, the Chairman of the Board and the Chief Executive Officer, have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees. The President shall see that all orders and resolutions of the Board are carried into effect. The President is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Corporation. The President shall have such other powers and perform such other duties as may be prescribed by the Chairman of the Board, the Chief Executive Officer, the Board or as may be provided in these Bylaws.

(D)Vice-Presidents. The Vice-President of the Corporation, or if there shall be more than one, the Vice-Presidents of the Corporation, in the order determined by the Board or the Chairman of the Board, shall, in the absence or disability of the President, act with all of the powers and be subject to all the restrictions of the President. The Vice-Presidents shall also perform such other duties and have such other powers as the Board, the Chairman of the Board, the Chief Executive Officer, the President or these Bylaws may, from time to time, prescribe. The Vice-Presidents may also be designated as Executive Vice-Presidents, Senior Vice-Presidents or Corporate Vice-Presidents, as the Board may from time to time prescribe.

(E) The Secretary and Assistant Secretaries. The Secretary of the Corporation shall attend all meetings of the Board (other than executive sessions thereof) and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the Chairman of the Board's supervision, the Secretary shall give, or cause to be given, all notices required to be given by these Bylaws or by law; shall have such powers and perform such duties as the Board, the Chairman of the Board, the Chief Executive Officer, the President or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The Secretary, or an Assistant Secretary, shall have authority to affix the corporate seal or a facsimile thereof to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal or a facsimile thereof of the Corporation and to attest the affixing by his or her signature. The Assistant Secretary, or if there be more than one, any of the Assistant Secretaries, shall in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board, the Chairman of the Board, the Chief Executive Officer, the President, or Secretary may, from time to time, prescribe.

(F) The Chief Financial Officer. The Chief Financial Officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the Chairman of the Board, the Chief Executive Officer, the President or the Board; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board, at its regular meeting or when the Board so requires, an account of the Corporation; shall have such powers and perform such duties as the Board, the Chairman of the Board, the Chief Executive Officer, the President or these Bylaws may, from time to time, prescribe.

(G) Treasurer and Assistant Treasurers. The Treasurer of the Corporation shall in general have all duties incident to the position of Treasurer of the Corporation and such other powers and duties as the Board, the Chairman of the Board, the Chief Executive Officer, the President or these Bylaws may, from time to time, prescribe. The Assistant Treasurer, or if there be more than one, any of the Assistant Treasurers, shall in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board, the Chairman of the Board, the Chief Executive Officer, the President or the Treasurer may, from time to time, prescribe.

(H) Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board.

Section 4. *Delegation of Duties*. Unless otherwise provided in these Bylaws, in the absence or disability of any officer of the Corporation, the Board may, during such period, delegate such officer’s powers and duties to any other officer or to any director and the person to whom such powers and duties are delegated shall, for the time being, hold such office.

Section 5. *Compensation*. Compensation of all executive officers shall be approved by the Board, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the Corporation; provided however, that compensation of some or all executive officers may be determined by a committee established for that purpose if so authorized by the Board or as required by applicable law or regulation, including any exchange or market upon which the Corporation’s securities are then listed for trading or quotation.

ARTICLE IV

CERTIFICATES OF STOCK

Section 1. *Certificates*. The shares of stock of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman of the Board, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, or as otherwise permitted by law, representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile.

Section 2. *Transfers of Stock*. Transfers of stock shall be made on the books of the Corporation by the holder of the shares in person or by such holder's attorney upon surrender and cancellation of certificates for a like number of shares, or as otherwise provided by law with respect to uncertificated shares.

Section 3. *Lost, Stolen or Destroyed Certificates; Issuance of New Certificates; Stockholders of Record*. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. The Corporation shall be entitled to treat the holder of record of any stock of the Corporation as the holder thereof and shall not be bound to recognize any equitable or other claim to or interest in such stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by the laws of the State of Delaware.

ARTICLE V.

CORPORATE BOOKS

The books and records of the Corporation may be kept outside of the State of Delaware at such place or places as the Board may from time to time determine.

ARTICLE VI.

CHECKS, NOTES, PROXIES, ETC.

All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers or agent or agents as shall be hereunto authorized from time to time by the Board. Proxies to vote and consents with respect to securities of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman of the Board or the Chief Executive Officer, or by any such officers as the Board may from time to time determine.

ARTICLE VII.

FISCAL YEAR

The fiscal year of the Corporation shall be fixed by the Board.

ARTICLE XIII.

CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the Corporation. In lieu of the corporate seal, a facsimile thereof may be impressed or affixed or reproduced.

ARTICLE IX.

DIVIDENDS

Subject to the provisions of law and the provisions of the Certificate of Incorporation or any resolution or resolutions adopted by the Board, the Board may, out of funds legally available therefor, declare dividends upon the capital stock of the Corporation as and when it deems expedient. Before declaring any dividend there may be set apart out of any funds of the Corporation legally available for dividends, such sum or sums as the Board from time to time in its discretion deems proper for working capital or future capital needs or as a reserve fund to meet contingencies or for such other purposes as the Board shall deem appropriate or in the interests of the Corporation.

ARTICLE XI.

FACSIMILE OR OTHER SIGNATURES

In addition to the provisions for use of facsimile or other electronically transmitted signatures elsewhere specifically authorized in these Bylaws, facsimile or other electronically transmitted signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board or a committee thereof.

ARTICLE XII.

AMENDMENTS

The Board shall be authorized to make, amend, alter, change, add to or repeal these Bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware, subject to the power of the stockholders entitled to vote to amend, alter, change, add to or repeal these Bylaws. Notwithstanding anything contained in these Bylaws to the contrary, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 $^2/_3$%) in voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required in order for the stockholders to amend, alter, change, add to or repeal these Bylaws.

ARTICLE XIII

EFFECTIVENESS

Each of Article II, Section 1, Article II, Section 2 and Article XII of these Bylaws shall become effective and operative at the Time of Closing. As used herein, the term "Time of Closing" shall mean the time as of which the underwriters for the Corporation's initial public offering of the Corporation's Common Stock pursuant to the Corporation's Registration Statement on Form S-1 (Registration No. 333-137524) filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, shall have paid for all of the shares of Common Stock that they are obligated to purchase pursuant to the related underwriting agreement, excluding any shares that they underwriters may have an option to purchase pursuant to the over-allotment option.

Exhibit 5.1

[Katten Letterhead]

November 22, 2006

Carrols Restaurant Group, Inc.
968 James Street
Syracuse, New York 13203

Re: Carrols Restaurant Group, Inc.
Registration on Form S-1

Ladies and Gentlemen:

We have acted as counsel to Carrols Restaurant Group, Inc., a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-1 (File No. 333-137524) filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), with respect to the initial public offering by the Company of up to 5,666,666 shares (the "Company Shares") and by certain stockholders of the Company (the "Selling Stockholders") of up to 11,583,334 shares (including 2,250,000 shares subject to an over-allotment option) (the "Secondary Shares" and along with the Company Shares, the "Shares") of the Company's Common Stock, par value $0.01 per share.

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with this opinion, we have relied as to matters of fact, without investigation, upon certificates of public officials and others and upon affidavits, certificates and written statements of directors, officers and employees of, and the accountants for, the Company. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, documents and records as we have deemed relevant and necessary to examine for the purpose of this opinion.

In connection with this opinion, we have assumed the legal capacity of all natural persons, the accuracy and completeness of all documents and records that we have reviewed, the genuineness of all signatures, the due authority of the parties signing such documents, the authenticity of the documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed or reproduced copies. In making our examination of documents executed or to be executed by parties other than the Company, we have assumed that such parties had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect thereof.

Based upon and subject to the foregoing, it is our opinion that when (i) the Registration Statement becomes effective under the Act; (ii) the underwriting agreement (the "Underwriting Agreement") among the Company, the Selling Stockholders, Wachovia Capital Markets LLC and Banc of America Securities LLC, as representatives of the underwriters named therein, has been duly executed and delivered; and (iii) the Shares have been issued, sold and paid for in the manner described in the Registration Statement and in the Underwriting Agreement:

(1) the issuance and sale of the Company Shares will have been duly authorized, and the Company Shares will be validly issued, fully paid and nonassessable; and

(2) the Secondary Shares have been duly authorized and validly issued and are fully paid and nonassessable.

This opinion is given as of the date hereof and we assume no obligation to advise you of changes that may hereafter be brought to our attention.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Katten Muchin Rosenman LLP
KATTEN MUCHIN ROSENMAN LLP

Exhibit 10.27

CARROLS RESTAURANT GROUP, INC.

2006 STOCK INCENTIVE PLAN

CARROLS RESTAURANT GROUP, INC.
2006 STOCK INCENTIVE PLAN

1. ESTABLISHMENT AND PURPOSE.

The Carrols Restaurant Group, Inc. 2006 Stock Incentive Plan (the "Plan") is established by Carrols Restaurant Group, Inc., a Delaware corporation (the "Company"), to attract and retain persons eligible to participate in the Plan; motivate Participants to achieve long-term Company goals; and further align Participants' interests with those of the Company's other stockholders. The Plan is adopted as of November 21, 2006, subject to approval by the Company's stockholders within 12 months after such adoption date. No Awards shall be granted hereunder prior to the approval of the Plan by the Company's stockholders. No Award shall be granted hereunder on or after the date 10 years after the Effective Date or such earlier date as of which the Plan is discontinued by the Board as provided herein. The Plan shall terminate on November 21, 2016 or such earlier time as the Board may determine.

Certain terms used herein are defined as set forth in **Section 12**.

2. ADMINISTRATION; ELIGIBILITY.

The Plan shall be administered by the Compensation Committee of the Board, or such other Committee, appointed by the Board consisting of three (3) or more members of the Board all of whom are intended to be "non-employee directors" within the meaning of Section 16 of the Exchange Act and the regulations promulgated thereunder and "outside directors" within the contemplation of Section 162(m) of the Code; provided, however, that, if at any time no Compensation Committee or other Committee has been appointed or is eligible to act in the circumstances, the Plan shall be administered by the Board. As used herein, the term "Administrator" means the Board, the Compensation Committee or any of the Board's other Committees as shall be administering the Plan or any individual delegated authority to act as the Administrator in accordance with this **Section 2**.

The Administrator shall have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Participation shall be limited to such persons as are selected by the Administrator. Subject to Section 409A of the Code, Awards may be granted as alternatives to, in exchange or substitution for, or replacement of, awards outstanding under the Plan or any other plan or arrangement of the Company or a Subsidiary (including, subject to the requirements under the Plan, a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary). The provisions of Awards need not be the same with respect to each Participant.

Among other things, the Administrator shall have the authority, subject to the terms of the Plan:

(a) to select the Eligible Individuals to whom Awards may from time to time be granted, provided that Outside Directors of the Company shall receive Outside Director Awards pursuant to **Sections 8 and 9**;

(b) to determine whether and to what extent Stock Options, Stock Appreciation Rights, Stock Awards or any combination thereof are to be granted hereunder;

(c) except in the case of Outside Director Awards, which shall be granted pursuant to **Sections 8 and 9**, to determine the number of shares of Stock to be covered by each Award granted hereunder;

(d) to approve forms of agreement for use under the Plan;

(e) except in the case of Outside Director Awards, which shall be granted pursuant to **Sections 8 and 9**, to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder (including, but not limited to, the option price, any vesting restriction or limitation, any vesting acceleration or waiver of forfeiture, and any right of repurchase, right of first refusal or other transfer restriction regarding any Award and the shares of Stock relating thereto, based on such factors or criteria as the Administrator shall determine);

(f) subject to **Section 10(a)**, to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time, including, but not limited to, with respect to (i) performance goals and targets applicable to performance based Awards pursuant to the terms of the Plan and (ii) extension of the post-termination exercisability period of Stock Options;

(g) to determine the Fair Market Value; and

(h) to determine the type and amount of consideration to be received by the Company for any Stock Award issued under **Section 6**.

The Administrator shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

In order to assure the viability of Awards granted to Participants employed in foreign countries who are not subject to U.S. tax law, the Administrator may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Administrator may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in **Section 3** of the Plan.

Except to the extent prohibited by applicable law, the Administrator may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any other person or persons selected by it. Any such allocation or delegation may be revoked by the Administrator at any time. The Administrator may authorize any one or more of their members or any officer of the Company to execute and deliver documents on behalf of the Administrator.

Any determination made by the Administrator or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Administrator or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Administrator or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Participants.

No member of the Administrator, and no officer of the Company, shall be liable for any action taken or omitted to be taken by such individual or by any other member of the Administrator or officer of the Company in connection with the performance of duties under this Plan, except for such individual's own willful misconduct or as expressly provided by law.

3. STOCK SUBJECT TO PLAN.

Subject to adjustment as provided in this **Section 3**, the aggregate number of shares of Stock which may be delivered under the Plan shall not exceed 3,300,000 shares.

To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary thereof because the Award expires, is forfeited, lapses without exercise, canceled or otherwise terminated, any shares of Restricted Stock (as defined in **Section 9**) are forfeited, or shares of Stock are not delivered because the Award is settled in cash or are used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan with respect to, and shall be available for, future grants of Awards.

Subject to adjustment as provided in this **Section 3**, the maximum number of shares that may be covered by Stock Options, Stock Appreciation Rights, Stock Awards, in the aggregate, granted to any one Participant during any calendar year shall be 275,000 shares.

In the event of any Company stock dividend, special cash dividend, stock split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, corporate separation or division of the Company (including, but not limited to, a split-up, spin-off, split-off or other distribution to Company stockholders, other than a normal cash dividend), sale by the Company of all or a substantial portion of its assets (measured on either a stand-alone or consolidated basis), reorganization, rights offering, partial or complete liquidation, merger or consolidation in which the Company is the surviving corporation, or any other corporate transaction, Company share offering or other event involving the Company and having an effect similar to any of the foregoing, the Administrator may make such substitution or adjustments in the (a) number and kind of shares that may be delivered under the Plan, (b) additional maximums imposed in the immediately preceding paragraph, (c) number and kind of shares subject to outstanding Awards, (d) exercise price of outstanding Stock Options, Outside Director Stock Options, and Stock Appreciation Rights and (e) other characteristics or terms of the Awards as it may determine appropriate in its sole discretion to equitably reflect such corporate transaction, share offering or other event; provided, however, that the number of shares subject to any Award shall always be a whole number and any fractional share resulting from an adjustment or substitution provided for hereunder shall be rounded up to the nearest whole share.

In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided herein and/or in the discretion of the Administrator, each Stock Option and Outside Director Stock Option, to the extent not theretofore exercised, shall terminate forthwith.

Notwithstanding the foregoing, no adjustment shall be made pursuant to this **Section 3** to the extent that such adjustment would violate Section 409A of the Code.

4. STOCK OPTIONS.

Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Non-Qualified Stock Options. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

The Administrator shall have the authority to grant any Participant Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options. Incentive Stock Options may be granted only to associates of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). To the extent that any Stock Option is not designated as an Incentive Stock Option or, even if so designated, does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option. Incentive Stock Options may be granted only within 10 years from the date the Plan is adopted, or the date the Plan is approved by the Company's stockholders, whichever is earlier.

Stock Options shall be evidenced by option agreements, each in a form approved by the Administrator. An option agreement shall indicate on its face whether it is intended to be an agreement for an Incentive Stock Option or a Non-Qualified Stock Option. The grant of a Stock Option shall occur as of the date the Administrator determines, subject to FASB Statement 123(R) and guidance thereunder.

Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Optionee affected, to disqualify any Incentive Stock Option under Section 422 of the Code.

To the extent that the aggregate Fair Market Value of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company and its subsidiaries within the meaning of Section 424(f) of the Code) exceeds $100,000, such Stock Options shall be treated as Non-Qualified Stock Options.

Stock Options granted under this **Section 4** shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Administrator shall deem desirable:

(a) *Exercise Price*. The exercise price per share of Stock purchasable under a Stock Option shall be determined by the Administrator at the time of grant and set forth in the applicable option agreement; provided, however, that the exercise price per share shall be not less than the Fair Market Value per share on the date the Stock Option is granted, or in the case of an Incentive Stock Option granted to an individual who is a Ten Percent Holder, not less than 110% of such Fair Market Value per share on the date the Stock Option is granted.

(b) *Option Term*. The term of a Stock Option shall be determined by the Administrator at the time of grant and set forth in the applicable option agreement, provided, however, that no Stock Option shall be exercisable more than 10 years after the date that the Stock Option is granted (or more than five years after the date that the Stock Option is granted in the case of an Incentive Stock Option granted to an individual who is a Ten Percent Holder).

(c) *Vesting.* A Stock Option shall become vested and nonforfeitable as determined by the Administrator at the time of grant and set forth in the applicable option agreement, provided that no Stock Option shall become vested earlier than the first anniversary of the date of grant of such Stock Option or later than the seventh anniversary of the date of grant of such Stock Option; and provided, further, that the Participant shall have continuously remained in the active employment of the Company or an Affiliate until the applicable vesting date.

(d) *Exercisability*. Stock Options shall be exercisable to the extent vested; provided that the exercise of a Stock Option shall be subject to such additional terms and conditions, performance requirements, restrictions, forfeiture provisions, contingencies and limitations, if any, as shall be determined by the Administrator and listed in the applicable option agreement. If any Stock Option is exercisable only in installments, the Administrator may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Administrator may determine. In addition, the Administrator may at any time, in whole or in part, accelerate the exercisability of any Stock Option.

(e) *Method of Exercise*. Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

The option price of any Stock Option shall be paid in full in cash (by certified or bank check or such other instrument as the Company may accept) or, unless otherwise provided in the applicable option agreement, by one or more of the following: (i) in the form of shares of unrestricted and vested Stock already owned by the Optionee, based on the Fair Market Value of the Stock on the date the Stock Option is exercised; (ii) by certifying ownership of shares of Stock owned by the Optionee to the satisfaction of the Administrator for later delivery to the Company as specified by the Company; (iii) unless otherwise prohibited by law for either the Company or the Optionee, by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise; or (iv) by any combination of cash and/or any one or more of the methods specified in clauses (i), (ii) and (iii). Notwithstanding the foregoing, a form of payment shall not be permitted to the extent it would cause the Company to recognize a compensation expense (or additional compensation expense) with respect to the Stock Option for financial reporting purposes.

Unless otherwise determined by the Administrator, if payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of stock that is subject to restrictions on transfer and/or forfeiture provisions ("Restricted Stock"), some or all of the Stock received upon such exercise shall be subject to the same restrictions as such Restricted Stock. The number of shares of Stock received upon such exercise that shall be subject to such restrictions shall equal the number of shares of Restricted Stock used for payment of the option exercise price.

No shares of Stock shall be issued upon exercise of a Stock Option until full payment therefor has been made. Upon exercise of a Stock Option (or a portion thereof), the Company shall have a reasonable time to issue the Stock for which the Stock Option has been exercised, and the Optionee shall not be treated as a stockholder for any purposes whatsoever prior to such issuance. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such Stock is recorded as issued and transferred in the Company's official stockholder records, except as otherwise provided herein or in the applicable option agreement.

(f) *Transferability of Stock Options*. Except as otherwise provided in the applicable option agreement, a Non-Qualified Stock Option (i) shall be transferable by the Optionee to a Family Member of the Optionee, provided that (A) any such transfer shall be by gift with no consideration and (B) no subsequent transfer of such Stock Option shall be permitted other than by will or the laws of descent and distribution, and (ii) shall not otherwise be transferable except by will or the laws of descent and distribution. An Incentive Stock Option shall not be transferable except by will or the laws of descent and distribution. A Stock Option shall be exercisable, during the Optionee's lifetime, only by the Optionee or by the guardian or legal representative of the Optionee, it being understood that the terms "holder" and "Optionee" include the guardian and legal representative of the Optionee named in the applicable option agreement and any person to whom the Stock Option is transferred (X) pursuant to the first sentence of this **Section 4(f)** or pursuant to the applicable option agreement or (Y) by will or the laws of descent and distribution. Notwithstanding the foregoing, references herein to the termination of an Optionee's employment or provision of services shall mean the termination of employment or provision of services of the person to whom the Stock Option was originally granted.

(g) *Termination by Death*. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of death, any Stock Option held by such Optionee shall be fully vested upon such death and may thereafter be exercised for a period of one year from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter.

(h) *Termination by Reason of Disability*. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of Disability, any Stock Option held by such Optionee shall be fully vested upon such termination of employment or provision of services and may thereafter be exercised by the Optionee for a period of one year from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter.

(i) *Termination by Reason of Retirement*. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates by reason of Retirement, any Stock Option held by such

Optionee, to the extent it was exercisable at the time of termination, may thereafter be exercised by the Optionee for a period of six months from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option that is unvested or unexercisable at the date of termination shall thereupon terminate.

(j) *Involuntary Termination Without Cause*. Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates involuntarily without Cause, and for reasons other than death, Disability or Retirement, any Stock Option held by such Optionee may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of three months from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option that is unvested or unexercisable at the date of termination shall thereupon terminate.

(k) *Involuntary Termination for Cause.* Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services terminates involuntarily for Cause, all Stock Options held by such Optionee, whether or not then vested and exercisable, shall thereupon terminate.

(l) *Other Termination.* Except as otherwise provided in the applicable option agreement, if an Optionee's employment or provision of services is terminated by the Optionee for any reason other than death, Disability or Retirement, any Stock Option held by such Optionee may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of 1 month from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option that is unvested or unexercisable at the date of termination shall thereupon terminate.

(m) *Exception to Termination*. If employment or provision of services by the Optionee to the Company or an Affiliate ceases as a result of a transfer of such Optionee from the Company to an Affiliate, or from an Affiliate to the Company, or from one classification of Eligible Individual to another classification of Eligible Individual, such transfer shall not be a termination of employment or provision of services for purposes of this Plan, unless expressly determined otherwise by the Administrator. A termination of employment or provision of services shall occur for an Optionee who is employed by, or provides services to, an Affiliate of the Company if the Affiliate shall cease to be an Affiliate and the Optionee shall not immediately thereafter be employed by, or provide services to, the Company or an Affiliate.

(n) Notwithstanding the foregoing, to the extent permitted under Section 409A of the Code, the exercise period following a termination described in subsection (g), (h), (i), (j) or (l) above shall be tolled for any applicable window/blackout period restrictions under the Company's insider trading policy.

5. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights may be granted under the Plan on a stand-alone basis only. The Administrator shall have the authority to grant Stock Appreciation Rights to any Participant. Except as otherwise provided herein, a Stock Appreciation Right shall terminate and no longer be exercisable as determined by the Administrator.

Stock Appreciation Rights shall be evidenced by stock appreciation right agreements, each in a form approved by the Administrator. The grant of a Stock Appreciation Right shall occur as of the date the Administrator determines, subject to FASB Statement 123(R) and guidance thereunder.

A Stock Appreciation Right may be exercised by a Participant as determined by the Administrator in accordance with this **Section 5**. Upon such exercise, the Participant shall be entitled to receive an amount determined in the manner prescribed in this **Section 5**.

Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Administrator, including the following:

(a) *Stock Appreciation Right Term.* The term of a Stock Appreciation Right shall be determined by the Administrator at the time of grant and set forth in the applicable stock appreciation right agreement, provided, however, that no Stock Appreciation Right shall be exercisable more than 10 years after the date that the Stock Appreciation Right is granted.

(b) *Vesting.* A Stock Appreciation Right shall become vested and nonforfeitable as determined by the Administrator at the time of grant and set forth in the applicable stock appreciation right agreement, provided that no Stock Appreciation Right shall become vested earlier than the first anniversary of the date of grant of such Stock Appreciation Right or later than the seventh anniversary of the date of grant of such Stock Appreciation Right; and provided, further, that the Participant shall have continuously remained in the active employment of the Company or an Affiliate until the applicable vesting date.

(c) *Exercisability.* Stock Appreciation Rights shall be exercisable to the extent vested; provided that the exercise of a Stock Appreciation Right shall be subject to such additional terms and conditions, performance requirements, restrictions, forfeiture provisions, contingencies and limitations, if any, as shall be determined by the Administrator and listed in the applicable stock appreciation rights agreement. If any Stock Appreciation Right is exercisable only in installments, the Administrator may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Administrator may determine. In addition, the Administrator may at any time, in whole or in part, accelerate the exercisability of any Stock Appreciation Right.

(d) *Method of Exercise.* Subject to the provisions of this **Section 5,** Stock Appreciation Rights may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares with respect to which the Stock Appreciation Right is being exercised.

(e) Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive an amount in cash or in shares of Stock, as set forth in the grant agreement, which in the aggregate are equal in value to the excess of the Fair Market Value of one share of Stock on the date of exercise over the Fair Market Value of one share of Stock on the date of grant, multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised.

(f) *Transferability of Stock Appreciation Rights*. Except as otherwise provided in the applicable stock appreciation rights agreement, a Stock Appreciation Right (i) shall be transferable by the Participant to a Family Member of the Participant, provided that (A) any such transfer shall be by gift with no consideration and (B) no subsequent transfer of such Stock Appreciation Right shall be permitted other than by will or the laws of descent and distribution, and (ii) shall not otherwise be transferable except by will or the laws of descent and distribution. A Stock Appreciation Right shall be exercisable, during the Participant's lifetime, only by the Participant or by the guardian or legal representative of the Participant, it being understood that the terms "holder" and "Participant" include the guardian and legal representative of the Participant named in the applicable stock appreciation rights agreement and any person to whom the Stock Appreciation Right is transferred (X) pursuant to the first sentence of this **Section 5(f)** or pursuant to the applicable stock appreciation rights agreement or (Y) by will or the laws of descent and distribution. Notwithstanding the foregoing, references herein to the termination of a Participant's employment or provision of services shall mean the termination of employment or provision of services of the person to whom the Stock Appreciation Right was originally granted.

(g) *Termination by Death*. Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services terminates by reason of death, any Stock Appreciation Right held by such Participant shall be fully vested upon such death and may thereafter be exercised for a period of one year from the date of such death or until the expiration of the stated term of such Stock Appreciation Right, whichever period is shorter.

(h) *Termination by Reason of Disability*. Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services terminates by reason of Disability, any Stock Appreciation Right held by such Participant shall be fully vested upon such termination of employment or provision of services and may thereafter be exercised by the Participant for a period of one year from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Appreciation Right, whichever period is shorter.

(i) *Termination by Reason of Retirement*. Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services terminates by reason of Retirement, any Stock Appreciation Right held by such Participant, to the extent it was exercisable at the time of termination, may thereafter be exercised by the Participant for a period of six months from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Appreciation Right, whichever period is shorter and any Stock Appreciation Right that is unvested or unexercisable at the date of termination shall thereupon terminate.

(j) *Involuntary Termination Without Cause*. Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services terminates involuntarily without Cause, and for reasons other than death, Disability or Retirement, any Stock Appreciation Right held by such Participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of three months from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Appreciation Right, whichever period is shorter, and any Stock Appreciation Right that is unvested or unexercisable at the date of termination shall thereupon terminate.

(k) *Involuntary Termination for Cause.* Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services terminates involuntarily for Cause, Stock Appreciation Rights held by such Participant, whether or not then vested and exercisable, shall thereupon terminate.

(l) *Other Termination.* Except as otherwise provided in the applicable stock appreciation rights agreement, if a Participant's employment or provision of services is terminated by the Participant for any reason other than death, Disability or Retirement, any Stock Appreciation Right held by such Participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of one month from the date of such termination of employment or provision of services or until the expiration of the stated term of such Stock Appreciation Right, whichever period is shorter, and any Stock Appreciation Right that is unvested or unexercisable at the date of termination shall thereupon terminate.

(m) *Exception to Termination*. If provision of services by the Participant to the Company or an Affiliate ceases as a result of a transfer of such Participant from the Company or an Affiliate, or from an Affiliate to the Company, or from one classification of Eligible Individual to another classification of Eligible Individual, such transfer shall not be a termination of employment or provision of services for purposes of this Plan, unless expressly determined otherwise by the Administrator. A termination of employment or provision of services shall occur for a Participant who is employed by, or provides services to, an Affiliate of the Company if the Affiliate shall cease to be an Affiliate and the Participant shall not immediately thereafter be employed by, or provide services to, the Company or an Affiliate.

(n) Notwithstanding the foregoing, to the extent permitted under Section 409A of the Code, the exercise period following a termination described in subsection (g), (h), (i), (j) or (l) above shall be tolled for any applicable window/blackout period restrictions under the Company's insider trading policy.

6. <u>STOCK AWARDS</u>.

Stock Awards may be directly issued under the Plan (without any intervening options), subject to such terms, conditions, performance requirements, restrictions, forfeiture provisions, contingencies and limitations as shall be determined by the Administrator and set forth in the applicable award agreement. Subject to the provisions of this **Section 6,** Stock Awards may be issued which vest in one or more installments over the Participant's period of employment and/or other service to the Company and/or upon the attainment of specified performance objectives, and/or the Company may issue Stock Awards which entitle the Participant to receive a specified number of vested shares of Stock upon the attainment of one or more performance goals and/or service requirements established by the Administrator. A Stock Award that is subject to restrictions on transfer and/or forfeiture provisions may be referred to as an award of "Restricted Stock" or "Restricted Stock Units." A Stock Award shall become vested and nonforfeitable as determined by the Administrator at the time of grant and set forth in the applicable award agreement, provided that no Stock Award shall become vested earlier than the first anniversary of the date of such Stock Award or later than the seventh anniversary of the date of such Stock Award; and provided, further, that the Participant shall have continuously remained in the active employment of the Company or an Affiliate until the applicable vesting date.

Shares representing a Stock Award shall be evidenced in such manner as the Administrator may deem appropriate, including book-entry registration or issuance of one or more certificates (which may bear appropriate legends referring to the terms, conditions and restrictions applicable to such Award). The Administrator may require that any such certificates be held in custody by the Company until any restrictions thereon shall have lapsed and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award. Restricted Stock Units shall be evidenced by a book entry in a notional account maintained under the Participant's name in the Company's books and records.

A Stock Award may be issued in exchange for any consideration which the Administrator may deem appropriate in each individual instance, including, without limitation:

(a) cash or cash equivalents;

(b) past services rendered to the Company or any Affiliate; or

(c) future services to be rendered to the Company or any Affiliate (provided that, in such case, the par value of the stock subject to such Stock Award shall be paid in cash or cash equivalents, unless the Administrator provides otherwise).

With respect to a Restricted Stock Award, a Participant, at his or her option, will be entitled to make the election permitted under Section 83(b) of the Code, to include in gross income in the taxable year in which the Restricted Stock Award is transferred to him or her, the fair market value of such shares at the time of transfer, notwithstanding that such shares are subject to a substantial risk of forfeiture within the meaning of the Code, or he or she may elect to include in gross income the Fair Market Value of the Restricted Stock Award as of the date or date on which such restrictions lapse. Notwithstanding the foregoing, the Administrator shall adopt, from time to time, such rules with respect to the return of executed award agreements as it deems appropriate and failure by a Participant to comply with such rules shall, without limitation, terminate the grant of such Restricted Stock Award to such Participant and/or cause the forfeiture of any Restricted Stock Award as to which restrictions have not yet lapsed.

Notwithstanding anything herein to the contrary and except as otherwise provided in the applicable award agreement, if a Participant's employment and provision of services is terminated (A) by the Company for any reason other than Cause or (B) by reason of the Participant's death or Disability, all Stock underlying a Stock Award, to the extent unvested at the time of termination, shall become fully vested and non-forfeitable.

Notwithstanding anything herein to the contrary and except as otherwise provided in the applicable award agreement, if a Participant's employment or provision of services is terminated (A) by the Company for Cause or (B) by the Participant for any reason other than death or Disability, all Stock underlying a Stock Award, to the extent unvested at the time of termination, shall be forfeited.

7. <u>PERFORMANCE AWARDS</u>.

(a) *Performance Conditions*. The right of a Participant to exercise or receive a grant or settlement of any Award, and its timing, may be subject to performance conditions specified by the Administrator at the time of grant (except as provided in this **Section 7**). The Administrator may use business criteria and other measures of performance it deems appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase amounts payable under any Award subject to performance conditions, except as limited under **Section 7(b)** hereof in the case of a Performance Award intended to qualify under Section 162(m) of the Code.

(b) *Performance Awards Granted to Designated Covered Employees*. If the Administrator determines that a Performance Award to be granted to a person the Administrator regards as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Section 162(m) of the Code, the grant and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 7(b)**.

(i) *Performance Goals Generally*. The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria, as specified by the Administrator consistent with this **Section 7(b)**. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the level or levels of performance targeted by the Administrator result in the performance goals being "substantially uncertain." The Administrator may determine that more than one performance goal must be achieved as a condition to settlement of such Performance Awards.

Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) *Business Criteria*. One or more business criteria for the Company, on a consolidated basis, and/or for specified Subsidiaries or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Administrator in establishing performance goals for such Performance Awards and set forth in the applicable Performance Award Agreement.

(iii) *Performance Period: Timing For Establishing Performance Goals*. Achievement of performance goals in respect of such Performance Awards shall be measured over such periods of at least 12 months' duration as may be specified by the Administrator. Performance goals shall be established on or before the dates that are required or permitted for "performance-based compensation" under Section 162(m) of the Code.

(iv) *Settlement of Performance Awards; Other Terms*. Settlement of Performance Awards may be in cash or Stock, or other Awards, or other property, in the discretion of the Administrator. The Administrator may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable in respect of a Performance Award subject to this **Section 7(b)**. The Administrator shall specify the circumstances in which such Performance Awards shall be forfeited or paid in the event of a termination of employment at least six months prior to the end of a performance period or settlement of Performance Awards, and other terms relating to such Performance Awards.

8. OUTSIDE DIRECTOR STOCK OPTIONS.

On the date of the first annual meeting of stockholders of the Company following the consummation of an Initial Public Offering, and on the date of the annual meeting of Stockholders of the Company during each Company fiscal year thereafter, each Outside Director of the Company shall be granted an Outside Director Stock Option to purchase 3,500 shares of Stock.

Outside Director Stock Options shall be evidenced by option agreements, each in a form approved by the Administrator.

Outside Director Stock Options granted under this **Section 8** shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Administrator shall deem desirable:

(a) *Exercise Price*. The exercise price per share of Stock purchasable under an Outside Director Stock Option shall be the Fair Market Value per share on the date the Outside Director Stock Option is granted.

(b) *Option Term*. No Outside Director Stock Option shall be exercisable more than seven years after the date that the Outside Director Stock Option is granted.

(c) *Vesting.* An Outside Director Stock Option shall become vested and non-forfeitable with respect to one-fifth of the Stock underlying such Outside Director Stock Option on the first anniversary of the date of grant, with an additional one-fifth of the Stock underlying such Outside Director Stock Option becoming vested and non-forfeitable on each of the second, third, fourth and fifth anniversaries of the date of grant; provided that, in each case, the Outside Director shall have continuously remained a Director of the Company. Any Outside Director Stock Option that is unvested at the date of termination of the Outside Director's provision of services shall be forfeited upon such termination.

(d) *Exercisability*. Outside Director Stock Options shall be exercisable to the extent vested.

(e) *Method of Exercise*. Outside Director Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Outside Director Stock Option to be purchased.

The option price of any Outside Director Stock Option shall be paid in full in cash (by certified or bank check or such other instrument as the Company may accept) or, unless otherwise provided in the applicable option agreement, by one or more of the following: (i) in the form of shares of unrestricted and vested Stock already owned by the Outside Director, based on the Fair Market Value of the Stock on the date the Outside Director Stock Option is exercised; (ii) by certifying ownership of shares of Stock owned by the Outside Director to the satisfaction of the Administrator for later delivery to the Company as specified by the Company; (iii) unless otherwise prohibited by law for either the Company or the Outside Director, by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Outside Director Stock Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise; or (iv) by any combination of cash and/or any one or more of the methods specified in clauses (i), (ii) and (iii). Notwithstanding the foregoing, a form of payment shall not be permitted to the extent it would cause the Company to recognize a compensation expense (or additional compensation expense) with respect to the Outside Director Stock Option for financial reporting purposes.

If payment of the option exercise price of an Outside Director Stock Option is made in whole or in part in the form of Restricted Stock, some or all of the Stock received upon such exercise shall be subject to the same restrictions as such Restricted Stock. The number of shares of Stock received upon such exercise that shall be subject to such restrictions shall equal the number of shares of Restricted Stock used for payment of the option exercise price.

No shares of Stock shall be issued upon exercise of an Outside Director Stock Option until full payment therefor has been made. Upon exercise of an Outside Director Stock Option (or a portion thereof), the Company shall have a reasonable time to issue the Stock for which the Outside Director Stock Option has been exercised, and the Outside Director shall not be treated as a stockholder for any purposes whatsoever prior to such issuance. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such Stock is recorded as issued and transferred in the Company's official stockholder records, except as otherwise provided herein or in the applicable option agreement.

(f) *Transferability of Outside Director Stock Options*. An Outside Director Stock Option (i) shall be transferable by the Outside Director to a Family Member of the Outside Director, provided that (A) any such transfer shall be by gift with no consideration and (B) no subsequent transfer of such Outside Director Stock Option shall be permitted other than by will or the laws of descent and distribution, and (ii) shall not otherwise be transferable except by will or the laws of descent and distribution. An Outside Director Stock Option shall be exercisable, during the Outside Director's lifetime, only by the Outside Director or by the guardian or legal representative of the Outside Director, it being understood that the terms "holder" and "Outside Director" include the guardian and legal representative of the Outside Director named in the applicable option agreement and any person to whom the Outside Director Stock Option is transferred (X) pursuant to the first sentence of this **Section 8(f)** or pursuant to the applicable option agreement or (Y) by will or the laws of descent and distribution. Notwithstanding the foregoing, references herein to the termination of an Outside Director's provision of services shall mean the termination or cessation of the Outside Director's status as an Eligible Individual.

9. STOCK AWARDS.

The following Outside Director Stock Awards shall be granted pursuant to this **Section 9**:

(a) Each individual who is or becomes an Outside Director on the effective date of a registration statement relating to an Initial Public Offering (the "IPO Effective Date") shall be granted, on such IPO Effective Date, a Stock Award comprised of 6,700 shares of Stock.

(b) Each individual who is appointed to the Board as an Outside Director after the date of an Initial Public Offering shall be granted, as of the date of such Outside Director's appointment to the Board, a Stock Award comprised of that number of shares of Stock having an aggregate Fair Market Value of $100,000 on the date of grant.

The Stock subject to Outside Director Stock Awards granted under this **Section 9** shall vest and become nonforfeitable based on the Outside Director's provision of services as a Director, and is therefore an award of "Restricted Stock."

Outside Director Stock Awards may be directly issued under the Plan. An Outside Director Stock Award shall become vested and nonforfeitable as to one-fifth of the shares of Restricted Stock underlying such Outside Director Stock Award on the first anniversary of the date of grant, with an additional one-fifth of the Restricted Stock becoming vested and non-forfeitable on each of the second, third, fourth and fifth anniversaries of the date of grant; provided that, in each case, the Outside Director shall have continuously remained a Director of the Company. Any Outside Director Stock Award that is unvested at the date of termination of the Outside Director's provision of services shall be forfeited upon such termination.

Shares representing an Outside Director Stock Award shall be evidenced in such manner as the Administrator may deem appropriate, including book-entry registration or issuance of one or more certificates (which may bear appropriate legends referring to the terms, conditions and restrictions applicable to such Award). The Administrator may require that any such certificates be held in custody by the Company until any restrictions thereon shall have lapsed and that the Outside Director deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

With respect to an Outside Director Stock Award, an Outside Director, at his or her option, will be entitled to make the election permitted under Section 83(b) of the Code, to include in gross income in the taxable year in which the Outside Director Stock Award is transferred to him or her, the fair market value of such shares at the time of transfer, notwithstanding that such shares are subject to a substantial risk of forfeiture within the meaning of the Code, or he or she may elect to include in gross income the Fair Market Value of the Outside Director Stock Award as of the date or date on which such restrictions lapse. Notwithstanding the foregoing, the

Administrator shall adopt, from time to time, such rules with respect to the return of executed award agreements as it deems appropriate and failure by an Outside Director to comply with such rules shall, without limitation, terminate the grant of such Outside Director Stock Award to such Outside Director and/or cause the forfeiture of any Outside Director Stock Award (or any portion thereof) as to which restrictions have not yet lapsed.

10. <u>CHANGE IN CONTROL PROVISIONS</u>.

(a) *Impact of Event*. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

(i) The vesting and exercisability of any Stock Options, Outside Director Stock Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred and not then vested and exercisable shall become fully vested and exercisable;

(ii) Any restrictions applicable to any outstanding Stock Awards and Outside Director Stock Awards shall lapse and the Stock relating to such Awards shall become free of all restrictions and fully vested and transferable; and

(iii) Provided that no material modification of the Award or any liability results under Section 409A of the Code, outstanding Awards shall be subject to any agreement of acquisition, merger or reorganization that effects such Change in Control and that provides for:

(A) The continuation of the outstanding Awards by the Company, if the Company is a surviving corporation;

(B) The assumption of the outstanding Awards by the surviving corporation or its parent or subsidiary;

(C) The substitution by the surviving corporation or its parent or subsidiary of equivalent awards for the outstanding Awards; or

(D) Settlement of each share of Stock subject to an outstanding Award for the Change in Control Price (less, to the extent applicable, the per share exercise price), or, if the per share exercise price equals or exceeds the Change in Control Price, the outstanding Award shall terminate and be canceled.

(b) *Definition of Change in Control*.

(i) For purposes of the Plan, a "Change in Control" shall occur or be deemed to have occurred only if any of the following events occur:

(A) The acquisition, directly or indirectly, by any person or group (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Exchange Act and the rules thereunder) of beneficial ownership (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (voting securities) of the Company that represent **50%** or more of the combined voting power of the Company's then outstanding voting securities, other than:

(1) An acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company; or

(2) An acquisition of voting securities by the Company or a corporation owned, directly or indirectly by all of the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company.

Notwithstanding the foregoing, the following event shall not constitute an acquisition by any person or group for purposes of this subsection (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that if a person or group shall become the beneficial owner of 50% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

(B) Individuals who, as of the IPO Effective Date (as defined in **Section 9**), constitute the Board of Directors of the Company (as of the IPO Effective Date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the IPO Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors on the Board) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(C) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) the acquisition of assets or stock of another entity, in each case other than a transaction:

(1) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by the remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and

(2) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (2) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(D) A sale or disposition of all or substantially all of the Company's assets; or

(E) The Company's stockholders approve a liquidation or dissolution of the Company.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto. Notwithstanding anything herein to the contrary, an Initial Public Offering shall not constitute a Change in Control.

(ii) For purposes of **Section 10(b)**, stock ownership is determined under Section 409A of the Code.

(c) *Change in Control Price*. For purposes of the Plan, "Change in Control Price" means the Fair Market Value (which may be the amount of consideration per share of Stock received by the holder of Stock in connection with the Change in Control transaction or, in the case of a tender or exchange offer, the highest price per share of Stock paid in such tender or exchange offer, in each case, as determined by the Administrator in accordance with **Section 12(n)** hereunder) of a share of Stock on the date of a Change in Control. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Board. The Participant shall receive the same form of consideration as holders of common stock, subject to the same restrictions and limitations and indemnification obligations as the holders of common stock and will execute any and all documents required by the Administrator to evidence the same.

11. MISCELLANEOUS.

(a) *Amendment.* The Board may at any time terminate, amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would adversely affect the rights of a Participant under an Award theretofore granted without the Participant's consent, except such an amendment (i) made to avoid an expense charge to the Company or an Affiliate under applicable law or regulation, (ii) made to permit the Company or an Affiliate a deduction under the Code, or (iii) made to avoid the violation of Section 409A of the Code. No such amendment or alteration shall be made without the approval of a majority vote of the Company's shareholders, present in person or by proxy at any special or annual meeting of the shareholders to the extent such approval is required by law, agreement or the rules of any stock exchange or market on which the Stock is listed.

The Administrator may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, but except as provided in **Section 3** hereof no such amendment shall adversely affect the rights of a Participant without the Participant's consent.

(b) *Unfunded Status of Plan.* It is intended that this Plan be an "unfunded" plan for incentive and deferred compensation. The Administrator may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Stock or make payments, provided that, unless the Administrator otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of this Plan.

(c) *General Provisions.*

(i) Unless the shares to be issued in connection with an Award are registered prior to the issuance thereof under the Securities Act of 1933, as amended, the Administrator may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares for his or her own account as an investment without a view to or for sale in connection with, the distribution thereof. The certificates for such shares may include any legend which the Administrator deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Administrator may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange or market on which the Stock is then listed and any applicable Federal or state securities law, and the Administrator may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(ii) Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting other or additional compensation arrangements for its employees.

(iii) The adoption of the Plan shall not confer upon any employee, director, associate, consultant or advisor any right to continued employment, directorship or service, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment or service of any employee, consultant or advisor at any time.

(iv) No later than the date as of which an amount first becomes includible in the gross income of the Participant for Federal income tax purposes with respect to any Award under the Plan, the Participant shall pay to the

Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Administrator, withholding obligations may be settled with Stock, including Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company, its Subsidiaries and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Administrator may establish such procedures as it deems appropriate for the settlement of withholding obligations with Stock.

(v) The Administrator shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of the Participant's death are to be paid. In the event of the death of a Participant, a condition of exercising any Award shall be the delivery to the Company of such tax waivers and other documents as the Administrator shall determine.

(vi) Neither any Participant nor his or her legal representatives, legatees or distributees shall be or be deemed to be the holder of any share of Stock covered hereby unless and until a certificate for such share has been issued. Upon payment of the purchase price thereof, a share shall be fully paid and non-assessable.

(vii) The grant of an Award shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets, or issue bonds, debentures, preferred or prior preference stock ahead of or affecting the Stock, or take any other corporate act or proceeding whether of a similar character or otherwise.

(viii) If any payment or right accruing to a Participant under this Plan (without the application of this **Section 11(c)(viii)**), either alone or together with other payments or rights accruing to the Participant from the Company or an Affiliate ("Total Payments") would constitute a "parachute payment" (as defined in Section 280G of the Code and regulations thereunder), such payment or right shall be reduced to the largest amount or greatest right that will result in no portion of the amount payable or right accruing under this Plan being subject to an excise tax under Section 4999 of the Code or being disallowed as a deduction under Section 280G of the Code; provided, however, that the foregoing shall not apply to the extent provided otherwise in an Award or in the event the Participant is party to an agreement with the Company or an Affiliate that explicitly provides for an alternate treatment of payments or rights that would constitute “parachute payments.” The determination of whether any reduction in the rights or payments under this Plan is to apply shall be made by the Administrator in good faith after consultation with the Participant, and such determination shall be conclusive and binding on the Participant. The Participant shall cooperate in good faith with the Administrator in making such determination and providing the necessary information for this purpose. The foregoing provisions of this **Section 11(c)(viii)** shall apply with respect to any person only if, after reduction for any applicable Federal excise tax imposed by Section 4999 of the Code and Federal income tax imposed by the Code, the Total Payments accruing to such person would be less than the amount of the Total Payments as reduced, if applicable, under the foregoing provisions of this Plan and after reduction for only Federal income taxes.

(ix) To the extent that the Administrator determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Administrator in its discretion may modify those restrictions as it determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(x) The headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of this Plan.

(xi) If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not effect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

(xii) This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant’s heirs, legal representatives and successors.

(xiii) This Plan and each agreement granting an Award constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between this Plan and such agreement, the terms and conditions of the Plan shall control.

(xiv) In the event there is an effective registration statement under the Securities Act pursuant to which shares of Stock shall be offered for sale in an underwritten offering, a Participant shall not, during the period requested by the underwriters managing the registered public offering, effect any public sale or distribution of shares of Stock received, directly or indirectly, as an Award or pursuant to the exercise or settlement of an Award.

(xv) None of the Company, an Affiliate or the Administrator shall have any duty or obligation to disclose affirmatively to a record or beneficial holder of Stock or an Award, and such holder shall have no right to be advised of, any material information regarding the Company or any Affiliate at any time prior to, upon or in connection with receipt or the exercise of an Award or the Company's purchase of Stock or an Award from such holder in accordance with the terms hereof.

(xvi) This Plan, and all Awards, agreements and actions hereunder, shall be governed by, and construed in accordance with, the laws of the state of Delaware (other than its law respecting choice of law).

(xvii) No Award granted pursuant to this Plan is intended to constitute "deferred compensation" as defined in Section 409A of the Code, and the Plan and the terms of all Awards shall be interpreted accordingly. If any provision of the Plan or an Award contravenes any regulations or Treasury guidance promulgated under Section 409A of the Code or could cause an Award to be subject to the penalties and interest under Section 409A of the Code, such provision of the Plan or Award shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

12. DEFINITIONS.

For purposes of this Plan, the following terms are defined as set forth below:

(a) *"Affiliate"* means a corporation or other entity (i) controlled by the Company and which, in the case of grants of Stock Options, Outside Director Stock Options and Stock Appreciation Rights would, together with the Company, be classified as the "service recipient" (as defined in the regulations under Section 409A of the Code) with respect to an Eligible Individual, and (ii) is designated by the Administrator as such.

(b) *"Award"* means a Stock Appreciation Right, Stock Option, Stock Award, Outside Director Stock Option or Outside Director Stock Award.

(c) *"Board"* means the Board of Directors of the Company.

(d) *"Board Meeting"* means meeting of the Board of Directors of the Company.

(e) *"Cause"* means (i) the commission by the Participant of any act or omission that would constitute a felony or any crime of moral turpitude under Federal law or the law of the state or foreign law in which such action occurred, (ii) dishonesty, disloyalty, fraud, embezzlement, theft, disclosure of trade secrets or confidential information or other acts or omissions that result in a breach of fiduciary or other material duty to the Company and/or a Subsidiary, (iii) continued reporting to work or working under the influence of alcohol, an illegal drug, an intoxicant or a controlled substance which renders Participant incapable of performing his or her material duties to the satisfaction of the Company and/or its Subsidiaries, or (iv) the Participant's substantial disregard in the performance of the Participant's duties and/or responsibilities with respect to the Company and/or a Subsidiary, which disregard shall continue after notice to the Participant and a reasonable opportunity to cure such behavior. Notwithstanding the foregoing, if the Participant and the Company or the Affiliate have entered into an employment or services agreement which defines the term "Cause" (or a similar term), such definition shall govern for purposes of determining whether such Participant has been terminated for Cause for purposes of this Plan. The determination of Cause shall be made by the Administrator, in its sole discretion.

(f) *"Code"* means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(g) *"Commission"* means the Securities and Exchange Commission or any successor agency.

(h) *"Committee"* means a committee of Directors appointed by the Board to administer this Plan. Insofar as the Committee is responsible for granting Awards to Participants hereunder, it shall consist solely of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3, an "outside director" under Section 162(m) of the Code, an "independent director" as defined by the Sarbanes-Oxley Act of 2002, and "independent" as defined by the rules of any stock exchange or market on which the Stock is listed.

(i) *"Covered Employee"* means a person who is a "covered employee" within the meaning of Section 162(m) of the Code.

(j) *"Director"* means a member of the Company's Board.

(k) *"Disability"* means mental or physical illness that entitles the Participant to receive benefits under the long-term disability plan of the Company or an Affiliate, or if the Participant is not covered by such a plan or the Participant is not an employee of the Company or an Affiliate, a mental or physical illness that renders a Participant totally and permanently incapable of performing the Participant's duties for the Company or an Affiliate; provided, however, that a Disability shall not qualify under this Plan if it is the result of (i) a willfully self-inflicted injury or willfully self-induced sickness; or (ii) an injury or disease contracted, suffered or incurred while participating in a criminal offense. Notwithstanding the foregoing, if the Participant and the Company or an Affiliate have entered into an employment or services agreement which defines the term "Disability" (or a similar term), such definition shall govern for purposes of determining whether such Participant suffers a Disability for purposes of this Plan. The determination of Disability shall be made by the Administrator, in its sole discretion. The determination of Disability for purposes of this Plan shall not be construed to be an admission of disability for any other purpose.

(l) *"Effective Date"* means November 21, 2006.

(m) *"Eligible Individual"* means any (i) officer, employee, associate or director of the Company or a Subsidiary or Affiliate, (ii) any consultant or advisor providing services to the Company or a Subsidiary or Affiliate, or (iii) employees of (x) a corporation or other business enterprise which has been acquired by the Company or a Subsidiary, which, in the case of grants of Stock Options and Stock Appreciation Rights would, together with the Company and, if applicable, the Subsidiary, be classified as the "service recipient" (as defined in the regulations under Section 409A of the Code) with respect to such employees and (y) who hold options with respect to the stock of such corporation which the Company has agreed to assume.

(n) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(o) *"Fair Market Value"* means, as of any given date, the fair market value of the Stock, determined as follows: (i) if the Stock is listed on any established stock exchange or a national market system, including without limitation, the NASDAQ Global Market, its fair market value on such date shall be the reported closing selling price for the Stock on the principal securities exchange or national market system on which the Stock is at such date listed for trading; provided that if there are no sales of Stock on that date, then the reported closing selling price for the Stock on the next preceding date shall be determinative of fair market value; or (ii) if the Stock is listed on the OTC Electronic Bulletin Board, its fair market value on such date shall be the closing selling price on such date for the Stock as reported on the OTC Electronic Bulletin Board; provided that if there are no sales of the Stock on that date, then the reported closing selling price for the Stock on the next preceding date for which such closing selling price is quoted shall be determinative of fair market value; or, (iii) if the Stock is not traded on the OTC Electronic Bulletin Board, an exchange, or a national market system, or notwithstanding (i) and (ii) above, if a determination of Fair Market Value under (i) or (ii) above would violate the rules under Section 409A of the Code and the regulations thereunder with respect to the determination of fair market value, Fair Market Value of the Stock on such date shall be determined in good faith by the Administrator in accordance with Section 409A of the Code and the regulations issued thereunder, and such determination shall be conclusive and binding on all persons. In the event of a Change in Control, notwithstanding the foregoing provisions of this **Section 12(o)**, Fair Market Value of the Stock in connection with such Change in Control transaction shall be determined in good faith by the Administrator in accordance with Section 409A of the Code and the regulations issued thereunder, and such determination shall be conclusive and binding on all persons.

(p) *"Family Member"* means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a Participant (including adoptive relationships); any person sharing the Participant's household (other than a tenant or employee); any trust in which the Participant and any of these persons have all of the beneficial interest; any foundation in which the Participant and any of these persons control the management of the assets; any corporation, partnership, limited liability company or other entity in which the Participant and any of these other persons are the direct and beneficial owners of all of the equity interests (provided the Participant and these other persons agree in writing to remain the direct and beneficial owners of all such equity interests); and any personal representative of the Participant upon the Participant's death for purposes of administration of the Participant's estate or upon the Participant's incompetency for purposes of the protection and management of the assets of the Participant.

(q) *"Incentive Stock Option"* means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.

(r) *"Initial Public Offering"* shall mean a firm commitment underwritten public offering of the Company's stock pursuant to a registration statement under the Securities Act of 1933, as amended, including the Company's Registration Statement on Form S-1 (Registration No. 333-137524).

(s) *"Non-Qualified Stock Option"* means any Stock Option that is not an Incentive Stock Option.

(t) *"Optionee"* means a person who holds a Stock Option.

(u) *"Outside Director"* means (i) if the Stock is listed for trading on any established stock exchange or national market system, a person who is an "independent" Director of the Company within the meaning of the rules then in effect governing the listing of securities (including, without limitation, the NASDAQ Marketplace Rule 4200) on the established stock exchange or national market system on which the Stock is then listed for trading (including, without limitation, the NASDAQ Global Market), or (ii) if the Stock is not listed for trading on an established stock exchange or national market system, a person who is a "non-employee director" of the Company within the meaning of Section 16 of the Exchange Act and the regulations promulgated thereunder (irrespective of whether Section 16 of the Exchange Act is applicable to the Company or such Director); provided, however, that Olaseni Adayemi Sonuga and Robin P. Selati or any other individuals designated as Directors by BIB Holdings (Bermuda) Ltd. or Madison Dearborn Capital Partners, L.P. and Madison Dearborn Capital Partners II L.P. or any of their respective affiliates shall not be treated as Outside Directors for purposes of this Plan.

(v) *"Outside Director Award"* means an Outside Director Stock Option or Outside Director Stock Award.

(w) *"Outside Director Stock Award"* means an Award, other than a Stock Option, Stock Appreciation Right, Stock Award or Outside Director Stock Option, made in Stock or denominated in shares of Stock.

(x) *"Outside Director Stock Option"* means an Option granted under **Section 8**.

(y) *"Participant"* means a person granted an Award.

(z) "*Performance Award*" means a right, granted to a Participant under **Section 7**, to receive Awards based upon performance criteria specified by the Administrator.

(aa) *"Representative"* means (i) the person or entity acting as the executor or administrator of a Participant's estate pursuant to the last will and testament of a Participant or pursuant to the laws of the jurisdiction in which the Participant had his or her primary residence at the date of the Participant's death; (ii) the person or entity acting as the guardian or temporary guardian of a Participant; (iii) the person or entity which is the beneficiary of the Participant upon or following the Participant's death; or (iv) any person to whom a Stock Option has been transferred with the permission of the Administrator or by operation of law; provided that only one of the foregoing shall be the Representative at any point in time as determined under applicable law and recognized by the Administrator.

(bb) "*Retirement*" means termination of employment or provision of services without Cause, death or Disability on or after age 65 with 5 years of service.

(cc) "*Stock*" means the common stock, par value $.01 per share, of the Company.

(dd) "*Stock Appreciation Right*" means a right granted under **Section 5**.

(ee) "*Stock Award*" means an Award, other than a Stock Option, Outside Director Stock Option, Stock Appreciation Right or Outside Director Stock Award, made in Stock or denominated in shares of Stock.

(ff) "*Stock Option*" means an option granted under **Section 4**.

(gg) "*Subsidiary*" means any company during any period in which it is a "subsidiary corporation" (as such term is defined in Section 424(f) of the Code) with respect to the Company.

(hh) "*Ten Percent Holder*" means an individual who owns, or is deemed to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary corporation of the Company, determined pursuant to the rules applicable to Section 422(b)(6) of the Code.

In addition, certain other terms used herein have the definitions given to them in the places they are first used.

Exhibit 10.28

FORM OF

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), dated as of ______, 2006, by and among CARROLS RESTAURANT GROUP, INC., a Delaware corporation ("Parent") with an address at 968 James Street, Syracuse, New York 13203, CARROLS CORPORATION ("Employer"), a Delaware corporation and a wholly-owned subsidiary of Parent with an address at 968 James Street, Syracuse, New York 13203, and ALAN VITULI whose principal residence is 789 Crandon Boulevard, Key Biscayne, Florida 33149 ("Employee"):

W I T N E S S E T H:

WHEREAS, Employee has been and is presently employed by Employer as its Chairman of the Board and Chief Executive Officer pursuant to the terms of the Second Amended and Restated Employment Agreement, dated as of March 27, 1997, between Employer and Employee, as amended and extended pursuant to an Extension of Employment Agreement, dated April 1, 2002, as further extended pursuant to a Second Extension of Employment Agreement, dated November 11, 2004 and as further extended pursuant to a third Extension of Employment Agreement, dated as of May 3, 2005 (together, the "Prior Employment Agreement");

WHEREAS, the parties have agreed that Parent, Employer and Employee shall enter into this Agreement which, effective as of the Effective Date (as defined herein), shall supersede in its entirety the Prior Employment Agreement; and

WHEREAS, as of the Effective Date, Parent and Employer desire to continue to engage Employee to perform services for Employer, Parent, and any present or future parent, subsidiary or affiliate of Employer or Parent, and their successors and assigns (the "Companies") and Employee desires to perform such services, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth and other good and valuable consideration, the receipt and adequacy of which is mutually acknowledged, it is agreed by and between the parties as follows:

1. DEFINITIONS

For purposes of this Agreement, unless the context requires otherwise, the following words and phrases shall have the meanings indicated below:

"Change of Control" shall mean and shall have occurred or be deemed to have occurred only if any of the following events occurs:

(a) The acquisition, directly or indirectly, by any person or group (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act and the rules thereunder) of beneficial ownership (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (voting securities) of Parent that represent 50% or more of the combined voting power of Parent's then outstanding voting securities, other than:

(i) An acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Parent or any person controlled by Parent or by any employee benefit plan (or related trust) sponsored or maintained by Parent or any person controlled by Parent; or

(ii) An acquisition of voting securities by Parent or a corporation owned, directly or indirectly by all of the stockholders of Parent in substantially the same proportions as their ownership of the stock of Parent.

Notwithstanding the foregoing, the following event shall not constitute an acquisition by any person or group for purposes of this subsection (a): an acquisition of Parent's securities by Parent which causes Parent's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of Parent's then outstanding voting securities; *provided, however*, that if a person or group shall become the beneficial owner of 50% or more of the combined voting power of Parent's then outstanding voting securities by reason of share acquisitions by Parent as described above and shall, after such share acquisitions by Parent, become the beneficial owner of any additional voting securities of Parent, then such acquisition shall constitute a Change of Control; or

(b) individuals who, as of the Effective Date, constitute the Board of Directors of Parent (as of the Effective Date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of Parent, provided that any person becoming a director subsequent to the Effective Date whose election, or nomination for election by Parent's stockholders, was approved by a vote of at least a two-thirds of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Parent) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) The consummation by Parent (whether directly involving Parent or indirectly involving Parent through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination, or (ii) the acquisition of assets or stock of another entity, in each case other than a transaction:

(A) Which results in Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Parent or the person that, as a result of the transaction, controls, directly or indirectly, Parent or owns, directly or indirectly, all or substantially all of Parent's assets or otherwise succeeds to the business of Parent (Parent or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and

(B) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Parent prior to the consummation of the transaction; or

(d) a sale or disposition of all or substantially all of Parent's assets; or

(e) The Company's stockholders approve a liquidation or dissolution of the Company.

"Cause" shall mean: (i) the commission by Employee of a felony; (ii) the unauthorized disclosure of confidential proprietary information of Parent, Employer or any of the Companies which disclosure Employee knows or reasonably should have known would be reasonably likely to result in material damage to Parent or Employer; (iii) the breach by Employee of any material provision of this Agreement, which breach, if curable, is not remedied within thirty (30) days after Employee's receipt of written notice thereof provided, however, that Employer need not permit Employee to cure any breach which has been the subject of a prior written notice; (iv) the engagement in material self dealing in breach of fiduciary duties with respect to Parent's or Employer's assets or properties unless disclosed to and approved by the disinterested members of the Board of Directors of Parent; (v) an act of gross misconduct in connection with Employee's duties hereunder; or (vi) chronic alcohol or drug abuse rendering Employee incapable of carrying out his duties hereunder as determined in good faith by the Board of Directors of Parent continuing after Employee is given a reasonable opportunity to obtain medical or other appropriate treatment or rehabilitation.

"Effective Date" shall mean the date that the Registration Statement is declared effective by the Securities and Exchange Commission.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Good Reason" shall mean (i) the material failure of Employer to comply with the provisions of this Agreement which failure shall not cease promptly and in no event more than thirty (30) days after Employer's receipt of written notice from Employee objecting to such conduct; (ii) any termination by Parent or Employer of Employee's employment other than as expressly permitted in this Agreement; or (iii) the assignment to Employee of duties and responsibilities materially inconsistent with those duties and responsibilities customarily assigned to individuals holding the position of Chairman and Chief Executive Officer of a company of comparable size or the substantial reduction by Parent or Employer of Employee's duties and responsibilities and, if curable, not remedied by Employer within 30 days after receipt of written notice.

"Registration Statement" shall mean Parent's Registration Statement on Form S-1 (Registration No. 333-137524), filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the initial public offering of Parent's common stock.

2. REPRESENTATIONS AND WARRANTIES

Employee represents and warrants that he is not subject to any restrictive covenants or other agreements or legal restrictions in favor of any person which would in any way preclude, inhibit, impair, limit or be violated by his employment hereunder or the performance of his duties, as contemplated herein.

3. EMPLOYMENT

Employer hereby employs Employee and Employee accepts such employment as Chairman and Chief Executive Officer of Employer. Employee shall also serve as Chairman and Chief Executive Officer of Parent. As its Chairman and Chief Executive Officer, Employee shall render such services to Parent and Employer as are customarily rendered by the Chairman and Chief Executive Officer of comparable companies and as required by the certificate of incorporation and by-laws of Parent. During the Term, Employee shall be elected to and shall serve, if so elected, as a member of the Board of Directors of Parent and Employer and may be elected and shall serve, if so elected, as a member of the Board of Directors of any of the other Companies as may from time to time be prescribed by the Board of Directors of Parent or Employer. Employee accepts such employment and, consistent with fiduciary standards which exist between an employer and an employee shall perform and discharge the duties that may be assigned to him from time to time by Parent or Employer in an efficient, trustworthy and businesslike manner. It is specifically agreed that nothing in this Agreement shall prohibit Employee from (i) serving on corporate, civic or charitable boards or committees; (ii) engaging directly or indirectly, in activities with other public or private companies or ventures; or (iii) making investments in any capacity whatsoever, provided only that, such activities or any of them do not impair Employee's performance of his duties or otherwise violate or result in a breach of the terms and provisions of Section 11 hereof.

4. PLACE OF EMPLOYMENT

During the Term, Employee shall render services where and as reasonably required by Parent or Employer. In conformance with the foregoing and not in limitation thereof, Employee agrees to take such trips as shall be consistent with or reasonably necessary in connection with his duties. Employer shall furnish Employee at Employer's principal office with an office and secretarial help and such other assistance, facilities and services consistent with Employee's position and necessary for the adequate performance of his duties.

5. TERM

Subject to the provisions of Section 10 hereof, the term of this Agreement shall commence on the Effective Date and shall expire on December 31, 2008 (the "Initial Term"). This Agreement shall be automatically renewed for successive twelve (12) month periods on all the remaining terms and conditions set forth herein, unless either party elects not to renew this Agreement by giving written notice to the other at least ninety (90) days before a scheduled expiration date. The Initial Term of this Agreement together with any such renewals are collectively referred to herein as the "Term."

6. COMPENSATION

(a) As compensation for all services rendered and to be rendered by Employee hereunder and the fulfillment by Employee of all of his obligations herein, Employer shall pay Employee, during the term, a base salary (the "Base Salary") at the rate of $650,000 per annum (prorated for periods that are less than one year) payable in accordance with Employer's customary payroll practices. Employee's base salary shall be subject to an annual increase at the sole discretion of the Compensation Committee of the Board of Directors of Parent.

(b) Employee will participate in the Executive Bonus Plan of Employer (the "Executive Bonus Plan"). Notwithstanding any provision contained herein or in the Executive Bonus Plan to the contrary, no amendment to the Executive Bonus Plan shall have a material adverse impact on Employee. If the Executive Bonus Plan is discontinued, Employer agrees to establish a plan which will provide similar potential benefits based upon similar performance measurements to Employee.

(c) Employee will also be eligible to participate in all phantom and/or actual stock option or other equity incentive programs applicable to executive employees as determined by the Compensation Committee of the Board of Directors of Parent in its sole discretion.

(d) Employer shall deduct from the compensation described in (a), (b) and (c) above, any federal, state or city withholding taxes, social security contributions and any other amounts which may be required to be deducted or withheld by Employer pursuant to any federal, state or city laws, rules or regulations.

(e) Any compensation otherwise payable to Employee pursuant to this Section in respect of any period during which Employee is disabled (as contemplated in Section 10) shall be reduced by any amounts payable to Employee for loss of earnings or the like under any insurance plan or policy the premiums for which are paid for in their entirety by Employer.

7. BUSINESS EXPENSES

(a) Employer shall pay, on behalf of Employee, or reimburse Employee, for all dues to professional societies and other organizations as are customarily joined by individuals holding the position of Chairman and Chief Executive Officer of businesses similar to Parent and Employer. Such dues shall be paid or reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such dues are payable. Employer will require and shall reimburse Employee for his out of pocket cost of one complete physical examination per fiscal year of the Term; provided that such out of pocket costs shall be reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such cost is incurred.

(b) Each of Parent and Employer agrees that Employee is authorized to incur reasonable expenses in the performance of his duties hereunder and agrees that all reasonable expenses incurred by Employee in the discharge and fulfillment of his duties, as set forth in Section 3, will be promptly reimbursed or paid by Employer upon written substantiation signed by Employee, itemizing said expenses and containing all applicable vouchers. Employee shall be entitled to receive prompt reimbursement for all reasonable travel and entertainment expenses and the costs of attending conferences and seminars, so long as such expenses relate to Employee's ability to serve the best interests of Parent or Employer. In addition, within 30 days of the rendition of the applicable invoices, Employer shall reimburse Employee annually for the reasonable costs incurred by Employee in tax planning and tax return preparation in an annual amount not to exceed $10,000. Notwithstanding anything herein to the contrary, expenses that are reimbursable under this Section 7(b) shall be reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such expenses are incurred.

8. BENEFITS AND INSURANCE

(a) Employer agrees that, during the Term, Employee shall be insured under all insurance policies and shall receive all benefits under all pension and welfare benefit plans (including, without limitation group life, medical, major medical and disability insurance) that Employer may maintain and keep in force during the Term for the benefit of Employer's or any of the Companies' employees, subject to the terms, provisions and conditions of such pension and welfare benefit plans or insurance and the agreements with underwriters relating to same. In addition, Employer will provide medical and major medical insurance for Employee and his spouse during the Term and for the remainder of their respective lives and during such period such benefit shall also provide coverage to Employee's eligible dependents, notwithstanding the termination of Employee's employment hereunder, whether voluntary or involuntary, or his Disability or death, consistent with the level and type of coverage provided to Employee by Employer's policy at March 1, 1996, provided however, that the provisions of this Section 8(a) will not require Employer to continue post retirement or post employment medical coverage for Employee or his spouse in the event Employer terminates its post retirement and/or post employment coverage on a company-wide basis. In the event of such termination of coverage or otherwise at the election of Employer, Employee shall be entitled to obtain a replacement policy consistent with the level and type of coverage described in the preceding sentence covering Employee and his spouse and Employer shall reimburse Employee on an annual basis with respect to the cost of the same.

(b) Employer and Employee agree that neither Employer nor Employee shall have any future obligations related to ITT Hartford life insurance policy No. U01732239 (the "Policy") owned by the Alan Vituli Insurance Trust dated June 22, 1989, except that any cash value accumulated with respect to the Policy as of the Effective Date shall be used to pay for and fund future annual premiums; provided, however, that at such time as the remaining cash value of the Policy becomes insufficient to fund such annual premiums, Employee may, but shall not be obligated to, continue to pay for and fund such annual premiums and keep such Policy in effect.

9. VACATION

Employee shall be entitled to an aggregate of four (4) weeks paid vacation during each year of the Term at time or times reasonably agreeable to both Employee and Employer, it being understood that any portion of such vacation not taken in such year shall not be available to be taken during any other year.

10. TERMINATION; CHANGE OF CONTROL; DEATH; DISABILITY

(a) Subject to the provisions of this Agreement, either Parent or Employer, on the one hand, or Employee, on the other hand, may terminate the employment of Employee after receipt of written notice by the other party hereto provided that all applicable cure periods have expired if Parent or Employer terminates the employment of Employee for Cause or Employee terminates his employment with Good Reason.

(b) If within twelve (12) months following a Change of Control occurring during the Term, the employment of Employee hereunder is terminated without Cause or Employee terminates his employment for Good Reason, Employee shall be paid: (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation as of the date of termination; (2) on the six-month anniversary of such termination of employment, all amounts previously deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan then in effect (the "Deferred Compensation Plan") (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; (3) continue any and all benefits and insurance policies as required by Section 8 hereof and (4) a lump sum cash payment on the six-month anniversary of such termination of employment, in an amount equal to 2.99 multiplied by the average of the sum of the Base Salary and the annual bonus paid under the Executive Bonus Plan or deferred in accordance with the Deferred Compensation Plan in the five calendar years prior to the date of termination (the "Five-Year Compensation Average").

(c) If Parent or Employer (1) during the Term enters into a binding written agreement to engage in a transaction which, if consummated, would result in a Change of Control; (2) such transaction is consummated within twelve (12) months after the last date of the Term; and (3) subsequent to entering into such agreement Parent or Employer terminates employment of Employee without Cause or Employee terminates his employment for Good Reason, Employer shall pay to Employee an amount equal to the payment set forth in Section 10(b) hereof.

(d) If Employee terminates his employment pursuant to Section 10(a) hereof without Good Reason or Parent or Employer terminates the employment of Employee hereunder for Cause, Employer's only obligations hereunder shall be to pay to Employee (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation pay as of the date of termination plus (2) on the six month anniversary of such termination of employment, any compensation or bonus payments previously deferred by Employee under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof. In the event of such termination, Employee shall have no further obligation to perform services for Parent, Employer or any of the Companies.

(e) Other than in the case of Employee receiving benefits under paragraph (b) above following a Change of Control, if Parent or Employer terminates employment of Employee hereunder without Cause, or Employee terminates his employment for Good Reason, Parent or Employer shall pay to Employee (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation pay as of the date of termination; (2) on the six-month anniversary of such termination of employment, a lump sum cash payment in an amount equal to 2.00 multiplied by Employee's Five Year Compensation Average; (3) on the six-month anniversary of such termination of employment, all amounts previously deferred by Employee under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; (4) a lump sum cash payment in an amount equal to the pro rata portion of Employee's annual bonus under the Executive Bonus Plan for the year in which Employee's employment is terminated payable as and when such amounts would otherwise be payable under the terms thereof; and (5) continue any and all such benefits and insurance policies as required by Section 8 hereof.

(f) If Employee becomes physically or mentally disabled during the Term so that he is unable to perform the services required of him pursuant to this Agreement for a period of six (6) successive months, or an aggregate of six (6) months in any twelve (12) month period, Parent or Employer may give Employee written notice of its intention to terminate the services of Employee hereunder. In such event, Employee's employment shall terminate effective on the thirtieth (30th) day after receipt of such notice by Employee (the "Disability Effective Date") provided Employee shall not have returned to the performance of Employee's duties. In the event Employee's employment is terminated by reason of disability, Employer's only obligations hereunder shall be (1) commencing on the six-month anniversary of the Disability Effective Date, to continue the Base Salary (at the rate in effect on the Disability Effective Date) for a period of three (3) years; (2) to pay, no later than March 15th of the calendar year following the year in which the Disability Effective Date occurs, a pro rata portion of the annual bonus for the year in which Employee's employment is terminated payable under the terms of the Executive Bonus Plan; (3) to pay, on the six-month anniversary of the Disability Effective Date, all amounts previously deferred under the Deferred Compensation Plan (together with any interest accrued thereon) as prescribed by Employee, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; and (4) to continue any and all such benefits and insurance policies as required by Section 8 hereof.

(g) In the event of Employee's death during the Term, Employer shall pay to his spouse, if he is survived by a spouse, or if not, to the estate of Employee, (1) 30 days after Employee's death, Employee's accrued and unpaid Base Salary (at the rate in effect on the date of death) as of the date of death; (2) no later than March 15th of the calendar year following the calendar year of Employee's death, a pro rata share of the annual bonus for the year of his death payable under the terms of the Executive Bonus Plan; (3) on the six-month anniversary of Employee's death, all amounts previously deferred under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer in the manner prescribed by the executor of Employee's estate and (4) continue any and all such benefits and insurance policies as required by Section 8 hereof.

(h) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Employer or any other person or entity to or for the benefit of Employee is a "parachute payment" (within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code")), whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his employment with Employer, Parent or any of the Companies or a change in ownership or effective control of the Parent or a substantial portion of its assets (a "Payment"), and would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), concurrent with the making of such Payment, Employer shall pay to Employee an additional payment (the "Gross-Up Payment") in an amount such that the net amount retained by Employee, after deduction of any Excise Tax on such Payment and any federal, state or local income tax and Excise Tax on the Gross-Up Payment shall equal the amount of such Payment. All determinations concerning the application of this paragraph shall be made by Parent's independent accountants, whose determination shall be conclusive and binding on all parties. The fees and expenses of such accountants shall be borne by Employer.

11. RESTRICTIVE COVENANTS

(a) During the Term and for a period of two years following termination of this Agreement, Employee (i) will not violate or cause Parent, Employer or any of the Companies to violate the terms of any agreement, including any franchise agreement, which Employer is obligated under, except with the express written consent of the duly empowered officer of Parent or Employer or pursuant to an order of a court of competent jurisdiction; and (ii) will not divulge or use any confidential information the effect of which would be injurious to Parent, Employer or any of the Companies without the prior written consent of a duly empowered officer of Parent or Employer. Employee shall have the right to approve the provisions of any such franchise or other agreement which restricts Employee's future employment or business interests. During the Term and for a period of two years following termination of Employee's employment hereunder, Employee will not solicit or employ any person, who was employed by Parent, Employer or any of the Companies within six months prior to the termination of Employee's employment, in any business in which Employee has a material interest, direct or indirect, as an officer, partner, shareholder or beneficial owner. The preceding sentence shall not prohibit Employee from hiring (i) the individual who is the general counsel of Parent or Employer as of the Effective Date at any time, or (ii) any person whose employment is terminated involuntarily by Parent or Employer or any of the Companies during the Term or at any time thereafter provided that such hiring shall not occur until after Employee's termination of employment hereunder.

(b) In view of the unique and valuable services it is expected Employee will render to Parent, Employer and the Companies, and in consideration of the compensation to be received hereunder, Employee agrees (i) that he will not, during the period he is employed by Employer under this Agreement or otherwise, Participate In (as defined below) any other business or organization, which is engaged in the retail fast-food restaurant business, and (ii) for a period of two years after he ceases to be employed by Employer under this Agreement, he will not compete with or be engaged in the retail fast-food restaurant business or Participate In any other business or organization which during such two year period is engaged in the retail fast-food restaurant business within the Area, except that in each case the provisions of this Section 11(b) will not be deemed breached merely because Employee owns not more than 5% of the outstanding common stock of a corporation, if, at the time of its acquisition by Employee, such stock is listed on a national securities exchange, is listed or reported on NASDAQ, or is regularly traded in the over-the-counter market by a member of a national securities exchange.

(c) As used in this Agreement, the term "Participate In" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent, independent contractor, or otherwise with, or acquiesce in the use of his name in."

(d) As used in this Agreement, the term “Area” shall mean, at any particular time, any location within a 100 mile radius of any site at which any of the Companies is engaging in the retail fast-food business or, at the time of termination of employment, intends to engage in the retail fast-food business.

(e) The parties hereto, recognizing that irreparable injury will result to Parent, Employer and the Companies, their respective business and property in the event of Employee’s breach of this Employee covenant and non-competition provision, agree that in the event of any such breach by Employee, Parent or Employer will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Employee, Employee’s partners, agents, servants, employers, employees, and all persons acting for or with Employee. Employee represents and admits that in the event of termination of this Agreement, Employee’s experience and capabilities are such that Employee can obtain employment in a business engaged in other lines and/or of a different nature than the business of Parent, Employer or the Companies, and that the enforcement of a remedy by way of injunction will not prevent Employee from earning a livelihood.

12. INDEMNIFICATION

To the fullest extent permitted by Section 145 of the General Corporation Law of Delaware, as the same may be amended and supplemented (“Section 145”) and Article Eighth of Parent’s Restated Certificate of Incorporation as in effect as of the Effective Date, each of Parent and Employer shall indemnify Employee and hold him harmless from and against any and all of the expenses, liabilities or other matters referred to or covered in said section and certificate of incorporation (collectively, “Liabilities”) if any of such Liabilities are incurred or suffered by Employee as a result of, arising out of or in connection with his employment by Parent, Employer or any of the Companies, provided however, that Employee acknowledges that he is not entitled to the indemnity referred to above (either as set forth in Parent’s certificate of incorporation or in this Agreement), to the extent a dispute arises between Parent or Employer and Employee with respect to his conduct as an Employee, or any claim that may arise either directly or indirectly with respect to the breach of any terms and conditions of this Agreement. In addition to the indemnification, as provided in Section 145, Employer shall advance expenses, including reasonable attorneys’ fees, of Employee. The indemnification and advancement of expenses provided for herein shall continue after Employee has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of Employee.

13. BINDING EFFECT

This Agreement shall inure to the benefit of and be binding upon each of Parent and Employer and its successors. Each of Parent and Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its assets to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Parent or Employer would be required to perform it if no such succession had taken place or with or into which Parent or Employer may consolidate or merge. Employee agrees that this Agreement is personal to him and may not be assigned by him otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Employee’s legal representatives.

14. MISCELLANEOUS

(a) If any provision of this Agreement, or portion thereof, shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall attach only to such provision or portion thereof, and this Agreement shall be carried out as if any such invalid or unenforceable provision or portion thereof were not contained herein. In addition, any such invalid or unenforceable provision or portion thereof shall be deemed, without further action on the part of the parties hereto, modified, amended or limited to the extent necessary to render the same valid and enforceable.

(b) This Agreement, and all of the rights and obligations of the parties in connection with the employment relationship established hereby shall be construed and enforced in accordance with the laws of New York applicable to contracts made and fully to be performed therein, and without giving effect to any rules of conflicts of law.

(c) All notices, requests, demands, and other communications provided for hereunder shall be in writing and shall be given or made when (i) delivered personally; (ii) three (3) business days following mailing by first class postage prepaid, registered or certified mail, return receipt requested, to the party to be notified at its or his address set forth herein; or (iii) on the date sent by telecopier, if the addressee has compatible receiving equipment and provided the transmittal is made on a business day during the hours of 9:00 a.m. to 6:00 p.m. of the receiving party and if sent at other times, on the immediately succeeding business day, or (iv) on the first business day immediately succeeding delivery to an express overnight carrier for the next business day delivery.

(d) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each of the parties shall deliver such further instruments and take such further action as may be reasonably requested by the other in order to carry out the provisions and purposes of this Agreement. This Agreement represents the entire understanding of the parties with reference to the subject matter hereof, supersedes in its entirety the provisions of the Prior Employment Agreement, and neither this Agreement nor any provisions hereof may be modified, discharged or terminated except by an agreement in writing signed by the party against whom the enforcement of any waiver, charge, discharge or termination is sought. Any waiver by either party of a breach of any provision of this Agreement must be in writing and no waiver of a particular breach shall operate as or be construed as waiver of any subsequent breach thereof.

IN WITNESS WHEREOF, the parties hereto have executed and have caused this Employment Agreement to be executed as of the date first written above.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________
Name:
Title

CARROLS CORPORATION

By: ______________________________
Name:
Title:

____
ALAN VITULI

FORM OF

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), dated as of ______, 2006, by and among CARROLS RESTAURANT GROUP, INC., a Delaware corporation ("Parent") with an address at 968 James Street, Syracuse, New York 13203, CARROLS CORPORATION ("Employer"), a Delaware corporation and a wholly-owned subsidiary of Parent with an address at 968 James Street, Syracuse, New York 13203, and DANIEL T. ACCORDINO whose principal residence is 6556 Ridgewood Drive, Naples, Florida 34108 ("Employee"):

W I T N E S S E T H:

WHEREAS, Employee has been and is presently employed by Employer as its President and Chief Operating Officer pursuant to the terms of the Second Amended and Restated Employment Agreement, dated as of March 27, 1997, between Employer and Employee, as amended and extended pursuant to an Extension of Employment Agreement, dated April 1, 2002, as further extended pursuant to a Second Extension of Employment Agreement, dated November 11, 2004 and as further extended pursuant to a third Extension of Employment Agreement, dated as of May 3, 2005 (together, the "Prior Employment Agreement");

WHEREAS, the parties have agreed that Parent, Employer and Employee shall enter into this Agreement which, effective as of the Effective Date (as defined herein), shall supersede in its entirety the Prior Employment Agreement; and

WHEREAS, as of the Effective Date, Parent and Employer desire to continue to engage Employee to perform services for Employer, Parent, and any present or future parent, subsidiary or affiliate of Employer or Parent, and their successors and assigns (the "Companies") and Employee desires to perform such services, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth and other good and valuable consideration, the receipt and adequacy of which is mutually acknowledged, it is agreed by and between the parties as follows:

1. DEFINITIONS

For purposes of this Agreement, unless the context requires otherwise, the following words and phrases shall have the meanings indicated below:

"Change of Control" shall mean and shall have occurred or be deemed to have occurred only if any of the following events occurs:

(a) The acquisition, directly or indirectly, by any person or group (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act and the rules thereunder) of beneficial ownership (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (voting securities) of Parent that represent 50% or more of the combined voting power of Parent's then outstanding voting securities, other than:

(i) An acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Parent or any person controlled by Parent or by any employee benefit plan (or related trust) sponsored or maintained by Parent or any person controlled by Parent; or

(ii) An acquisition of voting securities by Parent or a corporation owned, directly or indirectly by all of the stockholders of Parent in substantially the same proportions as their ownership of the stock of Parent.

Notwithstanding the foregoing, the following event shall not constitute an acquisition by any person or group for purposes of this subsection (a): an acquisition of Parent's securities by Parent which causes Parent's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of Parent's then outstanding voting securities; *provided, however*, that if a person or group shall become the beneficial owner of 50% or more of the combined voting power of Parent's then outstanding voting securities by reason of share acquisitions by Parent as described above and shall, after such share acquisitions by Parent, become the beneficial owner of any additional voting securities of Parent, then such acquisition shall constitute a Change of Control; or

(b) individuals who, as of the Effective Date, constitute the Board of Directors of Parent (as of the Effective Date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of Parent, provided that any person becoming a director subsequent to the Effective Date whose election, or nomination for election by Parent's stockholders, was approved by a vote of at least a two-thirds of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Parent) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) The consummation by Parent (whether directly involving Parent or indirectly involving Parent through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination, or (ii) the acquisition of assets or stock of another entity, in each case other than a transaction:

(A) Which results in Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Parent or the person that, as a result of the transaction, controls, directly or indirectly, Parent or owns, directly or indirectly, all or substantially all of Parent's assets or otherwise succeeds to the business of Parent (Parent or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and

(B) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Parent prior to the consummation of the transaction; or

(d) a sale or disposition of all or substantially all of Parent's assets; or

(e) The Company's stockholders approve a liquidation or dissolution of the Company.

"Cause" shall mean: (i) the commission by Employee of a felony; (ii) the unauthorized disclosure of confidential proprietary information of Parent, Employer or any of the Companies which disclosure Employee knows or reasonably should have known would be reasonably likely to result in material damage to Parent or Employer; (iii) the breach by Employee of any material provision of this Agreement, which breach, if curable, is not remedied within thirty (30) days after Employee's receipt of written notice thereof provided, however, that Employer need not permit Employee to cure any breach which has been the subject of a prior written notice; (iv) the engagement in material self dealing in breach of fiduciary duties with respect to Parent's or Employer's assets or properties unless disclosed to and approved by the disinterested members of the Board of Directors of Parent; (v) an act of gross misconduct in connection with Employee's duties hereunder; or (vi) chronic alcohol or drug abuse rendering Employee incapable of carrying out his duties hereunder as determined in good faith by the Board of Directors of Parent continuing after Employee is given a reasonable opportunity to obtain medical or other appropriate treatment or rehabilitation.

"Effective Date" shall mean the date that the Registration Statement is declared effective by the Securities and Exchange Commission.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Good Reason" shall mean (i) the material failure of Employer to comply with the provisions of this Agreement which failure shall not cease promptly and in no event more than thirty (30) days after Employer's receipt of written notice from Employee objecting to such conduct; (ii) any termination by Parent or Employer of Employee's employment other than as expressly permitted in this Agreement; or (iii) the assignment to Employee of duties and responsibilities materially inconsistent with those duties and responsibilities customarily assigned to individuals holding the position of President and Chief Operating Officer of a company of comparable size or the substantial reduction by Parent or Employer of Employee's duties and responsibilities and, if curable, not remedied by Employer within 30 days after receipt of written notice.

"Registration Statement" shall mean Parent's Registration Statement on Form S-1 (Registration No. 333-137524), filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the initial public offering of Parent's common stock.

2. REPRESENTATIONS AND WARRANTIES

Employee represents and warrants that he is not subject to any restrictive covenants or other agreements or legal restrictions in favor of any person which would in any way preclude, inhibit, impair, limit or be violated by his employment hereunder or the performance of his duties, as contemplated herein.

3. EMPLOYMENT

Employer hereby employs Employee and Employee accepts such employment as President and Chief Operating Officer of Employer. Employee shall also serve as President and Chief Operating Officer of Parent. As its President and Chief Operating Officer, Employee shall render such services to Parent and Employer as are customarily rendered by the President and Chief Operating Officer of comparable companies and as required by the certificate of incorporation and by-laws of Parent. During the Term, Employee shall be elected to and shall serve, if so elected, as a member of the Board of Directors of Parent and Employer and may be elected and shall serve, if so elected, as a member of the Board of Directors of any of the other Companies as may from time to time be prescribed by the Board of Directors of Parent or Employer. Employee accepts such employment and, consistent with fiduciary standards which exist between an employer and an employee shall perform and discharge the duties that may be assigned to him from time to time by Parent or Employer in an efficient, trustworthy and businesslike manner. It is specifically agreed that nothing in this Agreement shall prohibit Employee from (i) serving on corporate, civic or charitable boards or committees; (ii) engaging directly or indirectly, in activities with other public or private companies or ventures; or (iii) making investments in any capacity whatsoever, provided only that, such activities or any of them do not impair Employee's performance of his duties or otherwise violate or result in a breach of the terms and provisions of Section 11 hereof.

4. PLACE OF EMPLOYMENT

During the Term, Employee shall render services where and as reasonably required by Parent or Employer. In conformance with the foregoing and not in limitation thereof, Employee agrees to take such trips as shall be consistent with or reasonably necessary in connection with his duties. Employer shall furnish Employee at Employer's principal office with an office and secretarial help and such other assistance, facilities and services consistent with Employee's position and necessary for the adequate performance of his duties.

5. TERM

Subject to the provisions of Section 10 hereof, the term of this Agreement shall commence on the Effective Date and shall expire on December 31, 2008 (the "Initial Term"). This Agreement shall be automatically renewed for successive twelve (12) month periods on all the remaining terms and conditions set forth herein, unless either party elects not to renew this Agreement by giving written notice to the other at least ninety (90) days before a scheduled expiration date. The Initial Term of this Agreement together with any such renewals are collectively referred to herein as the "Term."

6. COMPENSATION

(a) As compensation for all services rendered and to be rendered by Employee hereunder and the fulfillment by Employee of all of his obligations herein, Employer shall pay Employee, during the term, a base salary (the "Base Salary") at the rate of $500,000 per annum (prorated for periods that are less than one year) payable in accordance with Employer's customary payroll practices. Employee's base salary shall be subject to an annual increase at the sole discretion of the Compensation Committee of the Board of Directors of Parent.

(b) Employee will participate in the Executive Bonus Plan of Employer (the "Executive Bonus Plan"). Notwithstanding any provision contained herein or in the Executive Bonus Plan to the contrary, no amendment to the Executive Bonus Plan shall have a material adverse impact on Employee. If the Executive Bonus Plan is discontinued, Employer agrees to establish a plan which will provide similar potential benefits based upon similar performance measurements to Employee.

(c) Employee will also be eligible to participate in all phantom and/or actual stock option or other equity incentive programs applicable to executive employees as determined by the Compensation Committee of the Board of Directors of Parent in its sole discretion.

(d) Employer shall deduct from the compensation described in (a), (b) and (c) above, any federal, state or city withholding taxes, social security contributions and any other amounts which may be required to be deducted or withheld by Employer pursuant to any federal, state or city laws, rules or regulations.

(e) Any compensation otherwise payable to Employee pursuant to this Section in respect of any period during which Employee is disabled (as contemplated in Section 10) shall be reduced by any amounts payable to Employee for loss of earnings or the like under any insurance plan or policy the premiums for which are paid for in their entirety by Employer.

7. BUSINESS EXPENSES

(a) Employer shall pay, on behalf of Employee, or reimburse Employee, for all dues to professional societies and other organizations as are customarily joined by individuals holding the position of President and Chief Operating Officer of businesses similar to Parent and Employer. Such dues shall be paid or reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such dues are payable. Employer will require and shall reimburse Employee for his out of pocket cost of one complete physical examination per fiscal year of the Term; provided that such out of pocket costs shall be reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such cost is incurred.

(b) Each of Parent and Employer agrees that Employee is authorized to incur reasonable expenses in the performance of his duties hereunder and agrees that all reasonable expenses incurred by Employee in the discharge and fulfillment of his duties, as set forth in Section 3, will be promptly reimbursed or paid by Employer upon written substantiation signed by Employee, itemizing said expenses and containing all applicable vouchers. Employee shall be entitled to receive prompt reimbursement for all reasonable travel and entertainment expenses and the costs of attending conferences and seminars, so long as such expenses relate to Employee's ability to serve the best interests of Parent or Employer. In addition, within 30 days of the rendition of the applicable invoices, Employer shall reimburse Employee annually for the reasonable costs incurred by Employee in tax planning and tax return preparation in an annual amount not to exceed $10,000. Notwithstanding anything herein to the contrary, expenses that are reimbursable under this Section 7(b) shall be reimbursed no later than March 15th of the calendar year immediately following the calendar year in which such expenses are incurred.

8. BENEFITS AND INSURANCE

(a) Employer agrees that, during the Term, Employee shall be insured under all insurance policies and shall receive all benefits under all pension and welfare benefit plans (including, without limitation group life, medical, major medical and disability insurance) that Employer may maintain and keep in force during the Term for the benefit of Employer's or any of the Companies' employees, subject to the terms, provisions and conditions of such pension and welfare benefit plans or insurance and the agreements with underwriters relating to same. In addition, Employer will provide medical and major medical insurance for Employee and his spouse during the Term and for the remainder of their respective lives and during such period such benefit shall also provide coverage to Employee's eligible dependents, notwithstanding the termination of Employee's employment hereunder, whether voluntary or involuntary or following non-renewal of the Term of this Agreement, or his Disability or death, consistent with the level and type of coverage provided to Employee by Employer's policy at March 1, 1996, provided however, that the provisions of this Section 8(a) will not require Employer to continue post retirement or post employment medical coverage for Employee or his spouse in the event Employer terminates its post retirement and/or post employment coverage on a company-wide basis. In the event of such termination of coverage or otherwise at the election of Employer, Employee shall be entitled to obtain a replacement policy consistent with the level and type of coverage described in the preceding sentence covering Employee and his spouse and Employer shall reimburse Employee on an annual basis with respect to the cost of the same.

(b) Employer and Employee agree that neither Employer nor Employee shall have any future obligations related to ITT Hartford life insurance policy No. U01731692 (the "Policy") owned by Lucinda Accordino and Lawrence Accordino as Trustees under the Daniel T. Accordino Insurance Trust, dated February 20, 1995, except that any cash value accumulated with respect to the Policy as of the Effective Date shall be used to pay for and fund future annual premiums; provided, however, that at such time as the remaining cash value of the Policy becomes insufficient to fund such annual premiums, Employee may, but shall not be obligated to, continue to pay for and fund such annual premiums and keep such Policy in effect.

9. VACATION

Employee shall be entitled to an aggregate of four (4) weeks paid vacation during each year of the Term at time or times reasonably agreeable to both Employee and Employer, it being understood that any portion of such vacation not taken in such year shall not be available to be taken during any other year.

10. TERMINATION; CHANGE OF CONTROL; DEATH; DISABILITY

(a) Subject to the provisions of this Agreement, either Parent or Employer, on the one hand, or Employee, on the other hand, may terminate the employment of Employee after receipt of written notice by the other party hereto provided that all applicable cure periods have expired if Parent or Employer terminates the employment of Employee for Cause or Employee terminates his employment with Good Reason.

(b) If within twelve (12) months following a Change of Control occurring during the Term, the employment of Employee hereunder is terminated without Cause or Employee terminates his employment for Good Reason, Employee shall be paid: (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation as of the date of termination; (2) on the six-month anniversary of such termination of employment, all amounts previously deferred under the Carrols Corporation & Subsidiaries Deferred Compensation Plan then in effect (the “Deferred Compensation Plan”) (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; (3) continue any and all benefits and insurance policies as required by Section 8 hereof and (4) a lump sum cash payment on the six-month anniversary of such termination of employment, in an amount equal to 2.99 multiplied by the average of the sum of the Base Salary and the annual bonus paid under the Executive Bonus Plan or deferred in accordance with the Deferred Compensation Plan in the five calendar years prior to the date of termination (the “Five-Year Compensation Average”).

(c) If Parent or Employer (1) during the Term enters into a binding written agreement to engage in a transaction which, if consummated, would result in a Change of Control; (2) such transaction is consummated within twelve (12) months after the last date of the Term; and (3) subsequent to entering into such agreement Parent or Employer terminates employment of Employee without Cause or Employee terminates his employment for Good Reason, Employer shall pay to Employee an amount equal to the payment set forth in Section 10(b) hereof.

(d) If Employee terminates his employment pursuant to Section 10(a) hereof without Good Reason or Parent or Employer terminates the employment of Employee hereunder for Cause, Employer’s only obligations hereunder shall be to pay to Employee (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation pay as of the date of termination plus (2) on the six month anniversary of such termination of employment, any compensation or bonus payments previously deferred by Employee under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof. In the event of such termination, Employee shall have no further obligation to perform services for Parent, Employer or any of the Companies.

(e) Other than in the case of Employee receiving benefits under paragraph (b) above following a Change of Control, if Parent or Employer terminates employment of Employee hereunder without Cause, or Employee terminates his employment for Good Reason, Parent or Employer shall pay to Employee (1) 30 days after such termination of employment, his accrued but unpaid Base Salary and vacation pay as of the date of termination; (2) on the six-month anniversary of such termination of employment, a lump sum cash payment in an amount equal to 2.00 multiplied by Employee’s Five Year Compensation Average; (3) on the six-month anniversary of such termination of employment, all amounts previously deferred by Employee under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; (4) a lump sum cash payment in an amount equal to the pro rata portion of Employee's annual bonus under the Executive Bonus Plan for the year in which Employee's employment is terminated payable as and when such amounts would otherwise be payable under the terms thereof; and (5) continue any and all such benefits and insurance policies as required by Section 8 hereof.

(f) If Employee becomes physically or mentally disabled during the Term so that he is unable to perform the services required of him pursuant to this Agreement for a period of six (6) successive months, or an aggregate of six (6) months in any twelve (12) month period, Parent or Employer may give Employee written notice of its intention to terminate the services of Employee hereunder. In such event, Employee's employment shall terminate effective on the thirtieth (30th) day after receipt of such notice by Employee (the "Disability Effective Date") provided Employee shall not have returned to the performance of Employee's duties. In the event Employee's employment is terminated by reason of disability, Employer's only obligations hereunder shall be (1) commencing on the six-month anniversary of the Disability Effective Date, to continue the Base Salary (at the rate in effect on the Disability Effective Date) for a period of three (3) years; (2) to pay, no later than March 15th of the calendar year following the year in which the Disability Effective Date occurs, a pro rata portion of the annual bonus for the year in which Employee's employment is terminated payable under the terms of the Executive Bonus Plan; (3) to pay, on the six-month anniversary of the Disability Effective Date, all amounts previously deferred under the Deferred Compensation Plan (together with any interest accrued thereon) as prescribed by Employee, as and to the extent such amounts would be payable pursuant to the terms and conditions thereof; and (4) to continue any and all such benefits and insurance policies as required by Section 8 hereof.

(g) In the event of Employee's death during the Term, Employer shall pay to his spouse, if he is survived by a spouse, or if not, to the estate of Employee, (1) 30 days after Employee's death, Employee's accrued and unpaid Base Salary (at the rate in effect on the date of death) as of the date of death; (2) no later than March 15th of the calendar year following the calendar year of Employee's death, a pro rata share of the annual bonus for the year of his death payable under the terms of the Executive Bonus Plan; (3) on the six-month anniversary of Employee's death, all amounts previously deferred under the Deferred Compensation Plan (together with any interest accrued thereon) and not yet paid by Employer in the manner prescribed by the executor of Employee's estate and (4) continue any and all such benefits and insurance policies as required by Section 8 hereof.

(h) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Employer or any other person or entity to or for the benefit of Employee is a "parachute payment" (within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code")), whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his employment with Employer, Parent or any of the Companies or a change in ownership or effective control of the Parent or a substantial portion of its assets (a "Payment"), and would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), concurrent with the making of such Payment, Employer shall pay to Employee an additional payment (the "Gross-Up Payment") in an amount such that the net amount retained by Employee, after deduction of any Excise Tax on such Payment and any federal, state or local income tax and Excise Tax on the Gross-Up Payment shall equal the amount of such Payment. All determinations concerning the application of this paragraph shall be made by Parent's independent accountants, whose determination shall be conclusive and binding on all parties. The fees and expenses of such accountants shall be borne by Employer.

11. RESTRICTIVE COVENANTS

(a) During the Term and for a period of two years following termination of this Agreement, Employee (i) will not violate or cause Parent, Employer or any of the Companies to violate the terms of any agreement, including any franchise agreement, which Employer is obligated under, except with the express written consent of the duly empowered officer of Parent or Employer or pursuant to an order of a court of competent jurisdiction; and (ii) will not divulge or use any confidential information the effect of which would be injurious to Parent, Employer or any of the Companies without the prior written consent of a duly empowered officer of Parent or Employer. Employee shall have the right to approve the provisions of any such franchise or other agreement which restricts Employee's future employment or business interests. During the Term and for a period of two years following termination of Employee's employment hereunder, Employee will not solicit or employ any person, who was employed by Parent, Employer or any of the Companies within six months prior to the termination of Employee's employment, in any business in which Employee has a material interest, direct or indirect, as an officer, partner, shareholder or beneficial owner. The preceding sentence shall not prohibit Employee from hiring (i) the individual who is the general counsel of Parent or Employer as of the Effective Date at any time, or (ii) any person whose employment is terminated involuntarily by Parent or Employer or any of the Companies during the Term or at any time thereafter provided that such hiring shall not occur until after Employee's termination of employment hereunder.

(b) In view of the unique and valuable services it is expected Employee will render to Parent, Employer and the Companies, and in consideration of the compensation to be received hereunder, Employee agrees (i) that he will not, during the period he is employed by Employer under this Agreement or otherwise, Participate In (as defined below) any other business or organization, which is engaged in the retail fast-food restaurant business, and (ii) for a period of two years after he ceases to be employed by Employer under this Agreement, he will not compete with or be engaged in the retail fast-food restaurant business or Participate In any other business or organization which during such two year period is engaged in the retail fast-food restaurant business within the Area, except that in each case the provisions of this Section 11(b) will not be deemed breached merely because Employee owns not more than 5% of the outstanding common stock of a corporation, if, at the time of its acquisition by Employee, such stock is listed on a national securities exchange, is listed or reported on NASDAQ, or is regularly traded in the over-the-counter market by a member of a national securities exchange.

(c) As used in this Agreement, the term "Participate In" shall mean: "directly or indirectly, for his own benefit or for, with, or through any other person, firm, or corporation, own, manage, operate, control, loan money to, or participate in the ownership, management, operation, or control of, or be connected as a director, officer, employee, partner, consultant, agent, independent contractor, or otherwise with, or acquiesce in the use of his name in."

(d) As used in this Agreement, the term “Area” shall mean, at any particular time, any location within a 100 mile radius of any site at which any of the Companies is engaging in the retail fast-food business or, at the time of termination of employment, intends to engage in the retail fast-food business.

(e) The parties hereto, recognizing that irreparable injury will result to Parent, Employer and the Companies, their respective business and property in the event of Employee’s breach of this Employee covenant and non-competition provision, agree that in the event of any such breach by Employee, Parent or Employer will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Employee, Employee’s partners, agents, servants, employers, employees, and all persons acting for or with Employee. Employee represents and admits that in the event of termination of this Agreement, Employee’s experience and capabilities are such that Employee can obtain employment in a business engaged in other lines and/or of a different nature than the business of Parent, Employer or the Companies, and that the enforcement of a remedy by way of injunction will not prevent Employee from earning a livelihood.

12. INDEMNIFICATION

To the fullest extent permitted by Section 145 of the General Corporation Law of Delaware, as the same may be amended and supplemented (“Section 145”) and Article Eighth of Parent’s Restated Certificate of Incorporation as in effect as of the Effective Date, each of Parent and Employer shall indemnify Employee and hold him harmless from and against any and all of the expenses, liabilities or other matters referred to or covered in said section and certificate of incorporation (collectively, “Liabilities”) if any of such Liabilities are incurred or suffered by Employee as a result of, arising out of or in connection with his employment by Parent, Employer or any of the Companies, provided however, that Employee acknowledges that he is not entitled to the indemnity referred to above (either as set forth in Parent’s certificate of incorporation or in this Agreement), to the extent a dispute arises between Parent or Employer and Employee with respect to his conduct as an Employee, or any claim that may arise either directly or indirectly with respect to the breach of any terms and conditions of this Agreement. In addition to the indemnification, as provided in Section 145, Employer shall advance expenses, including reasonable attorneys’ fees, of Employee. The indemnification and advancement of expenses provided for herein shall continue after Employee has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of Employee.

13. BINDING EFFECT

This Agreement shall inure to the benefit of and be binding upon each of Parent and Employer and its successors. Each of Parent and Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its assets to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Parent or Employer would be required to perform it if no such succession had taken place or with or into which Parent or Employer may consolidate or merge. Employee agrees that this Agreement is personal to him and may not be assigned by him otherwise than by will or laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Employee’s legal representatives.

14. MISCELLANEOUS

(a) If any provision of this Agreement, or portion thereof, shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall attach only to such provision or portion thereof, and this Agreement shall be carried out as if any such invalid or unenforceable provision or portion thereof were not contained herein. In addition, any such invalid or unenforceable provision or portion thereof shall be deemed, without further action on the part of the parties hereto, modified, amended or limited to the extent necessary to render the same valid and enforceable.

(b) This Agreement, and all of the rights and obligations of the parties in connection with the employment relationship established hereby shall be construed and enforced in accordance with the laws of New York applicable to contracts made and fully to be performed therein, and without giving effect to any rules of conflicts of law.

(c) All notices, requests, demands, and other communications provided for hereunder shall be in writing and shall be given or made when (i) delivered personally; (ii) three (3) business days following mailing by first class postage prepaid, registered or certified mail, return receipt requested, to the party to be notified at its or his address set forth herein; or (iii) on the date sent by telecopier, if the addressee has compatible receiving equipment and provided the transmittal is made on a business day during the hours of 9:00 a.m. to 6:00 p.m. of the receiving party and if sent at other times, on the immediately succeeding business day, or (iv) on the first business day immediately succeeding delivery to an express overnight carrier for the next business day delivery.

(d) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each of the parties shall deliver such further instruments and take such further action as may be reasonably requested by the other in order to carry out the provisions and purposes of this Agreement. This Agreement represents the entire understanding of the parties with reference to the subject matter hereof, supersedes in its entirety the provisions of the Prior Employment Agreement, and neither this Agreement nor any provisions hereof may be modified, discharged or terminated except by an agreement in writing signed by the party against whom the enforcement of any waiver, charge, discharge or termination is sought. Any waiver by either party of a breach of any provision of this Agreement must be in writing and no waiver of a particular breach shall operate as or be construed as waiver of any subsequent breach thereof.

IN WITNESS WHEREOF, the parties hereto have executed and have caused this Employment Agreement to be executed as of the date first written above.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________
Name:
Title

CARROLS CORPORATION

By: ______________________________
Name:
Title:

____
DANIEL T. ACCORDINO

Exhibit 10.30

FORM OF

CHANGE OF CONTROL/SEVERANCE AGREEMENT

CHANGE OF CONTROL/SEVERANCE AGREEMENT (the "Agreement") made and entered into as of this __ day of ___________, __ by and among CARROLS RESTAURANT GROUP, INC., a Delaware corporation (the "Parent"), CARROLS CORPORATION, a Delaware corporation and a wholly-owned subsidiary of the Parent (the "Employer"), and _________________ having an address at _________________, (the "Executive").

W I T N E S S E T H:

WHEREAS, the Executive has been employed by the Employer and/or one or more of the Companies (as defined below) and desires to remain in the employ of the Employer and continue to provide services for the Parent, the Employer and any present or future parent, subsidiary or affiliate of the Employer or the Parent, and their successors and assigns (the "Companies") in such capacity; and

WHEREAS, the Parent and the Employer desire to induce the Executive to so remain in such employ;

NOW, THEREFORE, the parties hereto hereby agree as follows:

FIRST: Inducement Payments.

A. Subject to the provisions of this Agreement and the Executive's compliance with Article THIRD hereof, in the event that the Executive incurs a termination of employment within one year after a Change of Control (as hereinafter defined) either by the Parent or the Employer (or any successor to the Parent or the Employer after the Change of Control) without "Cause" (as hereinafter defined, but determined without regard to clause (4) of such definition) or by the Executive with "Good Reason" (as hereinafter defined), the Employer (or any successor thereto) shall pay to the Executive a single lump sum cash payment equal to the "Special Severance Payment" and the Special Severance Bonus (as such terms are hereinafter defined). The Special Severance Payment shall be paid to the Executive on the fifth (5^{th}) business day following the six (6) months' anniversary of such termination (or on the fifth (5th) business day following the death of the Executive, if sooner). The Special Severance Bonus shall be paid to the Executive in a single lump sum cash payment on the date that bonuses are paid under the Executive Bonus Plan, but in no event later than March 15th of the calendar year following the calendar year in which the Executive's employment terminates. Notwithstanding the foregoing, the Executive shall not be entitled to any payment under this Part A unless prior to the date such payment is required to be made to the Executive, the Executive delivers to the Employer an executed General Release substantially in the form attached as Exhibit A hereto.

B. Subject to the provisions of this Agreement and the Executive's compliance with Article THIRD hereof, in the event that the Executive incurs a termination of employment either prior to a Change of Control or more than one year after a Change of Control and such termination is by the Parent or the Employer without Cause or by the Executive with Good Reason, the Employer (or any successor thereto) shall pay to the Executive the "Severance Payment" and the "Severance Bonus" (as such terms are hereinafter defined). The Severance Payment shall be paid to the Executive in a single lump sum cash payment on the fifth (5th) business day following the six (6) months' anniversary of such termination (or on the fifth (5th) business day following the death of the Executive, if sooner). The Severance Bonus shall be paid to the Executive in a single lump sum cash payment on the date that bonuses are paid under the Executive Bonus Plan, but in no event later than March 15th of the calendar year following the calendar year in which the Executive's employment terminates. Notwithstanding the foregoing, the Executive shall not be entitled to any payment under this Part B unless prior to the date such payment is required to be made to the Executive, the Executive delivers to the Employer an executed General Release substantially in the form attached as Exhibit A hereto.

C. For purposes of this Agreement, the following definitions shall apply:

"Change of Control" shall mean and shall have occurred or be deemed to have occurred only if any of the following events occurs:

1. The acquisition, directly or indirectly, by any person or group (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder) of beneficial ownership (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (voting securities) of the Parent that represent 50% or more of the combined voting power of the Parent's then outstanding voting securities, other than:

a. An acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Parent or any person controlled by the Parent or by any employee benefit plan (or related trust) sponsored or maintained by the Parent or any person controlled by the Parent; or

b. An acquisition of voting securities by the Parent or a corporation owned, directly or indirectly by all of the stockholders of the Parent in substantially the same proportions as their ownership of the stock of the Parent.

Notwithstanding the foregoing, the following event shall not constitute an acquisition by any person or group for purposes of this subsection (a): an acquisition of the Parent's securities by the Parent which causes the Parent's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Parent's then outstanding voting securities; *provided*, *however*, that if a person or group shall become the beneficial owner of 50% or more of the combined voting power of the Parent's then outstanding voting securities by reason of share acquisitions by the Parent as described above and shall, after such share acquisitions by the Parent, become the beneficial owner of any additional voting securities of the Parent, then such acquisition shall constitute a Change of Control; or

2. Individuals who, as of the Effective Date, constitute the Board of Directors of the Parent (as of the Effective Date, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Parent, provided that any person becoming a director subsequent to the Effective Date whose election, or nomination for election by the Parent's stockholders, was approved by a vote of at least a two-thirds of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Parent) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

3. The consummation by the Parent (whether directly involving the Parent or indirectly involving the Parent through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination, or (ii) the acquisition of assets or stock of another entity, in each case other than a transaction:

a. Which results in the Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Parent or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Parent's assets or otherwise succeeds to the business of the Parent (the Parent or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and

b. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Parent prior to the consummation of the transaction; or

4. A sale or disposition of all or substantially all of the Parent's assets; or

5. The Parent's stockholders approve a liquidation or dissolution of the Parent.

"Cause" shall mean: (1) the commission by the Executive of any act or omission that would constitute a felony or any crime of moral turpitude under Federal law or the law of the state or foreign law in which such action occurred; (2) dishonesty, disloyalty, fraud, embezzlement, theft, disclosure of trade secrets or confidential information or other acts or omissions by the Executive that result in a breach of fiduciary or other material duty to the Parent, the Employer or any of the Companies; (3) continued reporting to work or working under the influence of alcohol, an illegal drug, an intoxicant or a controlled substance which renders the Executive incapable of performing his or her material duties to the satisfaction of the Parent or the Employer; or (4) the Executive's substantial disregard in the performance of the Executive's duties and/or responsibilities with respect to the Parent, the Employer or any of the Companies, which disregard shall continue after notice to the Executive and a reasonable opportunity to cure such behavior.

"Effective Date" shall mean: the date that the Registration Statement is declared effective by the Securities and Exchange Commission.

"Executive Bonus Plan" shall mean: all bonus plans or arrangements maintained by the Employer or any of the Companies in which the Executive is eligible to participate for the year in which he incurs a termination of employment.

"Good Reason" shall mean: (i) the material breach by the Employer or the Parent of any material provision of this Agreement or any other Agreement by and between the Executive and any of the Companies affecting the terms of the Executive's employment with any of the Companies, which breach, if curable, is not remedied within thirty (30) days after the Employer's or the Parent's receipt of written notice thereof from the Executive; (ii) the material diminution of the Executive's position, authority, duties or responsibilities with respect to any of the Companies or the assignment to the Executive of duties and responsibilities that are materially inconsistent with those duties and responsibilities customarily assigned to individuals holding the position then held by the Executive; (iii) the failure of any successor of the Parent or the Employer to assume in a writing delivered to the Executive and reasonably satisfactory to the Executive the obligations hereunder; (iv) reduction in the Executive's base salary or any reduction of benefits received by the Executive, which reduction is not commensurate with that of similarly situated employees; (v) treatment of the Executive under any executive bonus plan in which similarly situated executives of the Company are eligible to participate in a manner inconsistent with the treatment under such plan of such similarly situated executives, including, without limitation, with respect to eligibility to participate in such plan, conditions and criteria for earning bonuses thereunder and the amount of bonuses thereunder., or (vi) the requirement that the Executive be based at any location other than within 50 miles of the location of the Executive's office on the date of this Agreement.

"Prime Rate" shall mean: the rate of interest established from time to time by JPMorgan Chase Bank, N.A. (or such other bank which is then the principal lending bank to the Employer) as its prime commercial rate.

"Registration Statement" shall mean: the Parent's Registration Statement on Form S-1 (Registration No. 333-137524), filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the initial public offering of the Parent's common stock.

"Severance Bonus" shall mean: an amount equal to a pro rata portion of the aggregate bonus under the Executive Bonus Plan for the year in which the Executive incurs a termination of employment to which the Executive would otherwise have been entitled had his employment not terminated.

"Severance Payment" shall mean: an amount equal to the Executive's annual base salary in effect immediately prior to the date the Executive incurs a termination of employment, plus interest on such amount at a rate per annum equal to the Prime Rate plus three percent (3%), with such interest accruing from the date of termination of employment until the date of payment of the Severance Payment.

"Special Severance Bonus" shall mean: an amount equal to the aggregate bonus under the Executive Bonus Plan for the year in which the Executive incurs a termination of employment to which the Executive would otherwise have been entitled had his employment not terminated.

"Special Severance Payment" shall mean: an amount equal to eighteen (18), multiplied by the amount of the Executive's monthly base salary in effect immediately prior to the date the Executive incurs a termination of employment, plus interest on such amount at a rate per annum equal to the Prime Rate plus three percent (3%), with such interest accruing from the date of termination of employment until the date of payment of the Special Severance Payment.

For purposes of this Agreement, "affiliate" shall have the meaning ascribed thereto under the Securities Act of 1933, as amended.

For purposes of this Agreement, "termination of employment" means cessation of the Executive's employment with the Parent, the Employer and all of the Companies by which the Executive is employed.

SECOND: Excise Tax. Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by the Employer or any other person or entity to or for the benefit of the Executive is a "parachute payment" (within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code")), whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his employment with the Employer, the Parent or any of the Companies or a change in ownership or effective control of the Parent or a substantial portion of its assets (a "Payment"), and would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), concurrent with the making of such Payment, the Employer shall pay to the Executive an additional payment (the "Gross-Up Payment") in an amount such that the net amount retained by the Executive, after deduction of any Excise Tax on such Payment and any federal, state or local income tax and Excise Tax on the Gross-Up Payment shall equal the amount of such Payment. All determinations concerning the application of this paragraph shall be made by the Parent's independent accountants, whose determination shall be conclusive and binding on all parties. The fees and expenses of such accountants shall be borne by the Employer.

THIRD: Confidentiality and Non-Solicitation. In consideration of the Executive's employment and continued employment, the payment of Executive's compensation by the Employer, the Parent or the Employer and the other Companies entrusting Executive with Confidential Information (as defined below), and the benefits provided hereunder, including without limitation the Special Severance Payment, the Special Severance Bonus, the Severance Payment and the Severance Bonus, the Executive agrees that (i) during his employment with the Employer and for a period of two years following termination of the Executive's employment hereunder, the Executive will not solicit or employ any person, who was employed by the Parent, the Employer or any of the Companies within six months prior to the termination of the Executive's employment, in any business in which the Executive has a material interest, direct or indirect, as an officer, partner, shareholder or beneficial owner. The preceding sentence shall not prohibit the Executive from hiring any person whose employment is terminated involuntarily by the Parent, the Employer or any of the Companies during the Executive's employment with the

Company or at any time thereafter provided that such hiring shall not occur until after the Executive's termination of employment hereunder and (ii) during employment with the Employer, Executive will not use or disclose to any individual or entity any Confidential Information (as defined below) except (i) in the performance of Executive's duties for the Parent, the Employer or any of the Companies, (ii) as authorized in writing by the Parent or the Employer, or (iii) as required by law or legal process, provided that, prior written notice of such required disclosure is provided to the Parent or the Employer and, provided further that all reasonable efforts to preserve the confidentiality of such information shall be made.

As used in this Agreement, "Confidential Information" shall mean information that (i) is used or potentially useful in the business of the Parent, the Employer or any of the Companies, (ii) the Parent, the Employer or any of the Companies treats as proprietary, private or confidential, and (iii) is not generally known to the public. "Confidential Information" includes, without limitation, information relating to the Parent's, the Employer's or any of the Companies' products or services, processing, manufacturing, marketing, selling, customer lists, call lists, customer data, memoranda, notes, records, technical data, sketches, plans, drawings, chemical formulae, trade secrets, composition of products, research and development data, sources of supply and material, operating and cost data, financial information, personal information and information contained in manuals or memoranda. "Confidential Information" also includes proprietary and/or confidential information of the Parent's, the Employer's or any of the Companies' customers, suppliers and trading partners who may share such information with the Parent, the Employer or any of the Companies pursuant to a confidentiality agreement or otherwise. The Executive agrees to treat all such customer, supplier or trading partner information as "Confidential Information" hereunder. The foregoing restrictions on the use or disclosure of confidential information shall continue after Executive's employment terminates for any reason for so long as the information is not generally known to the public.

FOURTH: Continued Welfare Coverage. If Executive's employment is terminated in any of the circumstances described in Article FIRST hereof, (a) the Executive shall be entitled to continued group term life and disability insurance coverage, at the Employer's expense, for a period of eighteen (18) months from the date of termination of employment and (b) in the event Executive timely elects under the provisions of COBRA to continue his group health and/or dental plan coverage that was in effect prior to the date of the termination of Executive's employment, the Executive will be entitled to continuation of such coverage, at the Employer's expense, for a period of eighteen (18) months from the date of termination of employment (or, if earlier, the date the Executive ceases to be eligible for COBRA Coverage).

FIFTH: At Will Employment. Nothing in this Agreement shall confer upon the Executive the right to remain in the employ of the Employer, the Parent or any of the Companies, it being understood and agreed that (a) the Executive is an employee at will and serves at the pleasure of the Parent or the Company at such compensation as the Parent or the Employer shall determine from time to time and (b) the Parent or the Employer shall have the right to terminate the Executive's employment at any time, with or without Cause subject to Article FIRST herein.

SIXTH: Costs of Enforcement. In the event that the Executive incurs any costs or expenses, including attorneys' fees, in the enforcement of his rights under this Agreement then, unless the Parent or the Employer is wholly successful in defending against the enforcement of such rights, the Employer shall promptly pay to the Executive all such costs and expenses. Any such reimbursement shall be made as promptly as practicable after the final disposition of the Executive's enforcement claims, but in no event later than March 15th of the calendar year following the calendar year in which occurs such final disposition.

SEVENTH: Term. The initial term of this Agreement shall be for five (5) years from the Effective Date, and this Agreement shall automatically renew for successive three (3) year terms unless terminated by the Parent or the Company, in its sole discretion, by delivering to Executive written notice thereof provided to Executive at least 18 months prior to the end of the initial term or such successive terms, as applicable.

EIGHTH: Notices. All notices hereunder shall be in writing and shall be sent by registered or certified mail, return receipt requested, if intended for the Parent or the Employer shall be addressed to it, attention of its Chief Executive Officer and Chairman of the Board of Directors, 968 James Street, Syracuse, New York 13203 or at such other address of which the Parent or the Employer shall have given notice to the Executive in the manner herein provided; and if intended for the Executive, shall be mailed to him at the address of the Executive first set forth above or at such other address of which the Executive shall have given notice to the Parent or the Employer in the manner herein provided.

NINTH: Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the matters referred to herein, and no waiver of or modification to the terms hereof shall be valid unless in writing signed by the party to be charged and only to the extent therein set forth. All prior and contemporaneous agreements and understandings with respect to the subject matter of this Agreement are hereby terminated and superseded by this Agreement, including, without limitation, the Change of Control Agreement, dated as of December 27, 2002, by and among the Parent, the Executive and the other parties signatories thereto, which, with respect to the Executive, is terminated and superseded in its entirety by this Agreement.

TENTH: No Mitigation Or Offset. Except as otherwise provided herein, in the event of any termination of the Executive's employment, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Employer pursuant to this Agreement. Further, the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive or benefit provided to the Executive as the result of employment by another employer or otherwise. The amounts payable hereunder shall not be subject to set-off, counterclaim, recoupment, defense or other right that the Company may have against the Executive.

ELEVENTH: Withholding. The Employer shall be entitled to withhold from amounts payable to the Executive hereunder such amounts as may be required by applicable law.

TWELFTH: Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, administrators, executors, personal representatives, successors and assigns.

THIRTEENTH: Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to conflicts of laws.

FOURTEENTH: Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________
Name:
Title:

CARROLS CORPORATION

By: ______________________________
Name:
Title:

[Executive] ______________________________

Exhibit A

RELEASE

WHEREAS, ______________ (the "Executive") is a party to an Agreement dated as of __________, 20__ (the "Agreement") by and among the Executive , CARROLS RESTAURANT GROUP, INC., a Delaware corporation (the "Parent"), and CARROLS CORPORATION, a Delaware corporation and a wholly-owned subsidiary of the Parent (the "Company"), requiring the Company to provide the Executive with severance payments and benefits following the termination of the Executive's employment with the Parent, the Company, any subsidiary or affiliate of the Company or the Parent, and their successors and assigns (the "Companies") under certain circumstances; and

WHEREAS, the Executive's employment with the Companies has terminated; and

WHEREAS, it is a condition to the Company's obligations under the Agreement that the Executive execute and deliver this Release to the Company.

NOW, THEREFORE, in consideration of the receipt by the Executive of the severance payments and benefits under the Agreement, which constitute a material inducement to enter into this Release, the Executive intending to be legally bound hereby agrees as follows:

Subject to the next succeeding paragraph, effective upon the expiration of the 7-day revocation period following execution hereof as provided below, the Executive irrevocably and unconditionally releases the Companies and their owners, stockholders, predecessors, successors, assigns, affiliates, control persons, agents, directors, officers, employees, representatives, divisions and subdivisions (collectively, the "Related Persons") from any and all causes of action, charges, complaints, liabilities, obligations, promises, agreements, controversies and claims (a) arising out of the Executive's employment with any of the Companies and the conclusion thereof, including, without limitation, any federal, state, local or other statutes, orders, laws, ordinances, regulations or the like that relate to the employment relationship and/or specifically that prohibit discrimination based upon age, race, religion, sex, national origin, disability, sexual orientation or any other unlawful bases, including, without limitation, as amended, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Civil Rights Acts of 1866 and 1871, the Americans With Disabilities Act of 1990, the New York City and State Human Rights Laws, and any applicable rules and regulations promulgated pursuant to or concerning any of the foregoing statutes; (b) for tort, tortious or harassing conduct, infliction of emotional distress, interference with contract, fraud, libel or slander; and (c) for breach of contract or for damages, including, without limitation, punitive or compensatory damages or for attorneys' fees, expenses, costs, salary, severance pay, vacation, injunctive or equitable relief, whether, known or unknown, suspected or unsuspected, foreseen or unforeseen, matured or unmatured, which, from the beginning of the world up to and including the date hereof, exists, have existed, or may arise, which the Executive, or any of his heirs, executors, administrators, successors and assigns ever had, now has or at any time hereafter may have, own or hold against any of the Companies and/or any Related Person.

Notwithstanding anything contained herein to the contrary, the Executive is not releasing the Companies from any of the Companies' obligations (a) under the Agreement or any employee benefit plan of any of the Companies, (b) to provide the Executive with insurance coverage defense and/or indemnification as an officer or director of any of the Companies, if applicable to Executive, to the extent generally made available at the date of termination to the Companies' officers and directors in respect of facts and circumstances existing or arising on or prior to the date hereof, or (c) in respect of the Executive's rights under the Parent's 2006 Stock Incentive Plan.

The Company has advised the Executive in writing to consult with an attorney of his choosing prior to the signing of this Release and the Executive hereby represents to the Company that he has in fact consulted with such an attorney prior to the execution of this Release. The Executive acknowledges that he has had at least twenty-one days to consider the waiver of his rights under the ADEA. Upon execution of this Release, the Executive shall have seven additional days from such date of execution to revoke his consent to the waiver of his rights under the ADEA. If no such revocation occurs, the Executive's waiver of rights under the ADEA shall become effective seven days from the date the Executive executes this Release.

IN WITNESS WHEREOF, the undersigned has executed this Release on the __ day of ___________, 20__.

____

CARROLS RESTAURANT GROUP, INC.

FORM OF AGREEMENT

This AGREEMENT is made as of November [·], 2006, by and among Carrols Restaurant Group, Inc. (f/k/a Carrols Holdings Corporation), a Delaware corporation (the "Company"), Madison Dearborn Capital Partners, L.P., Madison Dearborn Capital Partners, II L.P. (together with Madison Dearborn Capital Partners, L.P., the "Investors"), BIB Holdings (Bermuda), Ltd., a Bermuda corporation and a wholly-owned subsidiary of Bahrain International Bank (E.C.) and successor in interest to Atlantic Restaurants, Inc. ("BIB"), Alan Vituli ("Vituli"), Daniel T. Accordino and Joseph A. Zirkman (together with Daniel T. Accordino, the "Management Investors"). For purpose of this Agreement, the Investors, BIB, Vituli and the Management Investors are collectively referred to as the "Stockholders".

BACKGROUND

A. The Company and the Stockholders are parties to that certain Stockholders Agreement dated as of March 27, 1997 (as amended, the "Stockholders Agreement").

B. In anticipation of, and as an integral step to the completion of, the Company's initial public offering (the "IPO") of the Company's Common Stock, par value $.01 per share (the "Common Stock"), as described in its Registration Statement on Form S-1 (Registration No. 333-137524) initially filed with the U.S. Securities and Exchange Commission on September 22, 2006 and as amended thereafter (the "Registration Statement"), the Company and the Stockholders desire to terminate the Stockholders Agreement and enter into certain other agreements in the manner set forth below.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Amendment hereby agree as follows:

AGREEMENT

Section 1. Termination of Stockholders Agreement.

(a) Effective as of the Time of Closing (as defined below) of the IPO, the Company and the Stockholders hereby terminate as of the Time of Closing the Stockholders Agreement in its entirety such that it shall be of no further force or effect and all rights and obligations thereunder shall cease. As used herein, the term "Time of Closing" means the time as of which the underwriters for the IPO shall have paid for all of the shares of Common Stock that they are obligated to purchase pursuant to the related underwriting agreement (the "Underwriting Agreement"), excluding any shares that the underwriters may have an option to purchase pursuant to the over-allotment option; and the term "pricing date" of the IPO shall mean the date of the Underwriting Agreement.

(b) Each of the Stockholders hereby agrees that, during the Waiver Period (as defined below), the Stockholders will treat the Stockholders Agreement as if it had been terminated and of no force and effect and, during the Waiver Period, no Stockholder will be entitled to exercise any right, enforce any obligation or be subject to any restriction under the Stockholders Agreement to which any such Stockholder would have been entitled or subject to had the Stockholders Agreement been in effect during the Waiver Period; provided, however, that in the event that the Time of Closing does not occur on or before the earlier of (i) February 13, 2007 or (ii) the termination of the Underwriting Agreement by the underwriters for the IPO, the Waiver Period shall, without further action be deemed to have expired and the Stockholders Agreement will remain in full force and effect; and provided, further, that anything herein to the contrary notwithstanding, if the Time of Closing occurs on or before February 13, 2007, then the provisions of Section 1(a) of this Agreement shall be deemed to have become effective, and the Stockholders Agreement shall be deemed to have been terminated, as of the Time of Closing. As used herein, the term "Waiver Period" shall mean the period commencing from and after the pricing date of the IPO and ending at the Time of Closing.

Section 2. Class III Director. From and after the pricing date of the IPO and until the provisions of this Section 2 cease to be effective, the Board of Directors (the "Board") of the Company and any applicable committee thereof shall take all necessary or desirable actions within their control (including, without limitation, calling special board and stockholder meetings), and the Company shall take all necessary or desirable actions within its control (including, without limitation, calling special board and stockholder meetings), so that:

(a) one director designated by the Investors ("Investor Director") and one director designated by BIB ("BIB Director") are nominated for election as Class III members of the Board (as defined in the Company's restated certificate of incorporation in effect as of the Time of Closing) (each a "Class III Director"), and it is hereby acknowledged that the initial Investor Director shall be Robin P. Selati (the "Initial Investor Director") and the initial BIB Director shall be Olaseni Adeyemi Sonuga (the "Initial BIB Director");

(b) the removal from the Board (with or without cause) of any Investor Director or BIB Director shall be at the Investors' or BIB's written request, respectively, but only upon such written request and under no other circumstances; and

(c) in the event that the Initial Investor Director or the Initial BIB Director ceases to serve as a member of the Board during his initial term of office as a Class III Director, the resulting vacancy on the Board shall be filled by a representative designated by the Investors or BIB, respectively, who shall be reasonably acceptable to the Company; provided, however, that the right of BIB and the Investors to designate a successor to fill any such vacancy on the Board shall cease and terminate upon the appointment of an Investor Director or BIB Director, respectively, to the Board to fill the vacancy resulting from the Initial Investor Director or Initial BIB Director, respectively, ceasing to serve as a member of the Board.

If any party fails to designate a representative to fill a directorship pursuant to the terms of this Section 2, such directorship shall remain vacant until such party exercises its right to designate a director hereunder until such time as such right to designate a director ceases to be in effect as provided in the immediately succeeding sentence. The provisions set forth in this Section 2 shall terminate automatically and be of no further force and effect upon the earlier to occur of (i) immediately prior to the date and time of the Company's annual stockholder's meeting in 2009, (ii) with respect to BIB, at the time that BIB, ceases to own, of record or beneficially, a number of shares of the Company's Common Stock representing at least 5% of the aggregate number of shares of Common Stock then outstanding or (iii) with respect to the Investors, at the time that the Investors cease to own, of record or beneficially, a number of shares of the Company's Common Stock representing at least 5% of the aggregate number of shares of Common Stock then outstanding.

Section 3. Fees, Expenses and D&O Insurance. Effective as of the date hereof, the Company shall pay the reasonable out-of-pocket expenses incurred by the Investor Director and the BIB Director in connection with attending the meetings of the Board, any board of directors of the Company's subsidiaries ("Sub Board") and any committee thereof. In addition, the Company shall pay to each Investor Director and each BIB Director an annual fee in an amount determined by the Board from time to time to be paid by the Company to each non-employee director as and when determined by the Board; provided, however, that neither any Investor Director nor any BIB Director shall be entitled to receive any stock awards, stock options or any other equity compensation from time to time to be paid by the Company to any non-employee director. So long as any Investor Director or BIB Director serves on the Board or a Sub Board, and for five years thereafter, the Company shall maintain directors and officers indemnity insurance coverage and, to the fullest extent provided by applicable law, provisions for indemnification and exculpation of directors which, in the reasonable judgment of the Company, are at least as favorable to its directors as the provisions for indemnification and exculpation contained in the Company's restated certificate of incorporation and amended and restated by-laws (each as in effect at the Time of Closing).

Section 4. Miscellaneous.

4.1. Amendment and Waiver. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the Stockholders unless such modification, amendment or waiver is approved in writing by the Company and the Stockholders. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

4.2. Entire Agreement. Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

4.3. Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Stockholders and the respective successors and assigns of each of them. Notwithstanding the foregoing, neither BIB nor the Investors shall be entitled to assign any rights under this Agreement except, in the case of BIB, to its parent company or a subsidiary of such parent company or, in the case of the Investors, to their direct or indirect general partner and to any investment fund under the control of their direct or indirect general partner.

4.4. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

4.5. Remedies. The Company and the Stockholders shall be entitled to enforce their rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that a breach of this Agreement would cause irreparable harm and money damages would not be an adequate remedy for any such breach and that, in addition to other rights and remedies hereunder, the Company and any Stockholder shall be entitled to specific performance and/or injunctive or other equitable relief (without posting a bond or other security) from any court of law or equity of competent jurisdiction in order to enforce or prevent any violation of the provisions of this Agreement.

4.6. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed first class mail (postage prepaid, return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient at the address indicated on Schedule A hereto. Notices shall be deemed to have been given hereunder when delivered personally, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service. The Company's address is:

Carrols Restaurant Group, Inc.
968 James Street
Syracuse, NY 13203
Attn: Vice President and General Counsel

With a copy to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022-2585
Attention: Wayne A. Wald, Esq. and Evan L. Greebel, Esq.

4.7. Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights of the Company and its stockholders. All other issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement and the schedule hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

4.8. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

4.9. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________
Name:
Title:

MADISON DEARBORN CAPITAL PARTNERS, L.P.

By: Madison Dearborn Partners, L.P.
Its: General Partner

By: Madison Dearborn Partners, Inc.
Its: General Partner

By: ______________________________
Name:
Title: Managing Director

MADISON DEARBORN CAPITAL PARTNERS II, L.P.

By: Madison Dearborn Partners II, L.P.
Its: General Partner

By: Madison Dearborn Partners, Inc.
Its: General Partner

By: ______________________________
Name:
Title: Managing Director

BIB HOLDINGS (BERMUDA), LTD.

By: ______________________________
Name:
Title:

ALAN VITULI

DANIEL T. ACCORDINO

JOSEPH A. ZIRKMAN

Schedule of Stockholders

BIB Holdings (Bermuda), Ltd.
c/o Bahrain International Bank (E.C.)
Al Salam Tower
P.O. Box 5016
Manama, Kingdom of Bahrain
Attn.: Adeyemi O. Sonuga, Chief Financial Officer

Madison Dearborn Capital Partners, L.P.
Three First National Plaza
Suite 3800
Chicago, IL 60602
Attn.: Benjamin D. Chereskin and Robin P. Selati

Madison Dearborn Capital Partners II, L.P.
Three First National Plaza
Suite 3800
Chicago, IL 60602
Attn.: Benjamin D. Chereskin and Robin P. Selati

Alan Vituli
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Daniel T. Accordino
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Joseph A. Zirkman
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

CARROLS RESTAURANT GROUP, INC.

FORM OF AMENDMENT NO. 1 TO
REGISTRATION AGREEMENT

THIS AMENDMENT NO. 1 TO REGISTRATION AGREEMENT, is made as of November [•], 2006 (this "Amendment"), by and among Carrols Restaurant Group, Inc. (f/k/a Carrols Holdings Corporation), a Delaware corporation (the "Company"), and the Persons listed on Schedule A attached hereto (collectively referred to herein as the "Stockholders", and each as a "Stockholder").

BACKGROUND

A. The Company and the Stockholders entered into that certain Registration Agreement, dated as of March 27, 1997 (the "Registration Agreement").

B. In anticipation of, and as an integral step to the completion of, the Company's initial public offering (the "IPO") of the Company's Common Stock, par value $.01 per share (the "Common Stock"), as described in its Registration Statement on Form S-1 (Registration No. 333-137524) initially filed with the U.S. Securities and Exchange Commission on September 22, 2006 and as amended thereafter (the "Registration Statement"), the Company and the Stockholders desire to amend the Registration Agreement in the manner set forth below.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Amendment hereby agree as follows:

AGREEMENT

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Registration Agreement. As used herein, the term "Time of Closing" means the time as of which the underwriters for the IPO shall have paid for all of the shares of Common Stock that they are obligated to purchase pursuant to the related underwriting agreement, excluding any shares that the underwriters may have an option to purchase pursuant to the over-allotment option.

Section 2. Amendment to Section 2(e) of the Registration Agreement. Effective as of the Time of Closing (as defined below) of the IPO, Section 2(e) of the Registration Agreement is hereby amended and restated in its entirety to read as follows:

"(e) Reserved."

Section 3. Amendment to Section 3(b) of the Registration Agreement. Effective as of the Time of Closing of the IPO, Section 3(b) of the Registration Agreement is hereby amended and restated in its entirety to read as follows:

"(b) Reserved."

Section 4. Amendment to Section 5(b) of the Registration Agreement. Effective as of the date hereof, Section 5(b) of the Registration Agreement is hereby amended and restated in its entirety to read as follows:

> "(b) In connection with each Demand Registration and each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of the Registrable Securities included in such registration and for the reasonable fees and disbursements of each additional counsel retained by any holder of Registrable Securities for the purpose of rendering a legal opinion of behalf of such holder in connection with any underwritten Demand Registration or Piggyback Registration; provided, however, that the Company shall directly pay on behalf of or reimburse Madison Dearborn Capital Partners, L.P. and Madison Dearborn Capital Partners II, L.P. and its affiliates an amount not to exceed $60,000 for all of their legal fees and expenses incurred in preparation for and in connection with the IPO and the documentation thereof; the Company will also directly pay on behalf of or reimburse BIB Holdings (Bermuda), Ltd., and its affiliates, an amount not to exceed $100,000 for all of its reasonable legal fees and expenses incurred in preparation for and in connection with the IPO and the documentation thereof."

Section 5. Amendment to Section 9(b) of the Registration Agreement. Effective as of the Time of Closing of the IPO, Section 9(b) of the Registration Agreement is hereby amended and restated in its entirety to read as follows:

> "(b) Reserved."

Section 6. Other Registrable Securities. For purposes of clarification, it is hereby acknowledged and agreed that the term "Other Registrable Securities" as defined in Section 8 of the Registration Agreement shall also mean and include the 1,979,621 shares of Common Stock acquired, effective as of May 3, 2005 after giving effect to the 11.288-for-1 forward stock split to be effected in connection with the IPO, by any Management Holder (or his Family Group) in exchange for the cancellation and termination of outstanding options to purchase shares of Common Stock held by any such Management Holder (or his Family Group), as more fully described in the Registration Statement.

Section 7. Miscellaneous.

7.1. Effect of Amendment. Except as specifically modified by this Amendment, the Registration Agreement remains in full force and effect. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Company or of the Stockholders under the Registration Agreement, or constitute a waiver of any provision of the Registration Agreement, except as specifically set forth herein. All references to the “Agreement” in the Registration Agreement shall be deemed references to the Agreement as amended by this Amendment.

7.2. Counterparts. This Amendment may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Amendment.

7.3. Incorporation of Provisions from Agreement. The terms and provisions of Sections 9(d), (h) and (j) of the Registration Agreement are incorporated herein by reference as if set forth herein in their entirety, substituting “Amendment” for “Agreement” each place such defined term appears therein, except that copies of any notices sent to the Company under Section 9(j) of the Registration Agreement shall be sent to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022-2585
Attention: Wayne A. Wald, Esq. and Evan L. Greebel, Esq.

7.4. Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights of the Company and the Stockholders. All other issues and questions concerning the construction, validity, interpretation and enforcement of this Amendment and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CARROLS RESTAURANT GROUP, INC.

By: ______________________________
Name:
Title:

MADISON DEARBORN CAPITAL PARTNERS, L.P.

By: Madison Dearborn Partners, L.P.
Its: General Partner

By: Madison Dearborn Partners, Inc.
Its: General Partner

By: ______________________________
Name:
Title: Managing Director

MADISON DEARBORN CAPITAL PARTNERS II, L.P.

By: Madison Dearborn Partners II, L.P.
Its: General Partner

By: Madison Dearborn Partners, Inc.
Its: General Partner

By: ______________________________
Name:
Title: Managing Director

BIB HOLDINGS (BERMUDA), LTD.

By: ______________________________
Name:
Title:

ALAN VITULI

DANIEL T. ACCORDINO

JOSEPH A. ZIRKMAN

<u>Schedule A</u>

<u>Schedule of Stockholders</u>

BIB Holdings (Bermuda), Ltd.
c/o Bahrain International Bank (E.C.)
Al Salam Tower
P.O. Box 5016
Manama, Kingdom of Bahrain
Attn.: Adeyemi O. Sonuga, Chief Financial Officer

Madison Dearborn Capital Partners, L.P.
Three First National Plaza
Suite 3800
Chicago, IL 60602
Attn.: Benjamin D. Chereskin and Robin P. Selati

Madison Dearborn Capital Partners II, L.P.
Three First National Plaza
Suite 3800
Chicago, IL 60602
Attn.: Benjamin D. Chereskin and Robin P. Selati

Alan Vituli
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Daniel T. Accordino
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Joseph A. Zirkman
c/o Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 3 to Registration Statement on Form S-1 of our report dated July 27, 2005, except for the restatement referred to in Note 2 to the consolidated financial statements as to which the date is June 29, 2006, the business segment information in Note 14 and the earnings per share information within the statements of operations and in Note 18 as to which the date is September 21, 2006, and the effects of the stock split described in Note 19, as to which the date is November 21, 2006, relating to the financial statements and financial statement schedules of Carrols Restaurant Group, Inc. (formerly named Carrols Holdings Corporation) as of December 31, 2004 and for each of the two years in the period ended December 31, 2004, which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Syracuse, New York
November 22, 2006

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 3 to Registration Statement No. 333-127526 of our report dated June 30, 2006, (, 2006 as to the effects of the stock split described in Note 19) relating to the consolidated financial statements and financial statement schedules of Carrols Restaurant Group, Inc. (formerly Carrols Holdings Corporation) and subsidiary as of and for the year ended January 1, 2006, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading “Experts” in such prospectus.

Rochester, New York
, 2006

The consolidated financial statements give effect to an 11.288 for 1 stock split of the common stock of Carrols Restaurant Group, Inc. (formerly Carrols Holdings Corporation) and subsidiary which will take place prior to the effective date of the registration statement of which this prospectus is a part. The preceding consent is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon completion of the 11.288 for 1 stock split of the common stock of Carrols Restaurant Group, Inc. and subsidiary described in Note 19 to the financial statements and assuming that from June 30, 2006 to the date of such completion no other material events have occurred that would affect the consolidated financial statements or require disclosure therein.

/s/ Deloitte & Touche LLP

Rochester, New York
November 21, 2006

CONSENT OF TECHNOMIC, INC.

November 15, 2006

Carrols Holdings Corporation
968 James Street
Syracuse, NY 13203

Ladies and Gentlemen:

We hereby consent to the use of our name, Technomic Information Services, and to the references to the "2006 Technomic Top 500 Chain Restaurant Report" for the year ended 2005 in the Registration Statement on Form S-1 (File No. 333-137524) of Carrols Holdings Corporation (the "Company") and in all subsequent amendments, including post-effective amendments, and supplements to the Registration Statement and in any related prospectus and any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, relating to the Company's initial public offering of its common stock. We further consent to the filing of this Consent as an exhibit to such Registration Statement.

Technomic, Inc.

By: /s/ Chris Urban
Name: Chris Urban
Title: Director, Knowledge Center

Exhibit 99.2

CONSENT OF DIRECTOR NOMINEE

I hereby consent to being named in the Registration Statement on Form S-1 (Registration No. 333-137524) of Carrols Holdings Corporation, a Delaware corporation (the "Company"), and in all subsequent amendments, including post-effective amendments, and supplements to the Registration Statement, and in any related prospectus and any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, as a director nominee of the Company, with my election to become effective on or prior to the consummation of the offering contemplated therein, and I further consent to the filing and/or incorporation by reference of this consent as an exhibit to such Registration Statement and all subsequent amendments, including post-effective amendments, and supplements to the Registration Statement and any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended.

Dated: November 16, 2006

/s/ Jack Smith
Name:

Exhibit 99.3

CONSENT OF DIRECTOR NOMINEE

I hereby consent to being named in the Registration Statement on Form S-1 (Registration No. 333-137524) of Carrols Holdings Corporation, a Delaware corporation (the “Company”), and in all subsequent amendments, including post-effective amendments, and supplements to the Registration Statement, and in any related prospectus and any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, as a director nominee of the Company, with my election to become effective on or prior to the consummation of the offering contemplated therein, and I further consent to the filing and/or incorporation by reference of this consent as an exhibit to such Registration Statement and all subsequent amendments, including post-effective amendments, and supplements to the Registration Statement and any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended.

Dated: November 16, 2006

/s/ Joel Handel

Name: