UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended April 4, 2010

OR

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

Commission File Number: 001-33174

CARROLS RESTAURANT GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**16-1287774** **(I.R.S. Employer Identification No.)**
968 James Street **Syracuse, New York** **(Address of principal executive office)**	**13203** **(Zip Code)**

Registrant's telephone number, including area code: (315) 424-0513

Commission File Number: 001-06553

CARROLS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**16-0958146** **(I.R.S. Employer Identification Number)**
968 James Street **Syracuse, New York** **(Address of principal executive offices)**	**13203** **(Zip Code)**

Registrant's telephone number including area code: (315) 424-0513

Carrols Corporation meets the conditions set forth in General Instruction H(1) and is therefore filing this form with reduced disclosure format pursuant to General Instruction H(2).

Indicate by check mark whether either of the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically and posted on their Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Carrols Restaurant Group, Inc.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Carrols Corporation

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐

Indicate by check mark whether either of the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 6, 2010, Carrols Restaurant Group, Inc. had 21,618,560 shares of its common stock, $.01 par value, outstanding. As of May 6, 2010, all outstanding equity securities of Carrols Corporation, which consisted of 10 shares of its common stock, were owned by Carrols Restaurant Group, Inc.

Table of Contents

CARROLS RESTAURANT GROUP, INC. AND CARROLS CORPORATION

FORM 10-Q
QUARTER ENDED APRIL 4, 2010

PART I—FINANCIAL INFORMATION

ITEM 1—INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,971	$ 4,402
Trade and other receivables	5,861	5,971
Inventories	5,629	5,935
Prepaid rent	3,970	3,928
Prepaid expenses and other current assets	5,845	4,835
Refundable income taxes	—	1,185
Deferred income taxes	4,834	4,834
Total current assets	30,110	31,090
Property and equipment, net	189,692	192,724
Franchise rights, net (Note 4)	72,874	73,674
Goodwill (Note 4)	124,934	124,934
Intangible assets, net	509	543
Franchise agreements, at cost less accumulated amortization of $5,977 and $5,854, respectively	5,862	5,924
Deferred income taxes	1,955	1,935
Other assets	9,100	9,153
Total assets	$435,036	$ 439,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	$ 11,960	$ 12,985
Accounts payable	13,124	15,983
Accrued interest	3,172	6,880
Accrued payroll, related taxes and benefits	16,276	21,454
Accrued income taxes payable	1,629	—
Accrued real estate taxes	2,143	4,780
Other liabilities	10,869	9,061
Total current liabilities	59,173	71,143
Long-term debt, net of current portion (Note 5)	265,417	260,108
Lease financing obligations (Note 9)	10,013	9,999
Deferred income—sale-leaseback of real estate	42,260	43,088
Accrued postretirement benefits (Note 8)	1,837	1,914
Other liabilities (Note 7)	22,204	22,321
Total liabilities	400,904	408,573
Commitments and contingencies (Note 11)		
Stockholders' equity:		
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 - 21,615,341 and 21,611,607 shares, respectively	216	216
Additional paid-in capital	2,163	1,759
Retained earnings	30,221	27,907
Accumulated other comprehensive income (Note 13)	1,673	1,663
Treasury stock, at cost	(141)	(141)
Total stockholders' equity	34,132	31,404
Total liabilities and stockholders' equity	$435,036	$ 439,977

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	2010	2009
Revenues:		
Restaurant sales	$ 194,667	$ 200,989
Franchise royalty revenues and fees	477	354
Total revenues	195,144	201,343
Costs and expenses:		
Cost of sales	59,198	58,273
Restaurant wages and related expenses (including stock-based compensation expense of $14 and $52, respectively)	59,134	58,643
Restaurant rent expense	12,356	12,432
Other restaurant operating expenses	28,232	29,414
Advertising expense	6,846	8,011
General and administrative (including stock-based compensation expense of $379 and $295, respectively)	12,497	13,218
Depreciation and amortization	8,122	7,870
Impairment and other lease charges (Note 3)	270	291
Total operating expenses	186,655	188,152
Income from operations	8,489	13,191
Interest expense	4,743	5,151
Income before income taxes	3,746	8,040
Provision for income taxes (Note 6)	1,432	3,014
Net income	$ 2,314	$ 5,026
Basic and diluted net income per share (Note 12)	$ 0.11	$ 0.23
Basic weighted average common shares outstanding (Note 12)	21,613,689	21,592,462
Diluted weighted average common shares outstanding (Note 12)	21,837,600	21,594,938

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In thousands of dollars)
(Unaudited)

	2010	2009
Cash flows provided from (used for) operating activities:		
Net income	$ 2,314	$ 5,026
Adjustments to reconcile net income to net cash provided from (used for) operating activities:		
Loss on disposals of property and equipment	64	54
Stock-based compensation expense	393	347
Impairment and other lease charges	270	291
Depreciation and amortization	8,122	7,870
Amortization of deferred financing costs	239	245
Amortization of unearned purchase discounts	—	(539)
Amortization of deferred gains from sale-leaseback transactions	(830)	(772)
Accretion of interest on lease financing obligations	14	9
Deferred income taxes	(20)	760
Accrued income taxes	2,814	324
Changes in other operating assets and liabilities	(13,504)	(1,280)
Net cash provided from (used for) operating activities	(124)	12,335
Cash flows used for investing activities:		
Capital expenditures:		
New restaurant development	(1,192)	(3,834)
Restaurant remodeling	(1,993)	(2,340)
Other restaurant capital expenditures	(2,203)	(1,093)
Corporate and restaurant information systems	(392)	(698)
Total capital expenditures	(5,780)	(7,965)
Properties purchased for sale-leaseback	(1,141)	—
Proceeds from sale-leaseback transactions	2,319	1,943
Proceeds from sales of other properties	—	249
Net cash used for investing activities	(4,602)	(5,773)
Cash flows provided from (used for) financing activities:		
Borrowings on revolving credit facility	41,700	21,900
Repayments on revolving credit facility	(33,400)	(26,800)
Principal pre-payments on term loans	(1,023)	—
Scheduled principal payments on term loans	(2,971)	(1,500)
Principal payments on capital leases	(22)	(23)
Proceeds from stock option exercises	11	—
Net cash provided from (used for) financing activities	4,295	(6,423)
Net increase (decrease) in cash and cash equivalents	(431)	139
Cash and cash equivalents, beginning of period	4,402	3,399
Cash and cash equivalents, end of period	$ 3,971	$ 3,538
Supplemental disclosures:		
Interest paid on long-term debt	$ 7,966	$ 8,990
Interest paid on lease financing obligations	$ 231	$ 352
Accruals for capital expenditures	$ 170	$ 940
Income taxes paid (refunded), net	$ (1,392)	$ 1,930

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars except share and per share amounts)

1. Basis of Presentation

Business Description. At April 4, 2010 the Company operated, as franchisee, 311 quick-service restaurants under the trade name “Burger King” in 12 Northeastern, Midwestern and Southeastern states. At April 4, 2010, the Company also owned and operated 91 Pollo Tropical restaurants, of which 85 were located in Florida, four were in New Jersey and one each in New York and Connecticut, and franchised a total of 29 Pollo Tropical restaurants, 21 in Puerto Rico, two in Ecuador, one in Honduras, one in the Bahamas, one in Trinidad and three on college campuses in Florida. At April 4, 2010, the Company owned and operated 156 Taco Cabana restaurants located primarily in Texas and franchised two Taco Cabana restaurants in New Mexico, one in Texas and one in Georgia.

Basis of Consolidation. The unaudited consolidated financial statements presented herein include the accounts of Carrols Restaurant Group, Inc. (“Carrols Restaurant Group” or the “Company”) 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 difference between the consolidated financial statements of Carrols Restaurant Group and Carrols is primarily due to additional rent expense of approximately $6 per year for Carrols Restaurant Group and the composition of stockholders’ equity.

Fiscal Year. The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. All references herein to the fiscal years ended January 3, 2010 and December 28, 2008 will be referred to as the fiscal years ended December 31, 2009 and 2008, respectively. Similarly, all references herein to the three months ended April 4, 2010 and March 29, 2009 will be referred to as the three months ended March 31, 2010 and March 31, 2009, respectively. The year ended December 31, 2009 contained 53 weeks and the year ended December 31, 2008 contained 52 weeks. The three months ended March 31, 2010 and 2009 each contained thirteen weeks.

Basis of Presentation. The accompanying unaudited consolidated financial statements for the three months ended March 31, 2010 and 2009 have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission and do not include certain 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 three months ended March 31, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2009 contained in the Company’s 2009 Annual Report on Form 10-K. The December 31, 2009 balance sheet data is derived from those audited financial statements.

Fair Value of Financial Instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value as follows: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities; and Level 3 inputs are unobservable and reflect our own assumptions. 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 March 31, 2010 and December 31, 2009 were approximately $168.3 million and $167.5 million, respectively.
- *Revolving and Term Loan Facilities.* Rates and terms under Carrols’ senior credit facility are favorable to debt with similar terms and maturities that could be obtained, if at all, at March 31, 2010. Given the lack of comparative information regarding such debt, including the lack of trading in Carrols’ Term A debt, it is not practicable to estimate the fair value of our existing borrowings under Carrols’ senior credit facility at March 31, 2010.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

Use of Estimates. The preparation of the 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 and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include: accrued occupancy costs, insurance liabilities, legal obligations, income taxes, evaluation for impairment of goodwill, long-lived assets and Burger King franchise rights, lease accounting matters and stock-based compensation. Actual results could differ from those estimates.

Subsequent Events. The Company evaluated for subsequent events through the issuance date of the Company's financial statements. No subsequent events requiring disclosure were noted.

2. Stock-Based Compensation

On January 15, 2010, the Company granted in the aggregate options to purchase 530,350 shares of its common stock, consisting of 160,000 shares of non-qualified stock options and 370,350 shares of incentive stock options ("ISO's"), and issued 4,000 shares of restricted stock. The non-qualified stock options and ISO's granted are exercisable for up to one-fifth of the total number of options granted on or after the first anniversary of the grant date and as of the first day of each month thereafter are exercisable for an additional one-sixtieth of the total number of options granted until fully exercisable. The options expire seven years from the date of the grant and were issued with an exercise price equal to the fair market value of the stock price, or $6.48 per share of common stock, on the date of grant. The restricted stock awards vest 100% on the third anniversary of the award date.

The weighted-average fair value of options granted was $3.06 per share which was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.35%
Annual dividend yield	0%
Expected term	4.8 years
Expected volatility	53%

Stock based compensation expense for the three months ended March 31, 2010 and 2009 was $0.4 million and $0.3 million, respectively. As of March 31, 2010, the total non-vested stock-based compensation expense relating to the options and restricted shares was approximately $3.7 million and the Company expects to record an additional $1.2 million as compensation expense in 2010. At March 31, 2010, the remaining weighted average vesting period for stock options and restricted shares was 3.5 years and 1.5 years, respectively.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

Stock Options

A summary of all option activity for the three months ended March 31, 2010 was as follows:

	2006 Plan			
	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value (1)
Options outstanding at January 1, 2010	2,130,758	$ 9.86	4.8	$ 2,340
Granted	530,350	6.48		
Exercised	(3,734)	3.04		
Forfeited	(21,565)	9.64		
Options outstanding at March 31, 2010	2,635,809	$ 9.19	5.0	$ 2,321
Vested or expected to vest at March 31, 2010	2,597,991	$ 9.08	5.0	$ 2,277
Options exercisable at March 31, 2010	1,029,268	$ 11.63	4.2	$ 501

(1) The aggregate intrinsic value was calculated using the difference between the market price of the Company's common stock at April 4, 2010 and the grant price for only those awards that had a grant price that was less than the market price of the Company's common stock at April 4, 2010.

3. Impairment of Long-Lived Assets and Other Lease Charges

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 its assets, an estimate of the undiscounted future cash flows over the life of the primary asset for 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 and 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 plus any lease liabilities to be incurred for non-operating properties, net of any estimated sublease recoveries.

The Company determined the fair value of the impaired long-lived assets at the restaurant level based on current economic conditions and historical experience. These asset measurements are considered Level 3 in the fair value hierarchy.

Impairment and other lease charges recorded on long-lived assets for the Company's segments were as follows:

	Three Months Ended March 31,	
	2010	2009
Burger King	$ 22	$ 22
Pollo Tropical	52	269
Taco Cabana	196	—
	$ 270	$ 291

During the three months ended March 31, 2010, the Company recorded a charge of $0.2 million related to a non-operating Taco Cabana property due to a reduction of estimated cost recoveries from subletting the property through the end of the remaining lease term. During the three months ended March 31, 2009, the Company closed one Pollo Tropical restaurant property in Florida whose fixed assets were impaired in 2008, and recorded a charge of $0.3 million which principally consisted of future minimum lease payments and related ancillary costs from the date of the closure to the end of the remaining lease term, net of any estimated cost recoveries from subletting the property.

4. Goodwill and Franchise Rights

Goodwill. The Company is required to review goodwill for impairment annually, or more frequently, when events and circumstances indicate that the carrying amount may be impaired. If the determined fair value of goodwill is less than the related carrying amount, an impairment loss is recognized. The Company performs its annual impairment assessment as of December 31 and does not believe circumstances have changed since the last assessment date which would make it necessary to reassess their values.

(in thousands of dollars except share and per share amounts)

Goodwill balances are summarized below:

	Pollo Tropical	Taco Cabana	Burger King	Total
Balance, March 31, 2010	$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 plus one twenty-year renewal period.

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 three months ended March 31, 2010 and 2009.

Amortization expense related to Burger King franchise rights was $800 and $784 for the three months ended March 31, 2010 and 2009, respectively. The Company estimates the amortization expense for the year ending December 31, 2010 and for each of the five succeeding years to be $3,197.

5. Long-term Debt

Long-term debt at March 31, 2010 and December 31, 2009 consisted of the following:

	March 31, 2010	December 31, 2009
Collateralized:		
Senior Credit Facility-Revolving credit facility	$ 10,200	$ 1,900
Senior Credit Facility-Term loan A facility	101,006	105,000
Unsecured:		
9% Senior Subordinated Notes	165,000	165,000
Capital leases	1,171	1,193
	277,377	273,093
Less: current portion	(11,960)	(12,985)
	$265,417	$ 260,108

Senior Credit Facility. On March 9, 2007, Carrols terminated and replaced its prior senior credit facility with a new senior credit facility with a syndicate of lenders. Carrols' senior credit facility initially totaled approximately $185 million, consisting of $120 million principal amount of term loan A borrowings maturing on March 8, 2013 (or earlier on September 30, 2012 if the 9% Senior Subordinated Notes due 2013 are not refinanced by June 30, 2012) and a $65.0 million revolving credit facility (including a sub limit of up to $25.0 million for letters of credit and up to $5.0 million for swingline loans), maturing on March 8, 2012.

The term loan and revolving credit borrowings under the senior credit facility bear interest at a per annum rate, at Carrols' option, of either:

1) the applicable margin percentage ranging from 0% to 0.25% based on Carrols' senior leverage ratio (as defined in the senior credit facility) plus the greater of (i) the prime rate or (ii) the federal funds rate for that day plus 0.5%; or

2) Adjusted LIBOR plus the applicable margin percentage in effect ranging from 1.0% to 1.5% based on Carrols' senior leverage ratio. At March 31, 2010 the LIBOR margin percentage was 1.0%.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

During the three months ended March 31, 2010, the Company made a required prepayment of approximately $1.0 million based on 25% of Carrols' Excess Cash Flow for the year ended December 31, 2009, as defined. At April 4, 2010, outstanding borrowings under Term loan A were $101.0 million with the remaining balance due and payable as follows:

1) four quarterly installments of approximately $3.0 million beginning on June 30, 2010;

2) four quarterly installments of approximately $4.5 million beginning on June 30, 2011; and

3) four quarterly installments of approximately $17.8 million beginning on June 30, 2012.

After reserving $14.5 million for letters of credit guaranteed by the facility, $40.3 million was available for borrowings under the revolving credit facility at April 4, 2010.

Under the senior credit facility, Carrols is also required to make mandatory prepayments of principal on its term loan borrowings (a) annually in an amount up to 50% of Excess Cash Flow depending upon Carrols' Total Leverage Ratio (as such terms are 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. The senior credit facility contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the senior credit facility if there is a default in the payment of any principal of or interest on any indebtedness of Carrols having an outstanding principal amount of at least $2.5 million (excluding lease financing obligations but which would include the Indenture governing the Notes, as defined below) or any event or condition which results in the acceleration of such indebtedness prior to its stated maturity.

In general, Carrols' obligations under the senior credit facility are guaranteed by the Company and all of Carrols' material subsidiaries and are collateralized by a pledge of Carrols' common stock and the stock of each of Carrols' material subsidiaries. The senior credit facility contains certain covenants, including, without limitation, those limiting Carrols' 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 meet certain financial ratios, including fixed charge coverage, senior leverage, and total leverage ratios (all as defined under the senior credit facility). Carrols was in compliance with the covenants under its senior credit facility as of April 4, 2010.

Senior Subordinated Notes. On December 15, 2004, Carrols issued $180 million of 9% Senior Subordinated Notes due 2013 (the "Notes"). At both April 4, 2010 and January 3, 2010, $165.0 million principal amount of the Notes were outstanding.

Restrictive covenants under the Indenture governing the Notes include limitations with respect to the Carrols' ability to issue additional debt, incur liens, sell or acquire assets or businesses, pay dividends and make certain investments. Carrols was in compliance with the restrictive covenants in the Indenture governing the Notes as of March 31, 2010.

The Indenture governing the Notes contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the Notes and the Indenture if there is a default under any indebtedness of Carrols having an outstanding principal amount of $20 million or more (which would include the senior credit facility) if such default results in the acceleration of such indebtedness prior to its stated maturity or is caused by a failure to pay principal when due.

6. Income Taxes

The provision for income taxes for the three months ended March 31, 2010 and 2009 was comprised of the following:

	Three Months Ended March 31,	
	2010	2009
Current	$ 1,452	$ 2,254
Deferred	(20)	760
	$ 1,432	$ 3,014

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

The provision for income taxes for the three months ended March 31, 2010 was derived using an estimated effective annual income tax rate for 2010 of 37.0%, which excludes any discrete tax adjustments. Discrete tax adjustments increased the provision for income taxes by $46 in the three months ended March 31, 2010.

The provision for income taxes for the three months ended March 31, 2009 was derived using an estimated effective annual income tax rate for 2009 of 37.5%, which excludes any discrete tax adjustments. There were no discrete tax adjustments in the three months ended March 31, 2009.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of March 31, 2010 and December 31, 2009, the Company had no unrecognized tax benefits and no accrued interest related to uncertain tax positions.

The tax years 2006-2009 remain open to examination by the major taxing jurisdictions to which the Company is subject. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase within the next twelve months due to the uncertainties regarding the timing of any examinations, the Company does not expect unrecognized tax benefits to significantly change in the next twelve months.

7. Other Liabilities, Long-Term

Other liabilities, long-term, at March 31, 2010 and December 31, 2009 consisted of the following:

	March 31, 2010	December 31, 2009
Accrued occupancy costs	$ 12,011	$ 11,572
Accrued workers' compensation costs	4,166	4,018
Deferred compensation	2,669	3,210
Other	3,358	3,521
	$ 22,204	$ 22,321

8. Postretirement Benefits

The Company provides postretirement medical and life insurance benefits covering substantially all Burger King administrative and restaurant management salaried employees who retire or terminate after qualifying for such benefits. A December 31 measurement date is used for postretirement benefits.

The following summarizes the components of net periodic postretirement benefit income:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Service cost	$ 8	$ 7
Interest cost	27	28
Amortization of net gains and losses	24	(84)
Amortization of prior service credit	(90)	21
Net periodic postretirement benefit income	$ (31)	$ (28)

During the three months ended March 31, 2010, the Company made contributions of $36 to its postretirement plan and expects to make additional contributions during 2010. Contributions made by the Company to its postretirement plan for the year ended December 31, 2009 were $153.

9. Lease Financing Obligations

The Company has previously entered into sale-leaseback transactions involving certain restaurant properties that did not qualify for sale-leaseback accounting and as a result, were classified as financing transactions. 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.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

During 2009, the Company settled $1.9 million of lease financing obligations which included a purchase from a lessor of one restaurant property previously subject to a lease financing obligation for $1.1 million and the settlement of a lease financing obligation incurred previously in 2009 for $0.8 million. The Company also modified provisions of three of its restaurant leases previously accounted for as lease financing obligations which allowed the respective sale transactions to qualify for sale-leaseback accounting. As a result of these transactions in 2009, lease financing obligations were reduced $4.9 million, assets under lease financing obligations were reduced by $2.7 million and deferred gains on qualified sale-leaseback transactions of $1.2 million were recorded.

Interest expense associated with lease financing obligations for the three months ended March 31, 2010 and 2009 was $0.3 million and $0.4 million, respectively.

10. 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, and Pollo Tropical and Taco Cabana, both Company-owned concepts. Pollo Tropical is a quick-casual restaurant chain offering a unique selection of food items reflecting tropical and Caribbean influences and feature grilled marinated chicken and authentic “made from scratch” side dishes. Taco Cabana is a quick-casual restaurant chain featuring fresh Mexican style food, including flame-grilled beef and chicken fajitas, quesadillas and other Tex-Mex dishes.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009. 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 before interest, income taxes, depreciation and amortization, impairment losses and other lease charges, stock-based compensation expense, other income and gains and losses 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, including restaurant information systems expenditures, goodwill and deferred income taxes.

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

Three Months Ended	Pollo Tropical	Taco Cabana	Burger King	Other	Consolidated
March 31, 2010:					
Total revenues	$45,493	$62,032	$ 87,619	$ —	$ 195,144
Cost of sales	14,693	18,555	25,950	—	59,198
Restaurant wages and related expenses	11,589	19,350	28,181	14	59,134
General and administrative expenses (1)	2,808	2,770	6,540	379	12,497
Depreciation and amortization	1,930	2,277	3,472	443	8,122
Segment EBITDA	6,727	6,761	3,786		
Capital expenditures, including acquisitions	801	1,290	3,297	392	5,780
March 31, 2009:					
Total revenues	$44,138	$62,714	$ 94,491	$ —	$ 201,343
Cost of sales	14,644	18,359	25,270	—	58,273
Restaurant wages and related expenses	10,896	18,195	29,500	52	58,643
General and administrative expenses (1)	2,347	2,956	7,620	295	13,218
Depreciation and amortization	1,952	2,234	3,345	339	7,870
Segment EBITDA	6,465	8,206	7,028		
Capital expenditures, including acquisitions	855	3,786	2,626	698	7,965
Identifiable Assets:					
At March 31, 2010	$51,539	$63,939	$147,196	$172,362	$ 435,036
At December 31, 2009	52,802	67,342	146,679	173,154	439,977

(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 is as follows:

	Three Months Ended March 31, 2010	2009
Segment EBITDA:		
Pollo Tropical	$ 6,727	$ 6,465
Taco Cabana	6,761	8,206
Burger King	3,786	7,028
Less:		
Depreciation and amortization	8,122	7,870
Impairment and other lease charges	270	291
Interest expense	4,743	5,151
Provision for income taxes	1,432	3,014
Stock-based compensation expense	393	347
Net income	$ 2,314	$ 5,026

11. 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 were 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. 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 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. The Company does not believe that any individual claim, if any, would have a material adverse impact on its consolidated financial statements. 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.

(in thousands of dollars except share and per share amounts)

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 statements.

12. Net Income per Share

Basic net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options using the treasury stock method. To the extent such outstanding stock options are antidilutive, they are excluded from the calculation of diluted net income per share.

The computation of diluted net income per share excludes options to purchase 1,028,511 shares of common stock in the three months ended March 31, 2010 and options to purchase 1,131,771 in the three months ended March 31, 2009 because the exercise price of these options was greater than the average market price of the common shares in the periods and therefore, they were antidilutive. In addition, options to purchase 503,601 shares of common stock are excluded from the computation of diluted net income per share in the three months ended March 31, 2010 and options to purchase 441,120 shares of common stock are excluded from the computation of diluted net income per share for the three months ended March 31, 2009 as they were antidilutive under the treasury stock method.

The following table is a reconciliation of the net income and share amounts used in the calculation of basic net income per share and diluted net income per share:

	Three months ended March 31,	
	2010	2009
Basic net income per share:		
Net income	$ 2,314	$ 5,026
Weighted average common shares outstanding	21,613,689	21,592,462
Basic net income per share	$ 0.11	$ 0.23
Diluted net income per share:		
Net income for diluted net income per share	$ 2,314	$ 5,026
Shares used in computed basic net income per share	21,613,689	21,592,462
Dilutive effect of restricted shares and stock options	223,911	2,476
Shares used in computed diluted net income per share	21,837,600	21,594,938
Diluted net income per share	$ 0.11	$ 0.23

CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars except share and per share amounts)

13. Comprehensive Income

The items that currently impact the Company's other comprehensive income are changes in postretirement benefit obligations, net of tax.

	Three months ended March 31,	
	2010	2009
Net income	$ 2,314	$ 5,026
Change in postretirement benefit obligation, net of tax	10	—
Comprehensive income	$ 2,324	$ 5,026

14. Recent Accounting Developments

There are currently no recent accounting pronouncements which had or are expected to have a material impact on the Company's consolidated financial statements as of the date of this report.

Table of Contents

ITEM 1—INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CARROLS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars except share and per share amounts)
(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,971	$ 4,402
Trade and other receivables	5,861	5,971
Inventories	5,629	5,935
Prepaid rent	3,970	3,928
Prepaid expenses and other current assets	5,845	4,835
Refundable income taxes	—	1,185
Deferred income taxes	4,834	4,834
Total current assets	30,110	31,090
Property and equipment, net	189,692	192,724
Franchise rights, net (Note 4)	72,874	73,674
Goodwill (Note 4)	124,934	124,934
Intangible assets, net	509	543
Franchise agreements, at cost less accumulated amortization of $5,977 and $5,854, respectively	5,862	5,924
Deferred income taxes	1,955	1,935
Other assets	9,100	9,153
Total assets	$435,036	$ 439,977
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	$ 11,960	$ 12,985
Accounts payable	13,124	15,983
Accrued interest	3,172	6,880
Accrued payroll, related taxes and benefits	16,276	21,454
Accrued income taxes	1,629	—
Accrued real estate taxes	2,143	4,780
Other liabilities	10,869	9,061
Total current liabilities	59,173	71,143
Long-term debt, net of current portion (Note 5)	265,417	260,108
Lease financing obligations (Note 9)	10,013	9,999
Deferred income—sale-leaseback of real estate	42,260	43,088
Accrued postretirement benefits (Note 8)	1,837	1,914
Other liabilities (Note 7)	22,152	22,271
Total liabilities	400,852	408,523
Commitments and contingencies (Note 11)		
Stockholder's equity:		
Common stock, par value $1; authorized 1,000 shares, issued and outstanding—10 shares	—	—
Additional paid-in capital	(5,330)	(5,734)
Retained earnings	37,841	35,525
Accumulated other comprehensive income (Note 12)	1,673	1,663
Total stockholder's equity	34,184	31,454
Total liabilities and stockholder's equity	$435,036	$ 439,977

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

CARROLS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In thousands of dollars)
(Unaudited)

	2010	2009
Revenues:		
Restaurant sales	$ 194,667	$ 200,989
Franchise royalty revenues and fees	477	354
Total revenues	195,144	201,343
Costs and expenses:		
Cost of sales	59,198	58,273
Restaurant wages and related expenses (including stock-based compensation expense of $14 and $52, respectively)	59,134	58,643
Restaurant rent expense	12,356	12,432
Other restaurant operating expenses	28,232	29,414
Advertising expense	6,846	8,011
General and administrative (including stock-based compensation expense of $379 and $295, respectively)	12,495	13,216
Depreciation and amortization	8,122	7,870
Impairment and other lease charges (Note 3)	270	291
Total operating expenses	186,653	188,150
Income from operations	8,491	13,193
Interest expense	4,743	5,151
Income before income taxes	3,748	8,042
Provision for income taxes (Note 6)	1,432	3,014
Net income	$ 2,316	$ 5,028

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(In thousands of dollars)
(Unaudited)

	2010	2009
Cash flows provided (used for) from operating activities:		
Net income	$ 2,316	$ 5,028
Adjustments to reconcile net income to net cash provided from (used for) operating activities:		
Loss on disposals of property and equipment	64	54
Stock-based compensation expense	393	347
Impairment and other lease charges	270	291
Depreciation and amortization	8,122	7,870
Amortization of deferred financing costs	239	245
Amortization of unearned purchase discounts	—	(539)
Amortization of deferred gains from sale-lease back transactions	(830)	(772)
Accretion of interest on lease financing obligations	14	9
Deferred income taxes	(20)	760
Accrued income taxes	2,814	324
Changes in other operating assets and liabilities	(13,506)	(1,282)
Net cash provided from (used for) operating activities	(124)	12,335
Cash flows used for investing activities:		
Capital expenditures:		
New restaurant development	(1,192)	(3,834)
Restaurant remodeling	(1,993)	(2,340)
Other restaurant capital expenditures	(2,203)	(1,093)
Corporate and restaurant information systems	(392)	(698)
Total capital expenditures	(5,780)	(7,965)
Properties purchased for sale-leaseback	(1,141)	—
Proceeds from sale-leaseback transactions	2,319	1,943
Proceeds from sales of other properties	—	249
Net cash used for investing activities	(4,602)	(5,773)
Cash flows provided from (used for) financing activities:		
Borrowings on revolving credit facility	41,700	21,900
Repayments on revolving credit facility	(33,400)	(26,800)
Principal pre-payments on term loans	(1,023)	
Scheduled principal payments on term loans	(2,971)	(1,500)
Principal payments on capital leases	(22)	(23)
Proceeds from stock option exercises	11	—
Net cash provided from (used for) financing activities	4,295	(6,423)
Net increase (decrease) in cash and cash equivalents	(431)	139
Cash and cash equivalents, beginning of period	4,402	3,399
Cash and cash equivalents, end of period	$ 3,971	$ 3,538
Supplemental disclosures:		
Interest paid on long-term debt	$ 7,966	$ 8,990
Interest paid on lease financing obligations	$ 231	$ 352
Accruals for capital expenditures	$ 170	$ 940
Income taxes paid (refunded), net	$ (1,392)	$ 1,930

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except share and per share amounts)

1. Basis of Presentation

Business Description. At April 4, 2010 the Company operated, as franchisee, 311 quick-service restaurants under the trade name “Burger King” in 12 Northeastern, Midwestern and Southeastern states. At April 4, 2010, the Company also owned and operated 91 Pollo Tropical restaurants, of which 85 were located in Florida, four were in New Jersey and one each in New York and Connecticut, and franchised a total of 29 Pollo Tropical restaurants, 21 in Puerto Rico, two in Ecuador, one in Honduras, one in the Bahamas, one in Trinidad and three on college campuses in Florida. At April 4, 2010, the Company owned and operated 156 Taco Cabana restaurants located primarily in Texas and franchised two Taco Cabana restaurants in New Mexico, one in Texas and one in Georgia.

Basis of Consolidation. The unaudited consolidated financial statements presented herein include the accounts of Carrols Corporation and its subsidiaries (the “Company”). The Company is a wholly-owned subsidiary of Carrols Restaurant Group, Inc. (“Carrols Restaurant Group” or the “Parent Company”). All intercompany transactions have been eliminated in consolidation.

The difference between the consolidated financial statements of Carrols Corporation and Carrols Restaurant Group is primarily due to additional rent expense of approximately $6 per year for Carrols Restaurant Group and the composition of stockholder’s equity.

Fiscal Year. The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. All references herein to the fiscal years ended January 3, 2010 and December 28, 2008 will be referred to as the fiscal years ended December 31, 2009 and 2008, respectively. Similarly, all references herein to the three months ended April 4, 2010 and March 29, 2009 will be referred to as the three months ended March 31, 2010 and March 31, 2009, respectively. The year ended December 31, 2009 contained 53 weeks and the year ended December 31, 2008 contained 52 weeks. The three months ended March 31, 2010 and 2009 each contained thirteen weeks.

Basis of Presentation. The accompanying unaudited consolidated financial statements for the three months ended March 31, 2010 and 2009 have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission and do not include certain 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 three months ended March 31, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2009 contained in the Company’s 2009 Annual Report on Form 10-K. The December 31, 2009 balance sheet data is derived from those audited financial statements.

Fair Value of Financial Instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value as follows: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities; and Level 3 inputs are unobservable and reflect our own assumptions. 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 March 31, 2010 and December 31, 2009 were approximately $168.3 million and $167.5 million, respectively.
- *Revolving and Term Loan Facilities.* Rates and terms under the Company’s senior credit facility are favorable to debt with similar terms and maturities that could be obtained, if at all, at March 31, 2010. Given the lack of comparative information regarding such debt, including the lack of trading in our Term A debt, it is not practicable to estimate the fair value of existing borrowings under the Company’s senior credit facility at March 31, 2010.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

Use of Estimates. The preparation of the 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 and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include: accrued occupancy costs, insurance liabilities, legal obligations, income taxes, evaluation for impairment of goodwill, long-lived assets and Burger King franchise rights, lease accounting matters and stock-based compensation. Actual results could differ from those estimates.

Earnings Per Share Presentation. Presentation of earnings per share is required for all entities that have issued common stock or potential common stock if those securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market. The Company's common stock is not publicly traded and therefore, earnings per share amounts are not presented.

Subsequent Events. The Company evaluated for subsequent events through the issuance date of the Company's financial statements. No subsequent events requiring disclosure were noted.

2. Stock-Based Compensation

On January 15, 2010, Carrols Restaurant Group granted in the aggregate options to purchase 530,350 shares of its common stock, consisting of 160,000 shares of non-qualified stock options and 370,350 shares of incentive stock options ("ISO's"), and issued 4,000 shares of restricted stock. The non-qualified stock options and ISO's granted are exercisable for up to one-fifth of the total number of options granted on or after the first anniversary of the grant date and as of the first day of each month thereafter are exercisable for an additional one-sixtieth of the total number of options granted until fully exercisable. The options expire seven years from the date of the grant and were issued with an exercise price equal to the fair market value of the stock price, or $6.48 per share of common stock, on the date of grant. The restricted stock awards vest 100% on the third anniversary of the award date.

The weighted-average fair value of options granted was $3.06 per share which was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.35%
Annual dividend yield	0%
Expected term	4.8 years
Expected volatility	53%

Stock based compensation expense for the three months ended March 31, 2010 and 2009 was $0.4 million and $0.3 million, respectively. As of March 31, 2010, the total non-vested stock-based compensation expense relating to the options and restricted shares was approximately $3.7 million and the Company expects to record an additional $1.2 million as compensation expense in 2010. At March 31, 2010, the remaining weighted average vesting period for stock options and restricted shares was 3.5 years and 1.5 years, respectively.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

Stock Options

A summary of all option activity for the three months ended March 31, 2010 was as follows:

	2006 Plan			
	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value (1)
Options outstanding at January 1, 2010	2,130,758	$ 9.86	4.8	$ 2,340
Granted	530,350	6.48		
Exercised	(3,734)	3.04		
Forfeited	(21,565)	9.64		
Options outstanding at March 31, 2010	2,635,809	$ 9.19	5.0	$ 2,321
Vested or expected to vest at March 31, 2010	2,597,991	$ 9.08	5.0	$ 2,277
Options exercisable at March 31, 2010	1,029,268	$ 11.63	4.2	$ 501

(1) The aggregate intrinsic value was calculated using the difference between the market price of Carrols Restaurant Group’s common stock at April 4, 2010 and the grant price for only those awards that had a grant price that was less than the market price of Carrols Restaurant Group’s common stock at April 4, 2010.

3. Impairment of Long-lived Assets and Other Lease Charges

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 its assets, an estimate of the undiscounted future cash flows over the life of the primary asset for 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 and 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 plus any lease liabilities to be incurred for non-operating properties, net of any estimated sublease recoveries.

The Company determined the fair value of the impaired long-lived assets at the restaurant level based on current economic conditions and historical experience. These asset measurements are considered Level 3 in the fair value hierarchy.

Impairment and other lease charges recorded on long-lived assets for the Company’s segments were as follows:

	Three Months Ended March 31,	
	2010	2009
Burger King	$ 22	$ 22
Pollo Tropical	52	269
Taco Cabana	196	—
	$ 270	$ 291

During the three months ended March 31, 2010, the Company recorded a charge of $0.2 million related to a non-operating Taco Cabana property due to a reduction of estimated costs recoveries from subletting the property through the end of the remaining lease term. During the three months ended March 31, 2009, the Company closed one Pollo Tropical restaurant property in Florida whose fixed assets were impaired in 2008, and recorded a charge of $0.3 million which principally consisted of future minimum lease payments and related ancillary costs from the date of the closure to the end of the remaining lease term, net of any estimated cost recoveries from subletting the property.

4. Goodwill and Franchise Rights

Goodwill. The Company is required to review goodwill for impairment annually, or more frequently, when events and circumstances indicate that the carrying amount may be impaired. If the determined fair value of goodwill is less than the related carrying amount, an impairment loss is recognized. The Company performs its annual impairment assessment as of December 31 and does not believe circumstances have changed since the last assessment date which would make it necessary to reassess their values.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

Goodwill balances are summarized below:

	Pollo Tropical	Taco Cabana	Burger King	Total
Balance, March 31, 2010	$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 plus one twenty-year renewal period.

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 three months ended March 31, 2010 and 2009.

Amortization expense related to Burger King franchise rights was $800 and $784 for the three months ended March 31, 2010 and 2009, respectively. The Company estimates the amortization expense for the year ending December 31, 2010 and for each of the five succeeding years to be $3,197.

5. Long-term Debt

Long-term debt at March 31, 2010 and December 31, 2009 consisted of the following:

	March 31, 2010	December 31, 2009
Collateralized:		
Senior Credit Facility-Revolving credit facility	$ 10,200	$ 1,900
Senior Credit Facility-Term loan A facility	101,006	105,000
Unsecured:		
9% Senior Subordinated Notes	165,000	165,000
Capital leases	1,171	1,193
	277,377	273,093
Less: current portion	(11,960)	(12,985)
	$265,417	$ 260,108

Senior Credit Facility. On March 9, 2007, the Company terminated and replaced its prior senior credit facility with a new senior credit facility with a syndicate of lenders. The Company's credit facility totals approximately $185 million, consisting of $120 million principal amount of term loan A borrowings maturing on March 8, 2013 (or earlier on September 30, 2012 if the 9% Senior Subordinated Notes due 2013 are not refinanced by June 30, 2012) and a $65.0 million revolving credit facility (including a sub limit of up to $25.0 million for letters of credit and up to $5.0 million for swingline loans), maturing on March 8, 2012.

The term loan and revolving credit borrowings under the senior credit facility bear interest at a per annum rate, at the Company's option, of either:

1) the applicable margin percentage ranging from 0% to 0.25% based on the Company's senior leverage ratio (as defined in the senior credit facility) plus the greater of (i) the prime rate or (ii) the federal funds rate for that day plus 0.5%; or

2) Adjusted LIBOR plus the applicable margin percentage in effect ranging from 1.0% to 1.5% based on the Company's senior leverage ratio. At April 4, 2010 the LIBOR margin percentage was 1.0%.

(in thousands of dollars, except share and per share amounts)

During the three months ended March 31, 2010, the Company made a required prepayment of approximately $1.0 million based on 25% of Carrols' Excess Cash Flow for the year ended December 31, 2009, as defined. At April 4, 2010, outstanding borrowings under Term loan A were $101.0 million with the remaining balance due and payable as follows:

1) four quarterly installments of approximately $3.0 million beginning on June 30, 2010;

2) four quarterly installments of approximately $4.5 million beginning on June 30, 2011; and

3) four quarterly installments of approximately $17.8 million beginning on June 30, 2012.

After reserving $14.5 million for letters of credit guaranteed by the facility, $40.3 million was available for borrowings under the revolving credit facility at April 4, 2010.

Under the senior credit facility, the Company is also required to make mandatory prepayments of principal on its term loan borrowings (a) annually in an amount of up to 50% of Excess Cash Flow depending upon the Company's Total Leverage Ratio (as such terms are 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 the Company therefrom, and (c) in an amount equal to 100% of the net proceeds from any subsequent issuance of debt. The senior credit facility contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the senior credit facility if there is a default in the payment of any principal of or interest on any indebtedness of the Company having an outstanding principal amount of at least $2.5 million (excluding lease financing obligations but which would include the Indenture governing the Notes, as defined below) or any event or condition which results in the acceleration of such indebtedness prior to its stated maturity.

In general, the Company's obligations under the senior credit facility are guaranteed by Carrols Restaurant Group and all of the Company's material subsidiaries and are collateralized by a pledge of the Company's common stock and the stock of each of the Company's material subsidiaries. The senior credit facility contains certain covenants, including, without limitation, those limiting the Company's 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 Company is required to meet certain financial ratios, including fixed charge coverage, senior leverage, and total leverage ratios (all as defined under the senior credit facility). The Company was in compliance with the covenants under its senior credit facility as of April 4, 2010.

Senior Subordinated Notes. On December 15, 2004, the Company issued $180 million of 9% Senior Subordinated Notes due 2013 (the "Notes"). At both April 4, 2010 and January 3, 2010, $165.0 million principal amount of the Notes were outstanding.

Restrictive covenants under the Indenture governing the Notes include limitations with respect to the Company's ability to issue additional debt, incur liens, sell or acquire assets or businesses, pay dividends and make certain investments. Carrols was in compliance with the restrictive covenants in the Indenture governing the Notes as of March 31, 2010.

The Indenture governing the Notes contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the Notes and the Indenture if there is a default under any indebtedness of Carrols having an outstanding principal amount of $20 million or more (which would include the senior credit facility) if such default results in the acceleration of such indebtedness prior to its stated maturity or is caused by a failure to pay principal when due.

6. Income Taxes

The provision for income taxes for the three months ended March 31, 2010 and 2009 was comprised of the following:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Current	$ 1,452	$ 2,254
Deferred	(20)	760
	$ 1,432	$ 3,014

(in thousands of dollars, except share and per share amounts)

The provision for income taxes for the three months ended March 31, 2010 was derived using an estimated effective annual income tax rate for 2010 of 37.0%, which excludes any discrete tax adjustments. Discrete tax adjustments increased the provision for income taxes by $46 in the three months ended March 31, 2010.

The provision for income taxes for the three months ended March 31, 2009 was derived using an estimated effective annual income tax rate for 2009 of 37.5%, which excludes any discrete tax adjustments. There were no discrete tax adjustments in the three months ended March 31, 2009.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of March 31, 2010 and December 31, 2009, the Company had no unrecognized tax benefits and no accrued interest related to uncertain tax positions.

The tax years 2006-2009 remain open to examination by the major taxing jurisdictions to which the Company is subject. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase within the next twelve months due to the uncertainties regarding the timing of any examinations, the Company does not expect unrecognized tax benefits to significantly change in the next twelve months.

7. Other Liabilities, Long-Term

Other liabilities, long-term, at March 31, 2010 and December 31, 2009 consisted of the following:

	March 31, 2010	December 31, 2009
Accrued occupancy costs	$ 12,011	$ 11,572
Accrued workers' compensation costs	4,166	4,018
Deferred compensation	2,669	3,210
Other	3,306	3,471
	$ 22,152	$ 22,271

8. Postretirement Benefits

The Company provides postretirement medical and life insurance benefits covering substantially all Burger King administrative and restaurant management salaried employees who retire or terminate after qualifying for such benefits. A December 31 measurement date is used for postretirement benefits.

The following summarizes the components of net periodic postretirement benefit income:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Service cost	$ 8	$ 7
Interest cost	27	28
Amortization of net gains and losses	24	(84)
Amortization of prior service credit	(90)	21
Net periodic postretirement benefit income	$ (31)	$ (28)

During the three months ended March 31, 2010, the Company made contributions of $36 to its postretirement plan and expects to make additional contributions during 2010. Contributions made by the Company to its postretirement plan for the year ended December 31, 2009 were $153.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

9. Lease Financing Obligations

The Company has previously entered into sale-leaseback transactions involving certain restaurant properties that did not qualify for sale-leaseback accounting and as a result, were classified as financing transactions. 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.

During 2009, the Company settled $1.9 million of lease financing obligations which included a purchase from a lessor of one restaurant property previously subject to a lease financing obligation for $1.1 million and the settlement of a lease financing obligation incurred previously in 2009 for $0.8 million. The Company also modified provisions of three of its restaurant leases previously accounted for as lease financing obligations which allowed the respective sale transactions to qualify for sale-leaseback accounting. As a result of these transactions in 2009, lease financing obligations were reduced $4.9 million, assets under lease financing obligations were reduced by $2.7 million and deferred gains on qualified sale-leaseback transactions of $1.2 million were recorded.

Interest expense associated with lease financing obligations for the three months ended March 31, 2010 and 2009 was $0.3 million and $0.4 million, respectively.

10. 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, and Pollo Tropical and Taco Cabana, both Company-owned concepts. Pollo Tropical is a quick-casual restaurant chain offering a unique selection of food items reflecting tropical and Caribbean influences and feature grilled marinated chicken and authentic “made from scratch” side dishes. Taco Cabana is a quick-casual restaurant chain featuring fresh Mexican style food, including flame-grilled beef and chicken fajitas, quesadillas and other Tex-Mex dishes.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009. 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 before interest, income taxes, depreciation and amortization, impairment losses and other lease charges, stock-based compensation expense, other income and gains and losses 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, including restaurant information systems expenditures, goodwill and deferred income taxes.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

Three Months Ended	Pollo Tropical	Taco Cabana	Burger King	Other	Consolidated
March 31, 2010:					
Total revenues	$45,493	$62,032	$ 87,619	$ —	$ 195,144
Cost of sales	14,693	18,555	25,950	—	59,198
Restaurant wages and related expenses	11,589	19,350	28,181	14	59,134
General and administrative expenses (1)	2,806	2,770	6,540	379	12,495
Depreciation and amortization	1,930	2,277	3,472	443	8,122
Segment EBITDA	6,729	6,761	3,786		
Capital expenditures, including acquisitions	801	1,290	3,297	392	5,780
March 31, 2009:					
Total revenues	$44,138	$62,714	$ 94,491	$ —	$ 201,343
Cost of sales	14,644	18,359	25,270	—	58,273
Restaurant wages and related expenses	10,896	18,195	29,500	52	58,643
General and administrative expenses (1)	2,345	2,956	7,620	295	13,216
Depreciation and amortization	1,952	2,234	3,345	339	7,870
Segment EBITDA	6,467	8,206	7,028		
Capital expenditures, including acquisitions	855	3,786	2,626	698	7,965
Identifiable Assets:					
At March 31, 2010	$51,539	$63,939	$147,196	$172,362	$ 435,036
At December 31, 2009	52,802	67,342	146,679	173,154	439,977

(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 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 is as follows:

	Three Months Ended March 31, 2010	2009
Segment EBITDA:		
Pollo Tropical	$ 6,729	$ 6,467
Taco Cabana	6,761	8,206
Burger King	3,786	7,028
Less:		
Depreciation and amortization	8,122	7,870
Impairment and other lease charges	270	291
Interest expense	4,743	5,151
Provision for income taxes	1,432	3,014
Stock-based compensation expense	393	347
Net income	$ 2,316	$ 5,028

11. 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 the Company. The complaint alleged that the Company engaged in a pattern and practice of unlawful discrimination, harassment and

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

retaliation against former and current female employees. The EEOC identified approximately 450 individuals (which were subsequently increased to 511 individuals) that it believed represented the class of claimants and was seeking monetary and injunctive relief from the Company. On April 20, 2005, the Court issued a decision and order granting the Company's Motion for Summary Judgment that the Company 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 the Company. On February 27, 2006, the Company 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 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 the Company' summary judgment motion. The Company does not believe that any individual claim, if any, would have a material adverse impact on its consolidated financial statements. 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.

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 statements.

12. Comprehensive income

The items that currently impact the Company's other comprehensive income are changes in the postretirement benefit obligations, net of tax.

	Three months ended March 31, 2010	Three months ended March 31, 2009
Net income	$2,316	$5,028
Change in postretirement benefit obligation, net of tax	10	—
Comprehensive income	$2,326	$5,028

13. Recent Accounting Developments

There are currently no recent accounting pronouncements which had or are expected to have a material impact on the Company's consolidated financial statements as of the date of this report.

14. Guarantor Financial Statements

The Company's obligations under the Notes are jointly and severally guaranteed in full on an unsecured senior subordinated basis by certain of the Company's subsidiaries ("Guarantor Subsidiaries"), all of which are directly or indirectly wholly-owned by the Company. These subsidiaries are:

Cabana Beverages, Inc.
Cabana Bevco LLC
Carrols LLC
Carrols Realty Holdings Corp.
Carrols Realty I Corp.
Carrols Realty II Corp.
Carrols J.G. Corp.
Quanta Advertising Corp.
Pollo Franchise, Inc.
Pollo Operations, Inc.
Taco Cabana, Inc.
TP Acquisition Corp.
TC Bevco LLC
T.C. Management, Inc.
TC Lease Holdings III, V and VI, Inc.

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands of dollars, except share and per share amounts)

Get Real, Inc.
Texas Taco Cabana, L.P.
TPAQ Holding Corporation

The following supplemental financial information sets forth on a consolidating basis, balance sheets as of March 31, 2010 and December 31, 2009 for the Parent Company only, Guarantor Subsidiaries and for the Company and the related statements of operations for the three months ended March 31, 2010 and 2009, and cash flows for the three months ended March 31, 2010 and 2009.

For certain of the Company's sale-leaseback transactions, the Parent Company has guaranteed on an unsecured basis the rental payments of its subsidiaries. In accordance with ASC 840-40-25-16, "Sale-Leaseback Transactions," the Company has included in the following guarantor financial statements amounts pertaining to these leases as if they were accounted for as financing transactions of the Guarantor Subsidiaries. These adjustments are eliminated in consolidation.

For purposes of the guarantor financial statements, the Company and its subsidiaries determine the applicable tax provision for each entity generally using the separate return method. Under this method, current and deferred taxes are allocated to each reporting entity as if it were to file a separate tax return. The rules followed by the reporting entity in computing its tax obligation or refund, including the effects of the alternative minimum tax, would be the same as those followed in filing a separate return with the Internal Revenue Service. However, for purposes of evaluating an entity's ability to realize its tax attributes, the Company assesses whether it is more likely than not that those assets will be realized at the consolidated level. Any differences in the total of the income tax provision for the Parent Company only and the Guarantor Subsidiaries, as calculated on the separate return method and the consolidated income tax provision are eliminated in consolidation.

The Company provides some administrative support to its subsidiaries related to executive management, information systems and certain accounting, legal and other administrative functions. For purposes of the guarantor financial statements, the Company allocates such corporate costs on a specific identification basis, where applicable, or based on revenues or the number of restaurants for each subsidiary. Management believes that these allocations are reasonable based on the nature of costs incurred.

Table of Contents

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING BALANCE SHEET
March 31, 2010
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 238	$ 3,733	$ —	$ 3,971
Trade and other receivables	(3)	5,864	—	5,861
Inventories	—	5,629	—	5,629
Prepaid rent	4	3,966	—	3,970
Prepaid expenses and other current assets	1,193	4,652	—	5,845
Deferred income taxes	88	4,746	—	4,834
Total current assets	1,520	28,590	—	30,110
Property and equipment, net	12,214	264,684	(87,206)	189,692
Franchise rights, net	—	72,874	—	72,874
Goodwill	—	124,934	—	124,934
Intangible assets, net	—	509	—	509
Franchise fees, net	—	5,862	—	5,862
Intercompany receivable (payable)	131,663	(161,573)	29,910	—
Investment in subsidiaries	167,744	—	(167,744)	—
Deferred income taxes	2,460	2,935	(3,440)	1,955
Other assets	4,281	7,113	(2,294)	9,100
Total assets	$319,882	$ 345,928	$(230,774)	$ 435,036
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 11,883	$ 77	$ —	$ 11,960
Accounts payable	1,343	11,781	—	13,124
Accrued interest	3,172	—	—	3,172
Accrued payroll, related taxes and benefits	(712)	16,988	—	16,276
Accrued income taxes payable	1,629	—	—	1,629
Accrued real estate taxes	—	2,143	—	2,143
Other liabilities	220	10,649	—	10,869
Total current liabilities	17,535	41,638	—	59,173
Long-term debt, net of current portion	264,323	1,094	—	265,417
Lease financing obligations	—	129,687	(119,674)	10,013
Deferred income—sale-leaseback of real estate	—	24,134	18,126	42,260
Accrued postretirement benefits	1,837	—	—	1,837
Other liabilities	2,003	18,699	1,450	22,152
Total liabilities	285,698	215,252	(100,098)	400,852
Stockholder's equity	34,184	130,676	(130,676)	34,184
Total liabilities and stockholder's equity	$319,882	$ 345,928	$(230,774)	$ 435,036

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING BALANCE SHEET
December 31, 2009
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 34	$ 4,368	$ —	$ 4,402
Trade and other receivables	(827)	6,798	—	5,971
Refundable income taxes	1,185	—	—	1,185
Inventories	—	5,935	—	5,935
Prepaid rent	3	3,925	—	3,928
Prepaid expenses and other current assets	1,106	3,729	—	4,835
Deferred income taxes	88	4,746	—	4,834
Total current assets	1,589	29,501	—	31,090
Property and equipment, net	9,356	268,774	(85,406)	192,724
Franchise rights, net	—	73,674	—	73,674
Goodwill	—	124,934	—	124,934
Intangible assets, net	—	543	—	543
Franchise agreements, net	—	5,924	—	5,924
Intercompany receivable (payable)	139,010	(168,649)	29,639	—
Investment in subsidiaries	163,791	—	(163,791)	—
Deferred income taxes	2,460	2,594	(3,119)	1,935
Other assets	4,510	6,887	(2,244)	9,153
Total assets	$320,716	$ 344,182	$(224,921)	$ 439,977
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 12,906	$ 79	$ —	$ 12,985
Accounts payable	3,735	12,248	—	15,983
Accrued interest	6,880	—	—	6,880
Accrued payroll, related taxes and benefits	1,889	19,565	—	21,454
Accrued real estate taxes	—	4,780	—	4,780
Other liabilities	255	8,806	—	9,061
Total current liabilities	25,665	45,478	—	71,143
Long-term debt, net of current portion	258,994	1,114	—	260,108
Lease financing obligations	—	127,156	(117,157)	9,999
Deferred income—sale-leaseback of real estate	—	24,611	18,477	43,088
Accrued postretirement benefits	1,914	—	—	1,914
Other liabilities	2,689	18,271	1,311	22,271
Total liabilities	289,262	216,630	(97,369)	408,523
Stockholder's equity	31,454	127,552	(127,552)	31,454
Total liabilities and stockholder's equity	$320,716	$ 344,182	$(224,921)	$ 439,977

Table of Contents

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING STATEMENT OF OPERATIONS
Three Months Ended March 31, 2010
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
Revenues:				
Restaurant sales	$ —	$ 194,667	$ —	$ 194,667
Franchise royalty revenues and fees	—	477	—	477
Total revenues	—	195,144	—	195,144
Costs and expenses:				
Cost of sales	—	59,198	—	59,198
Restaurant wages and related expenses (including stock based compensation expense of $14)	—	59,134	—	59,134
Restaurant rent expense	—	10,047	2,309	12,356
Other restaurant operating expenses	—	28,232	—	28,232
Advertising expense	—	6,846	—	6,846
General and administrative (including stock based compensation expense of $379)	2,215	10,280	—	12,495
Depreciation and amortization	—	8,642	(520)	8,122
Impairment and other lease charges	—	270	—	270
Total operating expenses	2,215	182,649	1,789	186,653
Income (loss) from operations	(2,215)	12,495	(1,789)	8,491
Interest expense	4,456	2,959	(2,672)	4,743
Intercompany interest allocations	(4,556)	4,556	—	—
Income (loss) before income taxes	(2,115)	4,980	883	3,748
Provision for income taxes	(716)	1,815	333	1,432
Equity income from subsidiaries	3,715	—	(3,715)	—
Net income	$ 2,316	$ 3,165	$ (3,165)	$ 2,316

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING STATEMENT OF OPERATIONS
Three Months Ended March 31, 2009
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
Revenues:				
Restaurant sales	$ —	$ 200,989	$ —	$ 200,989
Franchise royalty revenues and fees	—	354	—	354
Total revenues	—	201,343	—	201,343
Costs and expenses:				
Cost of sales	—	58,273	—	58,273
Restaurant wages and related expenses (including stock based compensation expense of $52)	—	58,643	—	58,643
Restaurant rent expense	—	10,280	2,152	12,432
Other restaurant operating expenses	—	29,414	—	29,414
Advertising expense	—	8,011	—	8,011
General and administrative (including stock based compensation expense of $295)	2,522	10,694	—	13,216
Depreciation and amortization	—	8,342	(472)	7,870
Impairment and other lease charges	—	291	—	291
Total operating expenses	2,522	183,948	1,680	188,150
Income (loss) from operations	(2,522)	17,395	(1,680)	13,193
Interest expense	4,738	2,865	(2,452)	5,151
Intercompany interest allocations	(4,468)	4,468	—	—
Income (loss) before income taxes	(2,792)	10,062	772	8,042
Provision for income taxes	(1,029)	3,779	264	3,014
Equity income from subsidiaries	6,791	—	(6,791)	—
Net income	$ 5,028	$ 6,283	$ (6,283)	$ 5,028

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2010
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
Cash flows provided from (used for) operating activities:				
Net income	$ 2,316	$ 3,165	$ (3,165)	$ 2,316
Adjustments to reconcile net income to net cash provided from (used for) operating activities:				
Loss on disposals of property and equipment	—	64	—	64
Stock-based compensation expense	265	128	—	393
Impairment and other lease charges	—	270	—	270
Depreciation and amortization	—	8,642	(520)	8,122
Amortization of deferred financing costs	235	64	(60)	239
Amortization of deferred gains from sale-leaseback transactions	—	(444)	(386)	(830)
Accretion of interest on lease financing obligations	—	103	(89)	14
Deferred income taxes	—	(359)	339	(20)
Accrued income taxes	2,814	—	—	2,814
Changes in other operating assets and liabilities	(9,381)	(8,006)	3,881	(13,506)
Net cash provided from (used for) operating activities	(3,751)	3,627	—	(124)
Cash flows used for investing activities:				
Capital expenditures:				
New restaurant development	—	(1,192)	—	(1,192)
Restaurant remodeling	—	(1,993)	—	(1,993)
Other restaurant capital expenditures	—	(2,203)	—	(2,203)
Corporate and restaurant information systems	(362)	(30)	—	(392)
Total capital expenditures	(362)	(5,418)	—	(5,780)
Properties purchased for sale-leaseback	—	(1,141)	—	(1,141)
Proceeds from sale-leaseback transactions	—	—	2,319	2,319
Net cash used for investing activities	(362)	(6,559)	2,319	(4,602)
Cash flows provided from financing activities:				
Borrowings on revolving credit facility	41,700	—	—	41,700
Repayments on revolving credit facility	(33,400)	—	—	(33,400)
Principal pre-payments on term loans	(1,023)			(1,023)
Scheduled principal payments on term loans	(2,971)	—	—	(2,971)
Principal payments on capital leases	—	(22)	—	(22)
Proceeds from lease financing obligations	—	2,429	(2,429)	—
Financing costs associated with issuance of lease financing obligations	—	(110)	110	—
Proceeds from stock option exercises	11	—	—	11
Net cash provided from financing activities	4,317	2,297	(2,319)	4,295
Net increase (decrease) in cash and cash equivalents	204	(635)	—	(431)
Cash and cash equivalents, beginning of period	34	4,368	—	4,402
Cash and cash equivalents, end of period	$ 238	$ 3,733	$ —	$ 3,971

CARROLS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2009
(In thousands of dollars)
(Unaudited)

	Parent Company Only	Guarantor Subsidiaries	Eliminations	Consolidated Total
Cash flows provided from operating activities:				
Net income	$ 5,028	$ 6,283	$ (6,283)	$ 5,028
Adjustments to reconcile net income to net cash provided from operating activities:				
Loss on disposals of property and equipment	—	54	—	54
Stock-based compensation expense	83	264	—	347
Impairment and other lease charges	—	291	—	291
Depreciation and amortization	—	8,342	(472)	7,870
Amortization of deferred financing costs	239	71	(65)	245
Amortization of unearned purchase discounts	—	(539)	—	(539)
Amortization of deferred gains from sale-leaseback transactions	—	(471)	(301)	(772)
Accretion of interest on lease financing obligations	—	9	—	9
Deferred income taxes	—	457	303	760
Accrued income taxes	324	—	—	324
Changes in other operating assets and liabilities	484	(8,584)	6,818	(1,282)
Net cash provided from operating activities	6,158	6,177	—	12,335
Cash flows used for investing activities:				
Capital expenditures:				
New restaurant development	—	(3,834)	—	(3,834)
Restaurant remodeling	—	(2,340)	—	(2,340)
Other restaurant capital expenditures	—	(1,093)	—	(1,093)
Corporate and restaurant information systems	(116)	(582)	—	(698)
Total capital expenditures	(116)	(7,849)	—	(7,965)
Proceeds from sale-leaseback transactions	—	—	1,943	1,943
Proceeds from sales of other properties	—	249	—	249
Net cash used for investing activities	(116)	(7,600)	1,943	(5,773)
Cash flows provided from (used for) financing activities:				
Borrowings on revolving credit facility	21,900	—	—	21,900
Repayments on revolving credit facility	(26,800)	—	—	(26,800)
Scheduled principal payments on term loans	(1,500)	—	—	(1,500)
Principal payments on capital leases	—	(23)	—	(23)
Proceeds from lease financing obligations	—	2,025	(2,025)	—
Financing costs associated with issuance of lease financing obligations	—	(82)	82	—
Net cash provided from (used for) financing activities	(6,400)	1,920	(1,943)	(6,423)
Net increase (decrease) in cash and cash equivalents	(358)	497	—	139
Cash and cash equivalents, beginning of period	361	3,038	—	3,399
Cash and cash equivalents, end of period	$ 3	$ 3,535	$ —	$ 3,538

Table of Contents

ITEM 2—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout this Quarterly Report on Form 10-Q, we refer to Carrols Restaurant Group, Inc. 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. This combined Quarterly Report on Form 10-Q is filed by both Carrols Restaurant Group and its wholly owned subsidiary, Carrols.

We use a 52-53 week fiscal year ending on the Sunday closest to December 31. All references herein to the fiscal years ended January 3, 2010 and December 28, 2008 will be referred to as the fiscal years ended December 31, 2009 and 2008, respectively. Similarly, all references herein to the three months ended April 4, 2010 and March 29, 2009 will be referred to as the three months ended March 31, 2010 and 2009, respectively. The years ended December 31, 2009 and 2008 contained 53 weeks and 52 weeks, respectively, and the three months ended March 31, 2010 and 2009 each contained thirteen weeks.

Introduction

Carrols Restaurant Group is a holding company and conducts all of its operations through its direct and indirect subsidiaries and has no assets other than the shares of capital stock of Carrols, its direct wholly-owned subsidiary. The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") relates to the consolidated financial statements of Carrols Restaurant Group and the consolidated financial statements for Carrols presented in Item 1.

The difference between the consolidated financial statements of Carrols Restaurant Group and Carrols is primarily due to additional rent expense of approximately $6,000 per year for Carrols Restaurant Group and the composition of stockholders' equity.

The following 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, the Consolidated Financial Statements and the accompanying financial statement notes of each of Carrols Restaurant Group and Carrols appearing elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2009. 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.

Executive Summary—an executive review of our performance for the three months ended March 31, 2010.

Results of Operations— an analysis of our results of operations for the three months ended March 31, 2010 compared to the three months ended March 31, 2009, including a review of material items and known trends and uncertainties.

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.

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

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

Forward Looking Statements—cautionary information about forward-looking statements and a description of certain risks and uncertainties that could cause our actual results to differ materially from our historical results or our current expectations or projections.

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 558 restaurants located in 17 states as of April 4, 2010. 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 April 4, 2010, our company-owned restaurants included 91 Pollo Tropical restaurants and 156 Taco Cabana restaurants, and we operated 311 Burger King restaurants under franchise agreements. We also franchise our Hispanic Brand restaurants with 33 franchised restaurants as of April 4, 2010 located in the United States, Puerto Rico, Ecuador, Honduras, Trinidad and the Bahamas. 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. For the three months ended March 31, 2010 and 2009, we had total revenues of $195.1 million and $201.3 million, respectively, and net income of $2.3 million and $5.0 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 and operated restaurants. Restaurant sales are influenced by menu price increases, new restaurant openings, closures of restaurants and changes in comparable restaurant sales. Changes in comparable restaurant sales 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, the sales mix of items sold and the effectiveness of our restaurant-level controls to manage food and paper costs. Key commodities for our Pollo Tropical and Taco Cabana restaurants, including chicken and beef, are generally purchased under annual contracts.
- *Restaurant wages and related expenses* include all restaurant management and hourly productive labor costs, employer payroll taxes, restaurant-level bonuses and related benefits. Payroll and related benefits are subject to inflation, including minimum wage increases and increased costs for health insurance, workers' compensation insurance and state unemployment insurance.
- *Restaurant rent expense* includes base rent and contingent rent 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 for our Hispanic Brand restaurants and advertising payments based on a percentage of sales as required under our franchise agreements for our Burger King restaurants.
- *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, auditing and other professional fees 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 and other lease charges, stock-based compensation expense, other income and expense and gains and losses on the 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, owned buildings and leasehold improvements utilized in our restaurants, 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 Carrols' 9% Senior Subordinated Notes due 2013 (the "Notes"), borrowings under our senior credit facility, amortization of deferred financing costs and imputed interest expense on leases entered into in connection with sale-leaseback transactions which are accounted for as lease financing obligations. Interest expense also includes any gains and losses from the settlement of lease financing obligations. Interest on borrowings under our senior credit facility is generally based on LIBOR plus a current margin of 1.0% or prime as we designate. Consequently, changes in LIBOR rates or prime will impact our interest expense.

Recent and Future Events Affecting our Results of Operations

Future Restaurant Closures

We evaluate the performance of our Burger King restaurants on an ongoing basis including an assessment of the current and future operating results of the restaurant and, in relation to Burger King franchise agreement renewals, the cost of required capital improvements. We may elect to close restaurants based on such evaluation. In 2009, we closed four Burger King restaurants, not including restaurants relocated within the same market area. In the three months ended March 31, 2010, we closed one Burger King restaurant, and we currently anticipate that we will close an additional six Burger King restaurants in 2010, excluding any Burger King restaurants which we may close and relocate.

We closed two underperforming Taco Cabana restaurants and one underperforming Pollo Tropical restaurant in 2009. We currently anticipate the closing of two additional Taco Cabana restaurants in 2010.

We do not believe that the future impact on our consolidated results of operations from such restaurant closures will be material, although there can be no assurance in this regard. Our determination of whether to close restaurants in the future is subject to further evaluation and may change.

From time to time we consider and evaluate strategic alternatives with respect to our Burger King restaurants, including the possible future sale of some or all of such restaurants. At this time, we have no understandings, commitments or agreements with respect to the foregoing and there can be no assurance that we will enter into any such arrangements in the future.

Unearned Purchase Discounts

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. We received approximately $20.4 million during 2000 and 2001 under this arrangement with these suppliers. The total amount of these purchase discounts amortized for each of the years ended December 31, 2009 and 2008 was $2.2 million. At December 31, 2009 these purchase discounts were fully amortized, which has resulted in an increase in our cost of sales for the three months ended March 31, 2010 and will also result in an increase in our cost of sales for the year ending December 31, 2010 when compared to 2009.

Executive Summary—Operating Performance for the Three Months Ended March 31, 2010

Total revenues for the three months ended March 31, 2010 decreased to $195.1 million from $201.3 million in the three months ended March 31, 2009. Revenues from our Hispanic Brand restaurants increased to $107.5 million from $106.9 million in the prior year and revenues from our Burger King restaurants decreased $6.9 million to $87.6 million from $94.5 million in the prior year. Comparable restaurant sales in the first quarter of 2010 increased 3.7% at our Pollo Tropical restaurants, decreased 2.0% at our Taco Cabana restaurants and decreased 6.4% at our Burger King restaurants. Comparable restaurant sales at our Taco Cabana and Burger King restaurants were negatively impacted in the first quarter of 2010 by a decline in the average check, as well as inclement weather compared to the first quarter of 2009.

Restaurant operating margins were negatively impacted in the first quarter of 2010 by higher food costs, which increased 1.4% as a percentage of total restaurant sales compared to the first quarter of 2009. This was primarily a result of higher commodity prices at our Burger King restaurants and promotional activity at our Burger King and Taco Cabana restaurants. As a percentage of total restaurant sales, restaurant wages and related expenses increased to 30.4% in the first quarter of 2010 from 29.2% in the first quarter of 2009 due to higher workers compensation claims costs and to a lesser extent the effect of fixed labor costs on lower sales volumes. These factors were somewhat mitigated due to improvements in labor productivity and reduced employee turnover.

Operating results were favorably impacted by lower utility costs which, as a percentage of total restaurant sales, decreased to 3.6% in the first quarter of 2010 from 4.1% in 2009, and also from lower advertising expenditures due to the timing of promotions for our Taco Cabana restaurants and lower Burger King restaurant sales in the first quarter of 2010. Repair and maintenance expenses were $0.3 million higher in the first quarter of 2010 compared to the first quarter of 2009, or 0.3% of total restaurant sales, due primarily to our efforts in 2010 to reimage certain of our Pollo Tropical restaurants.

General and administrative expenses decreased to $12.5 million in the first quarter of 2010 compared to $13.2 million in the first quarter of 2009 primarily as a result of lower bonus accruals. As a percentage of total restaurant sales, general and administrative expenses decreased to 6.4% in the first quarter of 2010 from 6.6% in the first quarter of 2009.

Interest expense decreased $0.4 million to $4.7 million in the first quarter of 2010 due to a reduction in our total indebtedness of $28.8 million since the beginning of the first quarter of 2009 and, to a lesser extent, lower effective interest rates in 2010 on our LIBOR based borrowings under our senior credit facility.

Our effective income tax rate, including discrete tax items, was 38.2% in the first quarter of 2010 compared to 37.5% in the first quarter of 2009. Discrete tax adjustments increased income tax expense by $46,000 in the first three months of 2010. There were no discrete tax adjustments in the first quarter of 2009.

As a result of the above, our net income decreased $2.7 million to $2.3 million in the first quarter of 2010 from $5.0 million in the first quarter of 2009.

Results of Operations

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

The following table sets forth, for the three months ended March 31, 2010 and 2009, selected operating results as a percentage of consolidated restaurant sales:

	2010	2009
Restaurant sales:		
Pollo Tropical	23.2%	21.8%
Taco Cabana	31.8%	31.2%
Burger King	45.0%	47.0%
Total restaurant sales	100.0%	100.0%
Costs and expenses:		
Cost of sales	30.4%	29.0%
Restaurant wages and related expenses	30.4%	29.2%
Restaurant rent expense	6.3%	6.2%
Other restaurant operating expenses	14.5%	14.6%
Advertising expense	3.5%	4.0%
General and administrative (including stock-based compensation expense)	6.4%	6.6%

Since the beginning of 2009 we have opened one new Pollo Tropical restaurant, four new Taco Cabana restaurants and two new Burger King restaurants, both of which were relocations within their market areas. During the same period we closed five Burger King restaurants, excluding relocations, one Pollo Tropical restaurant and two Taco Cabana restaurants.

Restaurant Sales. Total restaurant sales for the first quarter of 2010 decreased $6.3 million to $194.7 million due primarily to sales decreases at our Burger King restaurants. Restaurant sales at our Hispanic Brand restaurants increased to $107.0 million in the first quarter of 2010 from $106.5 million in the first quarter of 2009.

Pollo Tropical restaurant sales increased $1.2 million to $45.1 million in the first quarter of 2010 due to an increase in comparable restaurant sales of 3.7% from a 7.4% increase in customer traffic. In the first quarter of 2010 the average check at our Pollo Tropical restaurants decreased 3.3% compared to the first quarter of 2009 as a result of the introduction of our new line of wraps and sandwiches and increased promotional discounting.

Taco Cabana restaurant sales decreased $0.7 million to $62.0 million in the first quarter of 2010 due primarily to a 2.0% decrease in comparable restaurant sales from a decrease in average check of 2.9% as a result of new product promotions and increased promotional discounting in the first quarter of 2010. In addition, compared to the first quarter of 2009, inclement weather negatively impacted customer traffic, although customer traffic for the quarter increased 1.2%. The comparable restaurant sales decrease was partially offset by the opening of four new Taco Cabana restaurants since the beginning of the first quarter of 2009 which contributed $0.9 million of additional sales in the first quarter of 2010 compared to the first quarter of 2009.

Burger King restaurant sales decreased $6.9 million to $87.6 million in the first quarter of 2010 due to a decrease in comparable restaurant sales of 6.4%. The average check for our Burger King restaurants decreased 7.8% as a result of an increase in sales of value menu items including the $1 double cheeseburger, which also contributed to a customer traffic increase of 1.8%. Sales also decreased as a result of the closure, excluding relocated restaurants, of five Burger King restaurants since the beginning of the first quarter of 2009.

Operating Costs and Expenses. Cost of sales, as a percentage of total restaurant sales, increased to 30.4% in the first quarter of 2010 from 29.0% in the first quarter of 2009. Pollo Tropical cost of sales, as a percentage of Pollo Tropical restaurant sales, decreased to 32.6% in the first quarter of 2010 from 33.4% in the first quarter of 2009 due primarily to lower commodity prices including lower chicken prices (0.4% of Pollo Tropical sales), increased food and paper controls and higher vendor rebates. Taco Cabana cost of sales, as a percentage of Taco Cabana restaurant sales, increased to 29.9% in the first quarter of 2010 from 29.3% in the first quarter of 2009 due primarily to increased promotional discounting (0.3% of Taco Cabana sales) and lower margins on menu item promotions in 2010 (0.4% of Taco Cabana sales). Burger King cost of sales, as a percentage of Burger King restaurant sales, increased to 29.6% in the first quarter of 2010 from 26.7% in the first quarter of 2009 due primarily to higher beef commodity prices (0.8% of Burger King sales), an increase in sales from lower margin menu items, including the $1 double cheeseburger, (1.6% of Burger King sales) and from the lower amortization of deferred purchase discounts on Coke products, partially offset by the effect of menu price increases taken in late 2009 and a 0.7% price increase taken in the beginning of the first quarter of 2010 (0.4% of Burger King sales).

Restaurant wages and related expenses, as a percentage of total restaurant sales, increased to 30.4% in the first quarter of 2010 from 29.2% in the first quarter of 2009. Pollo Tropical restaurant wages and related expenses, as a percentage of Pollo Tropical restaurant sales, increased to 25.7% in the first quarter of 2010 from 24.8% in the first quarter of 2009 due primarily to significantly higher workers compensation claim costs (1.1% of Pollo Tropical sales). Taco Cabana restaurant wages and related expenses, as a percentage of Taco Cabana restaurant sales, increased to 31.2% in the first quarter of 2010 from 29.0% in the first quarter of 2009 due primarily to higher medical insurance claim costs (0.7% of Taco Cabana sales) and higher workers compensation claim costs (0.4% of Taco Cabana sales). Burger King restaurant wages and related expenses, as a percentage of Burger King restaurant sales, increased to 32.2% in the first quarter of 2010 from 31.3% in the first quarter of 2009 due primarily to the effect of lower sales volumes on fixed labor costs.

Restaurant rent expense, as a percentage of total restaurant sales, increased slightly to 6.3% in the first quarter of 2010 from 6.2% in the first quarter of 2009 due primarily to the impact of fixed rental costs on lower sales volumes at our Burger King restaurants.

Other restaurant operating expenses, as a percentage of total restaurant sales, decreased slightly to 14.5% in the first quarter of 2010 from 14.6% in the first quarter of 2009. Pollo Tropical other restaurant operating expenses, as a percentage of Pollo Tropical restaurant sales, decreased to 13.1% in the first quarter of 2010 from 13.9% in the first quarter of 2009 due primarily to lower utility costs (1.0% of Pollo Tropical sales) and lower restaurant opening costs, partially offset by higher repair and maintenance expenses (0.5% of Pollo Tropical sales). Taco Cabana other restaurant operating expenses, as a percentage of Taco Cabana restaurant sales, increased to 14.1% in the first quarter of 2010 from 13.5% in the first quarter of 2009 due primarily to higher repair and maintenance expenses (0.2% of Taco Cabana sales), higher credit card fees and the effect of lower sales volumes on fixed operating costs. Burger King other restaurant operating expenses, as a percentage of Burger King restaurant sales, decreased to 15.5% in the first quarter of 2010 from 15.7% in the first quarter of 2009 due primarily to lower utility costs (0.5% of Burger King sales) partially offset by the effect of lower sales volumes on fixed labor costs.

Advertising expense, as a percentage of total restaurant sales, decreased to 3.5% in the first quarter of 2010 from 4.0% in the first quarter of 2009. Pollo Tropical advertising expense, as a percentage of Pollo Tropical restaurant sales, decreased slightly to 2.9% in the first quarter of 2010 from 3.0% in the first quarter of 2009. For all of 2010 our Pollo Tropical advertising costs are currently expected to be approximately 2.5% to 2.7% of Pollo Tropical restaurant sales, but there can be no assurance in this regard. Taco Cabana advertising expense, as a percentage of Taco Cabana restaurant sales, decreased to 3.2% in the first quarter of 2010 from 4.2% in the first quarter of 2009 due primarily to the timing of promotions. For all of 2010 our Taco Cabana advertising costs are currently expected to be approximately 4.0% to 4.2% of Taco Cabana restaurant sales, but there can be no assurance in this regard. Burger King advertising expense, as a percentage of Burger King restaurant sales, decreased to 4.1% in the first quarter of 2010 from 4.3% in the first quarter of 2009 due to decreased promotional activities in certain of our Burger King markets. For all of 2010 our Burger King advertising costs are currently expected to be approximately 4.0% to 4.2% of our Burger King restaurant sales, but there can be no assurance in this regard.

General and administrative expenses decreased in the first quarter of 2010 to $12.5 million from $13.2 million in the first quarter of 2009 and, as a percentage of total restaurant sales, decreased to 6.4% from 6.6% in the first quarter of 2009 due primarily to lower administrative bonus accruals of approximately $1.1 million in the first quarter of 2010.

Segment EBITDA. As a result of the factors above, Segment EBITDA for our Pollo Tropical restaurants increased to $6.7 million in the first quarter of 2010 from $6.5 million in the first quarter of 2009. Segment EBITDA for our Taco Cabana restaurants decreased to $6.8 million in the first quarter of 2010 from $8.2 million in the first quarter of 2009. Segment EBITDA for our Burger King restaurants decreased to $3.8 million in the first quarter of 2010 from $7.0 million in the first quarter of 2009.

Depreciation and Amortization. Depreciation and amortization expense increased to $8.1 million in the first quarter of 2010 from $7.9 million in the first quarter of 2009 due primarily to expenditures made in the latter half of 2009 for new broilers at our Burger King restaurants and new point-of-sale systems at our Pollo Tropical restaurants.

Impairment and Other Lease Charges. Impairment and other lease charges were $0.3 million in the first quarter of 2010 due primarily to a charge of $0.2 million related to a non-operating Taco Cabana property attributable to a reduction of estimated cost recoveries from subletting the property through the end of the remaining lease term. Impairment and other lease charges in the first quarter of 2009 included lease related charges of $0.3 million associated with the closure of an underperforming Pollo Tropical restaurant.

Interest Expense. Total interest expense decreased $0.4 million to $4.7 million in the first quarter of 2010 due to a reduction in our total outstanding indebtedness of $28.8 million since the beginning of the first quarter of 2009 and, to a lesser extent, lower effective interest rates on our LIBOR based borrowings under our senior credit facility. The weighted average interest rate on our long-term debt, excluding lease financing obligations, for the first quarter of 2010 was 5.9% compared to 5.8% in the first quarter of 2009. Interest expense on lease financing obligations decreased to $0.3 million in the first quarter of 2010 from $0.4 million in the first quarter of 2009 due to a reduction in lease financing obligations of $4.8 million since the beginning of the first quarter of 2009.

Provision for Income Taxes. The provision for income taxes for the first quarter of 2010 was derived using an estimated effective annual income tax rate for the year ending December 31, 2010 of 37.0%. Discrete tax adjustments increased the provision for income taxes by $46,000 in the first quarter of 2010 and resulted in an overall tax rate of 38.2%. The provision for income taxes for the first quarter of 2009 was derived using an estimated effective annual income tax rate for the year ending December 31, 2009 of 37.5%. There were no discrete tax adjustments in the first quarter of 2009.

Net Income. As a result of the foregoing, net income was $2.3 million in the first quarter of 2010 compared to $5.0 million in the first quarter of 2009.

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.

In response to economic conditions and changes in the capital markets, we have and will continue to focus on reducing our debt balances and our financial leverage, particularly in the near term. We significantly reduced our spending on new restaurant development in 2009 which allowed us to utilize our free cash flow to reduce our outstanding indebtedness. We plan to continue to limit new restaurant growth in 2010.

Interest payments under our debt obligations, capital expenditures and payments related to our lease obligations represent significant liquidity requirements for us. We believe cash generated from our operations, availability of borrowing 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 and debt service requirements for the next twelve months.

Operating Activities. Net cash used for operating activities for the three months ended March 31, 2010 was $0.1 million as reductions in the components of working capital, primarily from the timing of vendor payments and lower bonus accruals, offset net income of $2.3 million adjusted for non-cash items including depreciation and amortization of $8.1 million. Net cash provided from operating activities for the three months ended March 31, 2009 was $12.3 million and resulted primarily from net income of $5.0 million, adjusted for non-cash items including depreciation and amortization expense of $7.9 million

Investing Activities. Net cash used for investing activities in the first quarter of 2010 and 2009 was $4.6 million and $5.8 million, respectively. Capital expenditures are the largest component of our investing activities and include: (1) new restaurant development, which may include the purchase of 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 maintenance expenditures for the ongoing reinvestment and enhancement of our restaurants; and (4) corporate and restaurant information systems, including expenditures in 2009 for new point-of-sale systems for all of our Pollo Tropical restaurants.

The following table sets forth our capital expenditures for the periods presented (in thousands):

	Pollo Tropical	Taco Cabana	Burger King	Other	Consolidated
Three months ended March 31, 2010:					
New restaurant development	$ —	$ 89	$1,103	$—	$ 1,192
Restaurant remodeling	243	514	1,236	—	1,993
Other restaurant capital expenditures (1)	558	687	958	—	2,203
Corporate and restaurant information systems	—	—	—	392	392
Total capital expenditures	$ 801	$1,290	$3,297	$392	$ 5,780
Number of new restaurant openings	—	—	—		—
Three months ended March 31, 2009:					
New restaurant development	$ 483	$2,479	$ 872	$—	$ 3,834
Restaurant remodeling	168	893	1,279	—	2,340
Other restaurant capital expenditures (1)	204	414	475	—	1,093
Corporate and restaurant information systems	—	—	—	698	698
Total capital expenditures	$ 855	$3,786	$2,626	$698	$ 7,965
Number of new restaurant openings (2)	—	1	1		2

1) Excludes restaurant repair and maintenance expenses included in other restaurant operating expenses in our consolidated financial statements. For the three months ended March 31, 2010 and 2009, total restaurant repair and maintenance expenses were approximately $4.4 million and $4.1 million, respectively.
2) Includes Burger King restaurants which were relocated in the same market area under a new franchise agreement.

For all of 2010, we anticipate that total capital expenditures will range from $40 million to $45 million, although the actual amount of capital expenditures may differ from these estimates. These capital expenditures are expected to include approximately $15 million to $17 million for the development of new restaurants including the purchase of related real estate. In 2010 we anticipate opening four to five new Hispanic Brand restaurants and one Burger King restaurant, which will be a relocation of an existing restaurant within its current market area. Capital expenditures in 2010 also are expected to include expenditures of approximately $24 million to $27 million for the ongoing reinvestment in our three restaurant concepts for remodeling costs and capital maintenance expenditures.

Investing activities also include sale-leaseback transactions related to our restaurant properties, the proceeds from which were $2.3 million and $1.9 million in the first quarter of 2010 and 2009, respectively. In the first quarter of 2009 we also sold one non-operating restaurant property for net proceeds of $0.2 million. The net proceeds from these sales were used to reduce outstanding borrowings under our senior credit facility. In the first quarter of 2010 we purchased one of our restaurant properties for $1.1 million which will be sold in a sale-leaseback transaction.

Financing Activities. Net cash provided from financing activities in the first quarter of 2010 was $4.3 million due to net revolver borrowings of $8.3 million offset by principal payments on our term loan under our senior credit facility of $4.0 million. Net cash used for financing activities in the first quarter of 2009 was $6.4 million and included net repayments of our revolving credit borrowings of $4.9 million.

Senior Credit Facility. Our senior credit facility consists of term loan A borrowings maturing on March 8, 2013 (or earlier on September 30, 2012 if the Notes are not refinanced by June 30, 2012) and a $65.0 million revolving credit facility (including a sub limit of up to $25.0 million for letters of credit and up to $5.0 million for swingline loans) maturing on March 8, 2012.

Both term loan and revolving credit borrowings under the senior credit facility bear interest at a per annum rate, at our option, of either:

1) the applicable margin ranging from 0% to 0.25% based on our senior leverage ratio (as defined in the senior credit facility) plus the greater of (i) the prime rate or (ii) the federal funds rate for that day plus 0.5%; or

2) Adjusted LIBOR plus the applicable margin percentage in effect ranging from 1.0% to 1.5% based on our senior leverage ratio. At March 31, 2010 the LIBOR margin percentage was 1.0%.

During the three months ended March 31, 2010, we made a required prepayment of approximately $1.0 million based on 25% of Carrols' Excess Cash Flow, as defined, for the year ended December 31, 2009. At April 4, 2010, outstanding term loan borrowings under the senior credit facility were $101.0 million with the remaining balance due and payable as follows:

1) four quarterly installments of approximately $3.0 million beginning on June 30, 2010;

2) four quarterly installments of approximately $4.5 million beginning on June 30, 2011; and

3) four quarterly installments of approximately $17.8 million beginning on June 30, 2012.

Under our senior credit facility, we are also required to make mandatory prepayments of principal on term loan borrowings (a) annually in an amount up to 50% of Excess Cash Flow depending upon our Total Leverage Ratio (as such terms are 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 us therefrom, and (c) in an amount equal to 100% of the net proceeds from any subsequent issuance of debt. The senior credit facility contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the senior credit facility if there is a default in the payment of any principal of or interest on any indebtedness of Carrols having an outstanding principal amount of at least $2.5 million (excluding lease financing obligations but which would include the Indenture governing the Notes) or any event or condition which results in the acceleration of such indebtedness prior to its stated maturity.

In general, obligations under the senior credit facility are guaranteed by us and all of Carrols' material subsidiaries and are collateralized by a pledge of Carrols' common stock and the stock of each of Carrols' material subsidiaries. The senior credit facility contains certain covenants, including, without limitation, those limiting our ability to incur indebtedness, incur liens, sell or acquire assets or businesses, change the nature of our business, engage in transactions with related parties, make certain investments or pay dividends. In addition, we are required to meet certain financial ratios, including fixed charge coverage, senior leverage, and total leverage ratios (all as defined under the senior credit facility). We were in compliance as of April 4, 2010 with the covenants in the senior credit facility. At April 4, 2010, Carrols fixed charge coverage ratio was 1.43 to 1.00 compared to the minimum required fixed charge ratio of 1.20 to 1.00, Carrols senior leverage ratio was 1.44 to 1.00 compared to the allowed senior leverage ratio of 2.00 to 1.00, and Carrols total leverage ratio was 3.39 to 1.00 compared to the allowed total leverage ratio of 4.00 to 1.00.

Notes. On December 15, 2004 Carrols issued $180.0 million of Notes. The Notes bear interest at a rate of 9% payable semi-annually on January 15 and July 15 and mature on January 15, 2013. The Notes are redeemable at the option of Carrols in whole or in part at a price of 102.25% of the principal amount if redeemed before January 15, 2011 and at 100% of the principal amount after January 15, 2011.

The Notes are unsecured and guaranteed by Carrols' material subsidiaries. Restrictive covenants under the Notes include limitations with respect to, among other things, Carrols' and its material subsidiaries' ability to incur additional debt, incur liens, sell or acquire assets or businesses, pay dividends and make certain investments. The Indenture governing the Notes contains customary default provisions as provided therein, including without limitation, a cross default provision pursuant to which it is an event of default under the Notes and the Indenture if there is a default under any indebtedness of Carrols having an outstanding principal amount of $20 million or more (which would include the senior credit facility) if such default results in the acceleration of such indebtedness prior to its stated maturity or is caused by a failure to pay principal when due. Carrols was in compliance as of April 4, 2010 with the restrictive covenants in the Indenture governing the Notes.

Indebtedness. At April 4, 2010, we had total debt outstanding of $287.4 million comprised of $165.0 million of Notes, term loan borrowings of $101.0 million under the senior credit facility, borrowings of $10.2 million under the revolving credit facility, lease financing obligations of $10.0 million and capital lease obligations of $1.2 million. After reserving $14.5 million for letters of credit guaranteed by our senior credit facility, $40.3 million was available for borrowings under the revolving credit facility at April 4, 2010.

Contractual Obligations

A table of our contractual obligations as of December 31, 2009 was included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. There have been no significant changes to our contractual obligations during the three months ended March 31, 2010.

Off-Balance Sheet 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.

Application of Critical Accounting Policies

Our unaudited interim 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 "Significant Accounting Policies" footnote in the notes to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. 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. There have been no material changes affecting our critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Effects of New Accounting Standards

There are currently no recent accounting pronouncements that which had, or are expected to have, a material impact on our consolidated financial statements as of the date of this report.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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", "plan" 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, in addition to other risks and uncertainties discussed herein and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009:

- *Competitive conditions;*
- *Regulatory factors;*
- *Environmental conditions and regulations;*

- *General economic conditions, particularly in the retail sector;*
- *Weather conditions;*
- *Increases in commodity costs;*
- *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 claims and proceedings;*
- *Our ability to manage our growth and successfully implement our business strategy;*
- *The risks associated with the expansion of our business;*
- *Our ability 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 an act of terrorism or escalation of any insurrection or armed conflict involving the United States or any other national or international calamity; and*
- *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 negative publicity regarding food quality, illness, injury or other health concerns.*

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 energy costs. Labor costs in our restaurants are impacted by changes in the Federal and state hourly minimum wage rates as well as changes in payroll related taxes. 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 fully offset such inflationary cost increases in the future.

ITEM 3—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes from the information presented in Item 7A included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 with respect to the Company's market risk sensitive instruments.

A 1% change in interest rates would have resulted in an increase or decrease in interest expense of approximately $0.3 million for the three months ended March 31, 2010.

ITEM 4—CONTROLS AND PROCEDURES

*Disclosure Controls and Procedures***.** Our senior management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), designed to ensure that information required to be disclosed by us in the reports that we file or submit 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.

Evaluation of Disclosure Controls and Procedures. 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 the end of the period covered by this report, 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 April 4, 2010.

No change occurred in our internal control over financial reporting during the first quarter of 2010 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Part I—Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 describes important factors that could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by management from time-to-time. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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

None

Item 3. Default Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits

(a) The following exhibits are filed as part of this report.

Exhibit No.	
10.1	Second Amendment, effective as of January 1, 2009, to Carrols Corporation Retirement Savings Plan.
10.2	First Amendment, dated as of March 24, 2010, to 2006 Stock Incentive Plan.
31.1	Chief Executive Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
31.2	Chief Financial Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
31.3	Chief Executive Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Corporation.
31.4	Chief Financial Officer’s Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Carrols Corporation.
32.1	Chief Executive Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
32.2	Chief Financial Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Restaurant Group, Inc.
32.3	Chief Executive Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Corporation.
32.4	Chief Financial Officer’s Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Carrols Corporation.

Table of Contents

SIGNATURES

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

CARROLS RESTAURANT GROUP, INC.

Date: May 12, 2010	/s/ ALAN VITULI **(Signature)** **Alan Vituli** **Chairman of the Board and** **Chief Executive Officer**
Date: May 12, 2010	/s/ PAUL R. FLANDERS **(Signature)** **Paul R. Flanders** **Vice President – Chief Financial Officer and Treasurer**

SIGNATURES

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

CARROLS CORPORATION

Date: May 12, 2010	/s/ ALAN VITULI **(Signature)** **Alan Vituli** **Chairman of the Board and** **Chief Executive Officer**
Date: May 12, 2010	/s/ PAUL R. FLANDERS **(Signature)** **Paul R. Flanders** **Vice President – Chief Financial Officer and Treasurer**

CARROLS CORPORATION RETIREMENT SAVINGS PLAN

(January 1, 2009 Restatement)

TABLE OF CONTENTS

PREAMBLE

The Carrols Corporation Retirement Savings Plan, originally effective as of January 1, 1979, is hereby amended and restated in its entirety. This amendment and restatement shall be effective as of January 1, 2009. The Plan, as amended and restated hereby, is intended to qualify as a profit-sharing plan under Code Section 401(a), and includes a cash or deferred arrangement that is intended to qualify under Code Section 40l(k). The Plan is maintained for the exclusive benefit of eligible Employees and their Beneficiaries.

Notwithstanding any other provision of the Plan to the contrary, a Participant's vested interest in his Account under the Plan on and after the effective date of this amendment and restatement shall be not less than his vested interest in his account on the day immediately preceding the effective date. Any provision of the Plan that restricted or limited withdrawals, loans, or other distributions, or otherwise required separate accounting with respect to any portion of a Participant's Account immediately prior to the later of the effective date of this amendment and restatement or the date this amendment and restatement is adopted and the elimination of which would adversely affect the qualification of the Plan under Code Section 401(a) shall continue in effect with respect to such portion of the Participant's Account as if fully set forth in this amendment and restatement.

ARTICLE I
DEFINITIONS

1.1 Plan Definitions

As used herein, the following words and phrases have the meanings hereinafter set forth, unless a different meaning is plainly required by the context:

An **"Account"** means the account maintained by the Trustee in the name of a Participant that reflects his interest in the Trust and any Sub-Accounts maintained thereunder, as provided in Article VIII.

The **"Administrator"** means the Sponsor unless the Sponsor designates another person or persons to act as such.

An **"After-Tax Contribution"** means any after-tax employee contribution made by a Participant to the Plan as may be permitted under Article V or as may have been permitted under the terms of the Plan prior to this amendment and restatement or any after-tax employee contribution made by a Participant to another plan that is transferred directly to the Plan. After-tax employee contributions that are rolled over to the Plan in accordance with the provisions of Article V are not treated as After-Tax Contributions hereunder.

The **"Beneficiary"** of a Participant means the person or persons entitled under the provisions of the Plan to receive distribution hereunder in the event the Participant dies before receiving distribution of his entire interest under the Plan.

A Participant's **"Benefit Payment Date"** means (i) if payment is made through the purchase of an annuity, the first day of the first period for which the annuity is payable or (ii) if payment is made in any other form, the first day on which all events have occurred which entitle the Participant to receive payment of his benefit.

A **"Break in Service"** means any "computation period" (as defined in Section 2.1 for purposes of determining years of Vesting Service) during which an Employee completes no more than 500 Hours of Service except that no Employee shall incur a Break in Service solely by reason of temporary absence from work not exceeding 12 months resulting from illness, layoff, or other cause if authorized in advance by an Employer or a Related Company pursuant to its uniform leave policy, if his employment shall not otherwise be terminated during the period of such absence.

A **"Catch-Up 401(k) Contribution"** means any 401(k) Contribution made on behalf of a Participant that is in excess of an applicable Plan limit and is made pursuant to, and is intended to comply with, Code Section 414(v).

The **“Code”** means the Internal Revenue Code of 1986, as amended from time to time. Reference to a Code section includes such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

The **“Compensation”** of a Participant for any period means the wages as defined in Code Section 3401(a), paid to him for such period for services as a Covered Employee that would be used for purposes of income tax withholding at the source, determined without regard to any rules that limit compensation included in wages based on the nature or location of the employment or services performed.

Notwithstanding the foregoing, Compensation with respect to 401(k) Contributions and After-Tax Contributions shall not include the following:

- bonuses;
- any accrued vacation pay and severance pay that a Participant becomes entitled to receive as a result of the Participant’s termination of employment and that is paid on or after the date of such termination of employment; and
- any amount that is paid to a Participant in lieu of vacation pay.

Compensation includes (i) any elective deferral, as defined in Code Section 402(g)(3), (ii) any amount contributed or deferred by the Employer at the Participant’s election which is not includable in the Participant’s gross income by reason of Code Section 125, 132(f)(4), or 457, and (iii) certain contributions described in Code Section 414(h)(2) that are picked up by the employing unit and treated as employer contributions. Such amounts shall be included in Compensation only to the extent that they would otherwise have been included in Compensation as defined above.

In no event, however, shall the Compensation of a Participant taken into account under the Plan for any Plan Year exceed the limit in effect under Code Section 401(a)(17) ($200,000 for Plan Years beginning in 2002, subject to adjustment annually as provided in Code Sections 401(a)(17)(B) and 415(d); provided, however, that the dollar increase in effect on January 1 of any calendar year, if any, is effective for Plan Years beginning in such calendar year). If the Compensation of a Participant is determined over a period of time that contains fewer than 12 calendar months, then the annual compensation limitation described above shall be adjusted with respect to that Participant by multiplying the annual compensation limitation in effect for the Plan Year by a fraction the numerator of which is the number of full months in the period and the denominator of which is 12; provided, however, that no proration is required for a Participant who is covered under the Plan for less than one full Plan Year if the formula for allocations is based on Compensation for a period of at least 12 months.

A **“Contribution Period”** means the period specified in Article VI for which Employer Contributions shall be made.

A **“Covered Employee”** means any Employee of an Employer who is employed on a salaried basis or who is employed on an hourly basis and is entitled to salaried benefits. Notwithstanding the foregoing, the term “Covered Employee” shall not include the following:

- any individual with respect to whom an Employer does not withhold income or employment taxes and file Form W-2 (or any replacement Form) with the Internal Revenue Service because such individual has executed a contract, letter of agreement, or other document acknowledging his status as an independent contractor who is not entitled to benefits under the Plan or is otherwise not classified by his Employer as a common law employee, even if such individual is later adjudicated to be a common law employee of his Employer, unless and until the Employer extends coverage to such individual;
- any Leased Employee;
- any Self-Employed Individual; and
- any individual who was determined to be a Highly Compensated Employee for the preceding Plan Year. Any Covered Employee who is determined to be a Highly Compensated Employee for a Plan Year shall not be considered a Covered Employee, eligible to participate in the Plan, for the following Plan Year.

The term “Covered Employee” shall include any Employee who is covered by a collective bargaining agreement with the Employer only if and to the extent such collective bargaining agreement provides for coverage under the Plan.

“Disabled” means a Participant can no longer continue in the service of his employer because of a mental or physical condition that is likely to result in death or is expected to be of long-continued or indefinite duration. A Participant shall be considered Disabled only if:

- The Administrator determines he is Disabled based on a written certificate of a physician acceptable to it.

The **“Earned Income”** of an individual means the net earnings from self employment in the trade or business with respect to which the Plan is established, for which personal services of the individual are a material income producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the individual’s Employer to a qualified plan to the extent the contributions are deductible under Code Section 404. Net earnings shall be determined with regard to the deduction allowed to the taxpayer by Code Section 164(f).

An **“Eligible Employee”** means any Covered Employee who has met the eligibility requirements of Article III to participate in the Plan.

The **“Eligibility Service”** of an Employee means the period or periods of service credited to him under the provisions of Article II for purposes of determining his eligibility to participate in the Plan as may be required under Article III.

An **“Employee”** means any common law employee of an Employer or a Related Company, any Self-Employed Individual, and any Leased Employee.

An **“Employer”** means the Sponsor and any entity which has adopted the Plan as may be provided under Article XX, including Carrols LLC.

An **“Employer Contribution”** means the amount, if any, that an Employer contributes to the Plan on behalf of its Eligible Employees in accordance with the provisions of Article VI or Article XXII and that an Eligible Employee may not elect instead to receive in cash.

An **“Enrollment Date”** means each business day of the Plan Year.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to a section of ERISA includes such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

A **“401(k) Contribution”** means any amount contributed to the Plan on behalf of a Participant that the Participant could elect to receive in cash, but that the Participant elects to have contributed to the Plan in accordance with the provisions of Article IV.

The **“General Fund”** means a Trust Fund maintained by the Trustee as required to hold and administer any assets of the Trust that are not allocated among any separate Investment Funds as may be provided in the Plan or the Trust Agreement. No General Fund shall be maintained if all assets of the Trust are allocated among separate Investment Funds.

A **“Highly Compensated Employee”** means any Covered Employee who is a “highly compensated active employee” as defined hereunder.

A “highly compensated active employee” includes any Covered Employee who performs services for an Employer or any Related Company during the Plan Year and who (i) was a five percent owner at any time during the Plan Year or the “look back year” or (ii) received “compensation” from the Employers and Related Companies during the “look back year” in excess of the dollar amount in effect under Code Section 414(q)(1)(B)(i) adjusted pursuant to Code Section 415(d) (e.g., $80,000 for “look back years” beginning in 1997, adjusted using as the base period the calendar quarter ending September 30, 1996).

The determination of who is a Highly Compensated Employee hereunder shall be made in accordance with the provisions of Code Section 414(q) and regulations issued thereunder.

For purposes of this definition, the following terms have the following meanings:

- An Employee's "compensation" means his "415 compensation" as defined in Section 7.1.
- The "look back year" means the 12-month period immediately preceding the Plan Year.

An **"Hour of Service"** with respect to an Employee means each hour, if any, that may be credited to him in accordance with the provisions of Article II.

An **"Investment Fund"** means any separate investment Trust Fund maintained by the Trustee as may be provided in the Plan or the Trust Agreement or any separate investment fund maintained by the Trustee, to the extent that there are Participant Sub-Accounts under such funds, to which assets of the Trust may be allocated and separately invested.

A **"Leased Employee"** means any person (other than an "excludable leased employee") who performs services for an Employer or a Related Company (the "recipient") (other than an employee of the "recipient") pursuant to an agreement between the "recipient" and any other person (the "leasing organization") on a substantially full-time basis for a period of at least one year, provided that such services are performed under primary direction of or control by the "recipient". An "excludable leased employee" means any Leased Employee of the "recipient" who is (a) covered by a money purchase pension plan maintained by the "leasing organization" which provides for (i) a nonintegrated employer contribution on behalf of each participant in the plan equal to at least ten percent of 415 compensation (as defined in Section 7.1), (ii) full and immediate vesting, and (iii) immediate participation by employees of the "leasing organization" or (b) performs substantially all of his services for the "leasing organization" or (c) whose compensation from the "leasing organization" in each Plan Year during the four-year period ending with the Plan Year is less than $1,000. Notwithstanding the foregoing, a person shall not be treated as an "excludable leased employee" if Leased Employees (including any individual who would otherwise be considered an "excludable leased employee") constitute more than 20 percent of the "recipient's" nonhighly compensated work force. For purposes of this Section, contributions or benefits provided to a Leased Employee by the "leasing organization" that are attributable to services performed for the "recipient" shall be treated as provided by the "recipient".

Notwithstanding the foregoing, if any person who performed services for a "recipient" pursuant to an agreement between the "recipient" and the "leasing organization" becomes a Covered Employee, all service performed by such person for the "recipient" shall be treated as employment with an Employer as an Employee, even if performed on less than a full-time basis, for less than a full year, or while an "excludable leased employee."

A **"Matching Contribution"** means any Employer Contribution made to the Plan on account of a Participant's 401(k) Contributions or After-Tax Contributions as provided in Article VI. Matching Contributions include the following:

- Regular Matching Contributions.
- any such contribution that is designated by an Employer as a Qualified Matching Contribution.

The **"Normal Retirement Date"** of an Employee means the later of the date he attains age 65 or the fifth anniversary of the date he commenced participation in the Plan. Notwithstanding the foregoing, with respect to Participants who formerly participated in the Taco Cabana Savings and Retirement Plan and who were hired before July 1, 2002, Normal Retirement Date means age 59 $^1/_2$.

A **"Participant"** means any person who has satisfied the requirements of Article III to become an Eligible Employee and who has an Account in the Trust.

The **"Plan"** means the Carrols Corporation Retirement Savings Plan, as from time to time in effect.

A **"Plan Year"** means the 12-consecutive-month period ending each December 31.

A **"Predecessor Employer"** means any company that is a predecessor organization to an Employer under the Code, provided that the Employer maintains a plan of such predecessor organization.

A **"Qualified Joint and Survivor Annuity"** means an immediate annuity payable at earliest retirement age under the Plan, as defined in regulations issued under Code Section 401(a)(11), that is payable for the life of a Participant with a survivor annuity payable for the life of the Participant's Spouse that is equal to at least 50 percent, but not more than 100 percent, of the amount of the annuity payable during the joint lives of the Participant and his Spouse. No survivor annuity shall be payable to the Participant's Spouse under a Qualified Joint and Survivor Annuity if such Spouse is not the same person who was the Participant's Spouse on his Benefit Payment Date.

A **"Qualified Matching Contribution"** means any Matching Contribution made to the Plan as provided in Article VI that is 100 percent vested when made and may be taken into account to satisfy the limitations on 401(k) Contributions made by Highly Compensated Employees under Article VII.

A **"Qualified Nonelective Contribution"** means any Employer Contribution made to the Plan as provided in Article VI that is 100 percent vested when made and may be taken into account to satisfy the limitations on 401(k) Contributions and/or Matching and After-Tax Contributions made by or on behalf of Highly Compensated Employees under Article VII, other than Qualified Matching Contributions.

A **"Qualified Preretirement Survivor Annuity"** means an annuity payable for the life of a Participant's surviving Spouse if the Participant dies prior to his Benefit Payment Date.

A **"Regular Matching Contribution"** means any Matching Contribution made to the Plan at the rate specified in Article VI, other than the following:

- Matching Contributions re-characterized by the Employer as Qualified Matching Contributions.

A **"Related Company"** means any corporation or business, other than an Employer, that would be aggregated with an Employer for a relevant purpose under Code Section 414, including members of an affiliated service group under Code Section 414(m), a controlled group of corporations under Code Section 414(b), or a group of trades of businesses under common control under Code Section 414(c) of which the adopting Employer is a member, and any other entity required to be aggregated with the Employer pursuant to Code Section 414(o).

A Participant's **"Required Beginning Date"** means the following:

- for a Participant who is not a "five percent owner", April 1 of the calendar year following the calendar year in which occurs the later of the Participant's (i) attainment of age 70 $^1/_2$ or (ii) retirement.
- for a Participant who is a "five percent owner", April 1 of the calendar year following the calendar year in which the Participant attains age 70 $^1/_2$.

A Participant is a "five percent owner" if he is a five percent owner, as defined in Code Section 416(i) and determined in accordance with Code Section 416, but without regard to whether the Plan is top-heavy, for the Plan Year ending with or within the calendar year in which the Participant attains age 70 $^1/_2$. The Required Beginning Date of a Participant who is a "five percent owner" hereunder shall not be redetermined if the Participant ceases to be a five percent owner as defined in Code Section 416(i) with respect to any subsequent Plan Year.

A **"Rollover Contribution"** means any rollover contribution to the Plan made by a Participant as may be permitted under Article V.

A **"Self-Employed Individual"** means any individual who has Earned Income for the taxable year from the trade or business with respect to which the Plan is established or who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

The **"Settlement Date"** of a Participant means the date on which a Participant's interest under the Plan becomes distributable in accordance with Article XV.

A **"Single Life Annuity"** means an annuity payable for the life of a Participant.

The **"Sponsor"** means Carrols Corporation, and any successor thereto.

A Participant's **"Spouse"** means the person of the opposite sex to whom the Participant is married in a legal union between one man and one woman as husband and wife.

A **"Sub-Account"** means any of the individual sub-accounts of a Participant's Account that is maintained as provided in Article VIII.

A **"Transfer Contribution"** means any amount transferred to the Plan on an Employee's behalf directly from another qualified plan pursuant to a trust to trust transfer as provided in Article XXI in the Section entitled "Trust to Trust Transfer".

The **"Trust"** means the trust, custodial accounts, annuity contracts, or insurance contracts maintained by the Trustee under the Trust Agreement.

The **"Trust Agreement"** means any agreement or agreements entered into between the Sponsor and the Trustee relating to the holding, investment, and reinvestment of the assets of the Plan, together with all amendments thereto and shall include any agreement establishing a custodial account, an annuity contract, or an insurance contract (other than a life, health or accident, property, casualty, or liability insurance contract) for the investment of assets if the custodial account or contract would, except for the fact that it is not a trust, constitute a qualified trust under Code Section 401.

The **"Trustee"** means the trustee or any successor trustee which at the time shall be designated, qualified, and acting under the Trust Agreement and shall include any insurance company that issues an annuity or insurance contract pursuant to the Trust Agreement or any person holding assets in a custodial account pursuant to the Trust Agreement. The Sponsor may designate a person or persons other than the Trustee to perform any responsibility of the Trustee under the Plan, other than trustee responsibilities as defined in ERISA Section 405(c)(3), and the Trustee shall not be liable for the performance of such person in carrying out such responsibility except as otherwise provided by ERISA. The term Trustee shall include any delegate of the Trustee as may be provided in the Trust Agreement.

A **“Trust Fund”** means any fund maintained under the Trust by the Trustee.

A **“Valuation Date”** means the date or dates designated by the Sponsor and communicated in writing to the Trustee for the purpose of valuing the General Fund and each Investment Fund and adjusting Accounts and Sub-Accounts hereunder, which dates need not be uniform with respect to the General Fund, each Investment Fund, Account, or Sub-Account; provided, however, that the General Fund and each Investment Fund shall be valued and each Account and Sub-Account shall be adjusted no less often than once annually.

The **“Vesting Service”** of an Employee means the period or periods of service credited to him under the provisions of Article II for purposes of determining his vested interest in his Employer Contributions Sub-Account, if Employer Contributions are provided for under either Article VI or Article XXII.

1.2 Interpretation

Where required by the context, the noun, verb, adjective, and adverb forms of each defined term shall include any of its other forms. Wherever used herein, the masculine pronoun shall include the feminine, the singular shall include the plural, and the plural shall include the singular.

ARTICLE II
SERVICE

2.1 Special Definitions

For purposes of this Article, the following terms have the following meanings:

A **"computation period"** for purposes of determining an Employee's years of Vesting Service means each Plan Year; provided, however, that if an Employee first completed an Hour of Service prior to the effective date of the Plan, a Plan Year shall not mean any short Plan Year beginning on the effective date of the Plan, if any, but shall mean any 12-consecutive-month period beginning before the effective date of the Plan that would have been a Plan Year if the Plan had been in effect.

A **"maternity/paternity absence"** means an Employee's absence from employment with an Employer or a Related Company because of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the Employee's adoption of the child, or the caring for the Employee's child immediately following the child's birth or adoption. An Employee's absence from employment will not be considered a maternity/paternity absence unless the Employee furnishes the Administrator such timely information as may reasonably be required to establish that the absence was for one of the purposes enumerated in this paragraph and to establish the number of days of absence attributable to such purpose.

2.2 Crediting of Hours of Service

An Employee shall be credited with an Hour of Service for:

(a) Each hour for which he is paid, or entitled to payment, for the performance of duties for an Employer, a Predecessor Employer, or a Related Company during the applicable period; provided, however, that hours compensated at a premium rate shall be treated as straight-time hours.

(b) Subject to the provisions of Section 2.3, each hour for which he is paid, or entitled to payment, by an Employer, a Predecessor Employer, or a Related Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), lay-off, jury duty, military duty, or leave of absence.

(c) Each hour for which he would have been scheduled to work for an Employer, a Predecessor Employer, or a Related Company during the period that he is absent from work because of service with the armed forces of the United States provided he is eligible for reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994 and returns to work with an Employer or a Related Company within the period during which he retains such reemployment rights; provided, however, that the same Hour of Service shall not be credited under paragraph (b) of this Section and under this paragraph (c).

(d) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Employer, a Predecessor Employer, or a Related Company; provided, however, that the same Hour of Service shall not be credited both under paragraph (a) or (b) or (c) of this Section, as the case may be, and under this paragraph (d); and provided, further, that the crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in such paragraph (b) shall be subject to the limitations set forth therein and in Section 2.3.

(e) Solely for purposes of determining whether an Employee who is on a "maternity/paternity absence" has incurred a Break in Service for a "computation period", Hours of Service shall include those hours with which such Employee would otherwise have been credited but for such "maternity/paternity absence", or shall include eight Hours of Service for each day of "maternity/paternity absence" if the actual hours to be credited cannot be determined; except that not more than the minimum number of hours required to prevent a Break in Service shall be credited by reason of any "maternity/paternity absence"; provided, however, that any hours included as Hours of Service pursuant to this paragraph shall be credited to the "computation period" in which the absence from employment begins, if such Employee otherwise would incur a Break in Service in such "computation period", or, in any other case, to the immediately following "computation period".

(f) Solely for purposes of determining whether he has incurred a Break in Service, each hour for which he would have been scheduled to work for an Employer, a Predecessor Employer, or a Related Company during the period of time that he is absent from work on an approved leave of absence pursuant to the Family and Medical Leave Act of 1993; provided, however, that Hours of Service shall not be credited to an Employee under this paragraph if the Employee fails to return to employment with an Employer or a Related Company following such leave.

For purposes of determining an Employee's Eligibility and Vesting Service, Hours of Service shall be credited for employment with a corporation or business prior to the date such corporation or business becomes a Related Company as if such employment were employment with a Related Company.

2.3 Limitations on Crediting of Hours of Service

In the application of the provisions of paragraph (b) of Section 2.2, the following shall apply:

(a) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to him if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws.

(b) Hours of Service shall not be credited with respect to a payment which solely reimburses an Employee for medical or medically-related expenses incurred by him.

(c) A payment shall be deemed to be made by or due from an Employer, a Predecessor Employer, or a Related Company (i) regardless of whether such payment is made by or due from such employer directly or indirectly, through (among others) a trust fund or insurer to which any such employer contributes or pays premiums, and (ii) regardless of whether contributions made or due to such trust fund, insurer, or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

(d) No more than 501 Hours of Service shall be credited to an Employee on account of any single continuous period during which he performs no duties (whether or not such period occurs in a single "computation period"), unless no duties are performed due to service with the armed forces of the United States for which the Emlpoyee retains reemployment rights as provided in paragraph (c) of Section 2.2 or because of approved leaves of absence of up two years.

2.4 Department of Labor Rules

The rules set forth in paragraphs (b) and (c) of Department of Labor Regulations Section 2530.200b-2, which relate to determining Hours of Service attributable to reasons other than the performance of duties and crediting Hours of Service to particular periods, are hereby incorporated into the Plan by reference.

2.5 Eligibility Service

Because there are no Eligibility Service requirements to participate in the Plan, there shall be no Eligibility Service credited under the Plan.

2.6 Years of Vesting Service

An Employee shall be credited with a year of Vesting Service for each "computation period" during which he completes at least 1,000 Hours of Service.

2.7 Crediting of Hours of Service with Respect to Short “Computation Periods”

The following provisions shall apply with respect to crediting Hours of Service with respect to any short “computation period”:

(a) For purposes of this Article, the following terms have the following meanings:

(i) An “old computation period” means any “computation period” that ends immediately prior to a change in the “computation period”.

(ii) A “short computation period” means any “computation period” of fewer than 12-consecutive months.

(b) Notwithstanding any other provision of the Plan to the contrary, no Employee shall incur a Break in Service for a short “computation period” solely because of such short “computation period”.

(c) For purposes of determining the years of Vesting Service to be credited to an Employee, a “computation period” shall not include the “short computation period”, but if an Employee completes at least 1,000 Hours of Service in the 12- consecutive-month period beginning on the first day of the “short computation period”, such Employee shall be credited with a year of Vesting Service for such 12-consecutive-month period.

2.8 Crediting of Service on Transfer or Amendment

Notwithstanding any other provision of the Plan to the contrary, if as a result of a Plan amendment or a transfer from employment covered under another qualified plan maintained by an Employer or a Related Company, the service crediting method applicable to an Employee changes between the elapsed time method described in Treasury Regulations Section 1.410(a)-7 and the Hours of Service method described in Department of Labor Regulations Sections 2530.200 through 2530.203, an affected Employee shall be credited with Vesting Service hereunder as provided in Treasury Regulations Section 1.410(a)-7(f)(1).

ARTICLE III
ELIGIBILITY

3.1 Eligibility

Each Covered Employee who was an Eligible Employee immediately prior to January 1, 2009 shall continue to be an Eligible Employee on January 1, 2009. Each other Employee shall become an Eligible Employee as of the applicable Enrollment Date upon becoming a Covered Employee.

Notwithstanding the foregoing, a Highly Compensated Employee shall not be permitted to participate in the Plan for the Plan Year following the Plan Year in which he is determined to be a Highly Compensated Employee.

3.2 Transfers of Employment

If an Employee is transferred directly from employment with an Employer or with a Related Company in a capacity other than as a Covered Employee to employment as a Covered Employee, he shall become an Eligible Employee as of the later of the date he is so transferred or the date he would have become an Eligible Employee in accordance with the provisions of Section 3.1 if he had been a Covered Employee for his entire period of employment with the Employer or Related Company.

3.3 Reemployment

If a person who terminated employment with an Employer and all Related Companies is reemployed as a Covered Employee and if he had been an Eligible Employee prior to his termination of employment, he shall again become an Eligible Employee on the date he is reemployed. If such person was not an Eligible Employee prior to his termination of employment, but had satisfied the requirements of Section 3.1 prior to such termination, he shall become an Eligible Employee as of the later of the date he is reemployed or the date he would have become an Eligible Employee in accordance with the provisions of Section 3.1 if he had continued employment as a Covered Employee. Otherwise, the eligibility of a person who terminated employment with an Employer and all Related Companies and who is reemployed by an Employer or a Related Company to participate in the Plan shall be determined in accordance with Section 3.1 or 3.2.

3.4 Notification Concerning New Eligible Employees

Each Employer shall notify the Administrator as soon as practicable of Employees becoming Eligible Employees as of any date.

3.5 Effect and Duration

Upon becoming an Eligible Employee, a Covered Employee shall be entitled to make 401(k) and After-Tax Contributions to the Plan in accordance with the provisions of Article IV and Article V and receive allocations of Employer Contributions in accordance with the provisions of Article VI (provided he meets any applicable requirements thereunder) and shall be bound by all the terms and conditions of the Plan and the Trust Agreement. A person shall continue as an Eligible Employee eligible to make 401(k) and After-Tax Contributions to the Plan and to participate in allocations of Employer Contributions only so long as he continues employment as a Covered Employee.

ARTICLE IV
401(k) CONTRIBUTIONS

4.1 401(k) Contributions

Effective as of the date he becomes an Eligible Employee, each Eligible Employee may elect, in accordance with rules prescribed by the Administrator, to have 401(k) Contributions made to the Plan on his behalf by his Employer as hereinafter provided. An Eligible Employee's election shall include his authorization for his Employer to reduce his Compensation and to make 401(k) Contributions on his behalf. An Eligible Employee who does not make a timely election to have 401(k) Contributions made to the Plan as of the first Enrollment Date he becomes eligible to participate shall be deemed to have elected a 0% reduction and may only change such deemed election pursuant to the provisions of this Article for amending reduction authorizations.

401(k) Contributions on behalf of an Eligible Employee shall commence with the first payment of Compensation made on or after the Enrollment Date on which he first becomes eligible to participate.

4.2 Amount of 401(k) Contributions

The amount of 401(k) Contributions to be made each payroll period on behalf of an Eligible Employee by his Employer shall be a percentage, expressed in the increments prescribed by the Administrator, of the Eligible Employee's Compensation of not less than 1 percent nor more than 50 percent. In the event an Eligible Employee elects to have his Employer make 401(k) Contributions on his behalf, his Compensation shall be reduced for each payroll period by the percentage he elects to have contributed on his behalf to the Plan in accordance with the terms of his currently effective reduction authorization.

4.3 Catch-Up 401(k) Contributions

An Eligible Employee who is or will be age 50 or older by the end of the taxable year may make Catch-Up 401(k) Contributions to the Plan in excess of the limits otherwise applicable to 401(k) Contributions under the Plan, but not in excess of the dollar limit in effect under Code Section 414(v)(2)(B)(i) for the taxable year ($5,000 for 2006). Otherwise applicable limits that do not apply to Catch-Up 401(k) Contributions include, but are not limited to, the percentage of Compensation limit specified in Section 4.2, the Code Section 402(g) limit described in Article VII, and the Code Section 415 limit on annual additions described in Article VII.

If the percentage of Compensation limit specified in Section 4.2 changes during the Plan Year, the applicable limit under Section 4.2 for purposes of determining Catch-Up 401(k) Contributions for an Eligible Employee for such Plan Year shall be the sum of the dollar amounts of the limits applicable to the Eligible Employee for each portion of the Plan Year.

4.4 Contributions Limited to Effectively Available Compensation

Notwithstanding any other provision of the Plan or of an Eligible Employee's salary reduction authorization, in no event will 401(k) Contributions, including Catch-Up 401(k) Contributions, be made for a payroll period in excess of an Eligible Employee's "effectively available" Compensation. Effectively available Compensation means the Compensation remaining after all other required amounts have been withheld, e.g., tax withholding, withholding for contributions to a cafeteria plan under Code Section 125, etc.

4.5 Combined Limit on 401(k) Contributions and After-Tax Contributions

Notwithstanding any other provision of the Plan to the contrary, in no event may the 401(k) Contributions made on behalf of an Eligible Employee for the Plan Year, when combined with the After-Tax Contributions made by the Eligible Employee for the Plan Year, exceed 50 percent of the Eligible Employee's Compensation for the Plan Year.

4.6 Amendments to Reduction Authorization

An Eligible Employee may elect, in the manner prescribed by the Administrator, to change the amount of his future Compensation that his Employer contributes on his behalf as 401(k) Contributions. An Eligible Employee may amend his reduction authorization at such time or times during the Plan Year as the Administrator may prescribe by giving such number of days advance notice of his election as the Administrator may prescribe. An Eligible Employee who amends his reduction authorization shall be limited to selecting an amount of his Compensation that is otherwise permitted under this Article IV. 401(k) Contributions shall be made on behalf of such Eligible Employee by his Employer pursuant to his properly amended reduction authorization commencing with Compensation paid to the Eligible Employee on or after the date such amendment is effective, until otherwise altered or terminated in accordance with the Plan.

4.7 Suspension of 401(k) Contributions

An Eligible Employee on whose behalf 401(k) Contributions are being made may elect, in the manner prescribed by the Administrator, to have such contributions suspended at any time by giving such number of days advance notice of his election as the Administrator may prescribe. Any such voluntary suspension shall take effect commencing with Compensation paid to such Eligible Employee on or after the expiration of the required notice period and shall remain in effect until 401(k) Contributions are resumed as hereinafter set forth.

4.8 Resumption of 401(k) Contributions

An Eligible Employee who has voluntarily suspended his 401(k) Contributions may elect, in the manner prescribed by the Administrator, to have such contributions resumed. An Eligible Employee may make such election at such time or times during the Plan Year as the Administrator may prescribe, by giving such number of days advance notice of his election as the Administrator may prescribe.

4.9 Delivery of 401(k) Contributions

As soon after the date an amount would otherwise be paid to an Eligible Employee as it can reasonably be separated from Employer assets, each Employer shall cause to be delivered to the Trustee in cash all 401(k) Contributions attributable to such amounts. In no event shall an Employer deliver 401(k) Contributions to the Trustee on behalf of an Eligible Employee prior to the date the Eligible Employee performs the services with respect to which the 401(k) Contribution is being made, unless such pre-funding is to accommodate a bona fide administrative concern and is not for the principal purpose of accelerating deductions.

4.10 Vesting of 401(k) Contributions

A Participant's vested interest in his 401(k) Contributions Sub-Account shall be at all times 100 percent.

ARTICLE V
AFTER-TAX AND ROLLOVER CONTRIBUTIONS

5.1 After-Tax Contributions

Effective as of the date he becomes an Eligible Employee, each Eligible Employee may elect, in accordance with rules prescribed by the Administrator, to make After-Tax Contributions to the Plan.

After-Tax Contributions shall be made by payroll withholding in accordance with the provisions of this Article V. An Eligible Employee's election to make After-Tax Contributions may be made effective as of the Enrollment Date on which he becomes an Eligible Employee. An Eligible Employee who does not timely elect to make After-Tax Contributions by payroll withholding as of the first Enrollment Date on which he becomes eligible to participate shall be deemed to have elected not to make After-Tax Contributions and may only change such deemed election pursuant to the provisions of this Article for amending his payroll withholding authorization.

An Eligible Employee's After-Tax Contributions by payroll withholding shall commence with the first payment of Compensation made on or after the date on which he first becomes eligible to participate.

5.2 Amount of After-Tax Contributions by Payroll Withholding

The amount of After-Tax Contributions made by an Eligible Employee by payroll withholding shall be a percentage, expressed in the increments prescribed by the Administrator, of his Compensation of not less than 1 percent nor more than 50 percent.

5.3 Combined Limit on 401(k) and After-Tax Contributions

Notwithstanding any other provision of the Plan to the contrary, in no event may the After-Tax Contributions made by an Eligible Employee for the Plan Year, when combined with the 401(k) Contributions made on behalf of the Eligible Employee for the Plan Year, exceed 50 percent of the Eligible Employee's Compensation for the Plan Year.

5.4 Amendments to Payroll Withholding Authorization

An Eligible Employee may elect, in the manner prescribed by the Administrator, to change the amount of his future Compensation that he contributes to the Plan as After-Tax Contributions by payroll withholding. An Eligible Employee may amend his payroll withholding authorization at such time or times during the Plan Year as the Administrator may prescribe by giving such number of days advance notice of his election as the Administrator may prescribe. An Eligible Employee who changes his payroll withholding authorization shall be limited to selecting an amount of his Compensation that is otherwise permitted under this Article V. After-Tax Contributions shall be made on behalf of such Eligible Employee pursuant to his properly amended payroll withholding authorization commencing with Compensation paid to the Eligible Employee on or after the date such amendment is effective, until otherwise altered or terminated in accordance with the Plan.

5.5 Suspension of After-Tax Contributions by Payroll Withholding

An Eligible Employee who is making After-Tax Contributions by payroll withholding may elect, in the manner prescribed by the Administrator, to have such contributions suspended at any time by giving such number of days advance notice to his Employer as the Administrator may prescribe. Any such voluntary suspension shall take effect commencing with Compensation paid to such Eligible Employee on or after the expiration of the required notice period and shall remain in effect until After-Tax Contributions are resumed as hereinafter set forth.

5.6 Resumption of After-Tax Contributions by Payroll Withholding

An Eligible Employee who has voluntarily suspended his After-Tax Contributions by payroll withholding in accordance with Section 5.5 may elect, in the manner prescribed by the Administrator, to have such contributions resumed. An Eligible Employee may make such election at such time or times as the Administrator may prescribe, by giving such number of days advance notice of his election as the Administrator may prescribe.

5.7 Delivery of After-Tax Contributions

As soon after the date an amount would otherwise be paid to an Eligible Employee as it can reasonably be separated from Employer assets, the Employer shall cause to be delivered to the Trustee in cash the After-Tax Contributions attributable to such amount.

5.8 Rollover Contributions

Subject to any restrictions contained in this Article, a Covered Employee who is eligible to receive or receives an “eligible rollover distribution,” within the meaning of Code Section 402(c)(4), or a distribution from an individual retirement account or annuity that is eligible for rollover to the Plan in accordance with the provisions of Code Section 408(d)(3)(B) may elect to make a Rollover Contribution to the Plan. The Administrator may require a Covered Employee to provide it with such information as it deems necessary or desirable to show that he is entitled to roll over such distribution to a qualified retirement plan. A Covered Employee shall make a Rollover Contribution to the Plan by delivering or causing to be delivered to the Trustee the cash that constitutes the Rollover Contribution amount.

A Covered Employee who makes a Rollover Contribution to the Plan before becoming an Eligible Employee in accordance with the provisions of Article III shall be treated as a Participant for purposes of his Rollover Contributions.

5.9 Direct Rollovers to Plan

The Plan will accept "eligible rollover distributions" that are rolled over directly to the Plan ("direct rollovers") from the following:

- a qualified plan described in Code Section 401(a) or 403(a), including amounts attributable to after-tax employee contributions;
- an annuity contract described in Code Section 403(b), excluding amounts attributable to designated Roth contributions, as described in Code Section 402A, and after-tax employee contributions;
- an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and
- an individual retirement account or annuity described in Code Section 408(a) or 408(b), excluding amounts attributable to designated Roth contributions, as described in Code Section 402A, and after-tax employee contributions.

5.10 Participant Rollovers to Plan

The Plan will accept "eligible rollover distributions" that are first distributed to a Covered Employee ("participant rollovers") from the following:

- a qualified plan described in Code Section 401(a) or 403(a), excluding amounts attributable to designated Roth contributions, as described in Code Section 402A, or after-tax employee contributions;
- an annuity contract described in Code Section 403(b), excluding amounts attributable to designated Roth contributions, as described in Code Section 402A, or after-tax employee contributions;
- an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and
- an individual retirement account or annuity described in Code Section 408(a) or 408(b), excluding amounts attributable to designated Roth contributions, as described in Code Section 402A, and after-tax employee contributions.

A Covered Employee who received a distribution that he is rolling over to the Plan, must deliver the cash constituting his Rollover Contribution to the Trustee within 60 days of receipt of the eligible rollover distribution. Such delivery must be made in the manner prescribed by the Administrator.

5.11 Restrictions on Rollover Contributions

Rollover Contributions to the Plan are subject to the following:

- the Plan shall not accept a Rollover Contribution of any promissory note attributable to a plan loan;
- a direct rollover from a qualified plan may not include designated Roth contributions, as described in Code Section 402A; and
- a participant rollover may not include designated Roth contributions, as described in Code Section 402A, or after-tax employee contributions.

5.12 Treatment of After-Tax Contributions that are Rolled Over to the Plan

If a Covered Employee elects to roll over amounts attributable to after-tax employee contributions, the Trustee shall account for such amounts separately from other Rollover Contributions and shall maintain accounts reflecting that portion of the Covered Employee’s after-tax Rollover Contribution that is includible in gross income and that portion that is not includible in gross income. After-tax employee contributions that are rolled over to the Plan shall be subject to the provisions of the Plan applicable to Rollover Contributions rather than the provisions applicable to After-Tax Contributions.

5.13 Vesting of After-Tax Contributions and Rollover Contributions

A Participant’s vested interest in his After-Tax Contributions Sub-Account and his Rollover Contributions Sub-Account shall be at all times 100 percent.

ARTICLE VI
EMPLOYER CONTRIBUTIONS

6.1 Contribution Period

The Contribution Periods for Employer Contributions shall be as follows:

(a) The Contribution Period for Regular Matching Contributions under the Plan is each Plan Year.

(b) The Contribution Period for Qualified Nonelective Contributions under the Plan is each Plan Year.

6.2 Qualified Nonelective Contributions

Each Employer may, in its discretion, make a Qualified Nonelective Contribution to the Plan for the Contribution Period in an amount determined by the Sponsor.

6.3 Allocation of Qualified Nonelective Contributions

Any Qualified Nonelective Contribution made for a Contribution Period shall be allocated among the Eligible Employees during the Contribution Period who have met the allocation requirements for Qualified Nonelective Contributions described in this Article. The allocable share of each such Eligible Employee in the Qualified Nonelective Contribution shall be in the ratio which his Compensation from the Employer for the Plan Year bears to the aggregate of such Compensation for all such Eligible Employees.

6.4 Amount and Allocation of Regular Matching Contributions

Each Employer may, in its discretion, make a Regular Matching Contribution to the Plan for each Contribution Period on behalf of each of its Eligible Employees who has met the allocation requirements for Regular Matching Contributions described in this Article.

The amount of any such Regular Matching Contribution with respect to similarly situated Eligible Employees, as determined by the Employer in a non-discriminatory manner, shall be equal to a uniform percentage, determined by the Employer, in its discretion, of the 401(k) and/or After-Tax Contributions made for the Contribution Period by or on behalf of such similarly situated Eligible Employees. Notwithstanding the foregoing, the Employer may designate a different uniform match percentage applicable to 401(k) and/or After-Tax Contributions above and below designated levels of Compensation, provided that the match percentage does not increase as an Eligible Employee’s 401(k) and/or After-Tax Contributions increase.

6.5 Limits on Matching Contributions

Notwithstanding any other provision of this Article to the contrary, the following limits apply in determining the amount and allocation of Regular Matching Contributions with respect to an Eligible Employee for a Contribution Period:

(a) Catch-Up 401(k) Contributions are excluded from the match

6.6 Qualified Matching Contributions

An Employer may designate any portion or all of its Matching Contribution as a Qualified Matching Contribution; provided, however, that the amount designated by the Employer as a Qualified Matching Contribution with respect to an Eligible Employee shall not exceed the "QMAC limit" described below. Amounts that are designated as Qualified Matching Contributions shall be accounted for separately and may be withdrawn only as permitted under the Plan.

For purposes of this Section, the following terms have the following meanings:

(a) The "QMAC limit" applicable to an Eligible Employee means the greatest of (1) 5 percent of the Eligible Employee's Compensation, (2) the Eligible Employee's 401(k) Contributions for the Plan Year, or (3) 2 times the "representative match rate" multiplied by the Eligible Employee's 401(k) Contributions for the Plan Year.

(b) The "representative match rate" means the lowest "match rate" for any Eligible Employee who is not a Highly Compensated Employee for the Plan Year and who is in either (1) a determination group consisting of 1/2 of all Eligible Employees during the Plan Year who are not Highly Compensated Employees for the Plan Year or (2) the group consisting of all Eligible Employees who are employed by an Employer or a Related Company on the last day of the Plan and who are not Highly Compensated Employees for the Plan Year, whichever would provide the greater representative rate.

(c) A "match rate" means the Matching Contributions made on behalf of an Eligible Employee for the Plan Year divided by the Eligible Employee's 401(k) Contributions for the Plan Year; provided, however, that if Matching Contributions are made at different rates for different levels of Compensation, the "match rate" shall be determined assuming 401(k) Contributions equal to 6 percent of "test compensation", as defined in Section 7.1.

6.7 Verification of Amount of Employer Contributions by the Sponsor

The Sponsor shall verify the amount of Employer Contributions to be made by each Employer in accordance with the provisions of the Plan. Notwithstanding any other provision of the Plan to the contrary, the Sponsor shall determine the portion of the Employer Contribution to be made by each Employer with respect to a Covered Employee who transfers from employment with one Employer as a Covered Employee to employment with another Employer as a Covered Employee.

6.8 Payment of Employer Contributions

Employer Contributions made for a Contribution Period shall be paid in cash to the Trustee within the period of time required under the Code in order for the contribution to be deductible by the Employer in determining its Federal income taxes for the Plan Year.

In no event shall an Employer deliver Matching Contributions to the Trustee on behalf of an Eligible Employee prior to the date the Eligible Employee performs the services with respect to which the Matching Contribution is being made, unless such pre-funding is to accommodate a bona fide administrative concern and is not for the principal purpose of accelerating deductions.

6.9 Allocation Requirements for Employer Contributions

An Eligible Employee shall be eligible to receive an allocation of Employer Contributions under this Article only if he satisfies any requirements specified in the applicable contribution Section and also meets the requirements of this Section.

(a) A person who was an Eligible Employee during a Contribution Period shall be eligible to receive an allocation of Regular Matching Contributions for such Contribution Period only if he is employed as a Covered Employee on the last day of the Contribution Period.

(b) A person who was an Eligible Employee at any time during a Contribution Period shall be eligible to receive an allocation of Qualified Nonelective Contributions for such Contribution Period.

6.10 Vesting of Employer Contributions

A Participant's vested interest in his Qualified Nonelective and Qualified Matching Contributions Sub-Accounts shall be at all times 100 percent.

The vested interest of a Participant who completes an Hour of Service on or after January 1, 2002 in his Regular Matching Contributions Sub-Account shall be determined in accordance with the following schedule:

Years of Vesting Service	Vested Interest
Less than 1	0%

1, but less than 2	20%
2, but less than 3	40%
3, but less than 4	60%
4, but less than 5	80%
5 or more	100%

The vested interest of a Participant who does not complete an Hour of Service on or after January 1, 2002 in his Regular Matching Contributions Sub-Account shall be determined in accordance with the following schedule:

Years of Vesting Service	Vested Interest
Less than 3	0%
3, but less than 4	30%
4, but less than 5	40%
5, but less than 6	60%
6, but less than 7	80%
7 or more	100%

6.11 100% Vesting Events

Notwithstanding any other provision of the Plan to the contrary, if a Participant is employed by an Employer or a Related Company on his Normal Retirement Date, the date he becomes Disabled, or the date he dies, his vested interest in his full Employer Contributions Sub-Account shall be 100 percent, without regard to the number of his years of Vesting Service.

6.12 Election of Former Vesting Schedule

If the Sponsor adopts an amendment to the Plan that directly or indirectly affects the computation of a Participant's vested interest in his Employer Contributions Sub-Account, any Participant with three or more years of Vesting Service shall have a right to have his vested interest in his Employer Contributions Sub-Account continue to be determined under the vesting provisions in effect prior to the amendment rather than under the new vesting provisions, unless the vested interest of the Participant in his Employer Contributions Sub-Account under the Plan as amended is not at any time less than such vested interest determined without regard to the amendment. A Participant shall exercise his right under this Section by giving written notice of his exercise thereof to the Administrator within 60 days after the latest of (i) the date he receives notice of the amendment from the Administrator, (ii) the effective date of the amendment, or (iii) the date the amendment is adopted. Notwithstanding the foregoing, a Participant's vested interest in his Employer Contributions Sub-Account on the effective date of such an amendment shall not be less than his vested interest in his Employer Contributions Sub-Account immediately prior to the effective date of the amendment.

6.13 Forfeitures to Reduce Employer Contributions

Notwithstanding any other provision of the Plan to the contrary, the amount of the Employer Contribution required under this Article for a Plan Year shall be reduced by the amount of any forfeitures occurring during the Plan Year or any prior Plan Year that are applied against Employer Contributions as provided in Article VII or XIV, as applicable. Notwithstanding the foregoing, forfeitures shall not be applied to reduce the amount an Employer is required to contribute as:

- Qualified Nonelective Contributions.
- Qualified Matching Contributions.

ARTICLE VII
LIMITATIONS ON CONTRIBUTIONS

7.1 Definitions

For purposes of this Article, the following terms have the following meanings:

The **"annual addition"** with respect to a Participant for a "limitation year" means the sum of the following amounts allocated to the Participant for the "limitation year":

(a) all employer contributions allocated to the Participant's account under any qualified defined contribution plan maintained by an Employer or a Related Company, including "elective contributions" and amounts attributable to forfeitures applied to reduce the employer's contribution obligation, but excluding "catch-up contributions";

(b) all "employee contributions" allocated to the Participant's account under any qualified defined contribution plan maintained by an Employer or a Related Company or any qualified defined benefit plan maintained by an Employer or a Related Company if separate accounts are maintained under the defined benefit plan with respect to such employee contributions;

(c) all forfeitures allocated to the Participant's account under any qualified defined contribution plan maintained by the Employer or a Related Company;

(d) all amounts allocated to an individual medical benefit account, as described in Code Section 415(1)(2), established for the Participant as part of a pension or annuity plan maintained by the Employer or a Related Company;

(e) if the Participant is a key employee, as defined in Code Section 419A(d)(3), all amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after that date, that are attributable to post-retirement medical benefits allocated to the Participant's separate account under a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer or a Related Company; and

(f) all allocations to the Participant under a simplified employee pension.

A **"catch-up contribution"** means any elective deferral, as defined in Code Section 414(v)(2)(C), that is treated as a catch-up contribution in accordance with the provisions of Code Section 414(v).

An **"elective contribution"** means any employer contribution made to a plan maintained by an Employer or a Related Company on behalf of a Participant in lieu of cash compensation pursuant to his election (whether such election is an active election or a passive election) to defer under any qualified CODA as described in Code Section 401(k), any simplified employee pension cash or deferred arrangement as described in Code Section 402(h)(l)(B), or any plan as described in Code Section 501(c)(l8), and any contribution made on behalf of the Participant by an Employer or a Related Company for the purchase of an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement. For purposes of applying the limitations described in this Article VII, the term "elective contribution" includes designated Roth contributions and excludes "catch-up contributions".

An **"elective 401(k) contribution"** means any employer contribution made to a plan maintained by an Employer or a Related Company on behalf of a Participant in lieu of cash compensation pursuant to his election (whether such election is an active election or a passive election) to defer under any qualified CODA as described in Code Section 401(k) including a designated Roth contribution. For purposes of applying the limitations described in this Article VII, the term "elective 401(k) contribution" excludes "catch-up contributions".

An **"employee contribution"** means any employee after-tax contribution allocated to an Eligible Employee's account under any qualified plan of an Employer or a Related Company.

An **"excess deferral"** with respect to a Participant means that portion of a Participant's 401(k) Contributions, excluding Catch-Up 401(k) Contributions, for his taxable year that, when added to amounts deferred for such taxable year under other plans or arrangements described in Code Section 401(k), 408(k), or 403(b) (other than any such plan or arrangement that is maintained by an Employer or a Related Company and excluding any "catch-up contributions"), would exceed the dollar limit imposed under Code Section 402(g) as in effect on January 1 of the calendar year in which such taxable year begins and is includible in the Participant's gross income under Code Section 402(g).

The **"415 compensation"** of a Participant for any "limitation year" means the wages as defined in Code Section 3401(a), paid to him for such "limitation year" by an Employer or a Related Company that would be used for purposes of income tax withholding at the source, determined without regard to any rules that limit compensation included in wages based on the nature or location of the employment or services performed.

Effective for "limitation years" beginning in 2005 and thereafter, "415 compensation" does not include amounts paid to a Participant following severance from employment unless such amounts are paid within 2 1/2 months of the Participant's severance from employment and (i) would otherwise have been paid to the Participant in the course of his employment and are regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or shift differential pay), commissions, bonuses, or other similar compensation or (ii) are payments for accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use such leave if his employment had continued.

"415 compensation" also includes (i) any elective deferral, as defined in Code Section 402(g)(3) and (ii) any amount contributed or deferred by the Employer or Related Company at the Participant's election which is not includable in the Participant's gross income by reason of Code Section 125,132(f)(4), or 457.

In no event, however, shall the "415 compensation" of a Participant taken into account under the Plan for any "limitation year" exceed the limit in effect under Code Section 401(a)(17) ($220,000 for "limitation years" beginning in 2006, subject to adjustment annually as provided in Code Sections 401(a)(17)(B) and 415(d); provided, however, that the dollar increase in effect on January 1 of any calendar year, if any, is effective for "limitation years" beginning in such calendar year). If the "415 compensation" of a Participant is determined over a period of time that contains fewer than 12 calendar months, then the annual compensation limitation described above shall be adjusted with respect to that Participant by multiplying the annual compensation limitation in effect for the Plan Year by a fraction the numerator of which is the number of full months in the period and the denominator of which is 12; provided, however, that no proration is required for a Participant who is covered under the Plan for fewer than 12 months.

A **"limitation year"** means the calendar year.

7.2 Code Section 402(g) Limit

In no event shall the amount of the 401(k) Contributions, excluding Catch-Up 401(k) Contributions, made on behalf of an Eligible Employee for his taxable year, when aggregated with any "elective contributions" made on behalf of the Eligible Employee under any other plan of an Employer or a Related Company for his taxable year, exceed the dollar limit imposed under Code Section 402(g), as in effect on January 1 of the calendar year in which such taxable year begins. In the event that the Administrator determines that the reduction percentage elected by an Eligible Employee will result in his exceeding the Code Section 402(g) limit, the Administrator may adjust the reduction authorization of such Eligible Employee by reducing the percentage of his 401(k) Contributions to such smaller percentage that will result in the Code Section 402(g) limit not being exceeded. If the Administrator determines that the 401(k) Contributions made on behalf of an Eligible Employee would exceed the Code Section 402(g) limit for his taxable year, the 401(k) Contributions for such Participant shall be automatically suspended for the remainder, if any, of such taxable year.

If an Employer notifies the Administrator that the Code Section 402(g) limit has nevertheless been exceeded by an Eligible Employee for his taxable year, the 401(k) Contributions that, when aggregated with "elective contributions" made on behalf of the Eligible Employee under any other plan of an Employer or a Related Company, would exceed the Code Section 402(g) limit, plus any income and minus any losses attributable thereto, shall be either re-characterized as Catch-Up 401(k) Contributions or distributed to the Eligible Employee no later than the April 15 immediately following such taxable year.

If excess 401(k) Contributions are distributed to a Participant or are re-characterized as Catch-Up 401(k) Contributions in accordance with this Section, Matching Contributions that are attributable solely to the re-characterized or distributed 401(k) Contributions, plus any income and minus any losses attributable thereto, shall be forfeited by the Participant no earlier than the date on which re-characterization or distribution of 401(k) Contributions pursuant to this Section occurs and no later than the last day of the Plan Year following the Plan Year for which the Matching Contributions were made.

7.3 Distribution of "Excess Deferrals"

Notwithstanding any other provision of the Plan to the contrary, if a Participant notifies the Administrator in writing no later than the March 1 following the close of the Participant's taxable year that "excess deferrals" have been made on his behalf under the Plan for such taxable year, the "excess deferrals", plus any income and minus any losses attributable thereto, shall be distributed to the Participant no later than the April 15 immediately following such taxable year.

If 401(k) Contributions are distributed to a Participant in accordance with this Section, Matching Contributions that are attributable solely to the distributed 401(k) Contributions, plus any income and minus any losses attributable thereto, shall be forfeited by the Participant no earlier than the date on which distribution of 401(k) Contributions pursuant to this Section occurs and no later than the last day of the Plan Year following the Plan Year for which the Matching Contributions were made.

7.4 Determination of Income or Loss

The income or loss attributable to contributions in excess of a limit described above that are distributed pursuant to this Article shall be determined for the preceding Plan Year and the "gap period" under the method otherwise used for allocating income or loss to Participants' Accounts; provided, however, that income or loss for the "gap period" may be determined as of a date that is no more than 7 days before the date of distribution.

7.5 Code Section 415 Limitations on Crediting of Contributions and Forfeitures

Notwithstanding any other provision of the Plan to the contrary, the "annual addition" with respect to a Participant for a "limitation year" shall in no event exceed the lesser of (i) the maximum dollar amount permitted under Code Section 415(c)(l)(A), adjusted as provided in Code Section 415(d) (e.g., $42,000 for the "limitation year" ending in 2005) or (ii) 100 percent of the Participant's "415 compensation" for the "limitation year"; provided, however, that the limit in clause (i) shall be pro rated for any short "limitation year". The limit in clause (ii) shall not apply to any contribution for medical benefits within the meaning of Code Section 401(h) or 419A(f)(2) after separation from service which is otherwise treated as an “annual addition” under Code Section 419A(d)(2) or 415(1)(1). A Participant’s 40l(k) Contributions may be re-characterized as Catch-Up 401(k) Contributions and excluded from the Participant’s “annual additions” for the “limitation year” to satisfy the preceding limitation.

If the “annual addition” to the Account of a Participant in any “limitation year” would otherwise exceed the amount that may be applied for his benefit under the limitation contained in this Section, the limitation shall be satisfied by reducing contributions made to the Participant’s Account to the extent necessary in the following order:

After-Tax Contributions made by the Participant for the “limitation year”, if any, and the Matching Contributions attributable thereto shall be reduced pro rata.

401(k) Contributions made by the Participant for the “limitation year” and the Matching Contributions attributable thereto, if any, shall be reduced pro rata.

Qualified Nonelective Contributions otherwise allocable to the Participant’s Account for the “limitation year”, if any, shall be reduced.

The amount of any reduction of 401(k) or After-Tax Contributions (plus any income attributable thereto) shall be returned to the Participant. The amount of any reduction of Employer Contributions shall be deemed a forfeiture for the “limitation year”.

Amounts deemed to be forfeitures under this Section shall be held unallocated in a suspense account established for the “limitation year” and shall be applied against the Employer’s contribution obligation for the next following “limitation year” (and succeeding “limitation years”, as necessary). If a suspense account is in existence at any time during a “limitation year”, all amounts in the suspense account must be applied against the Employer’s contribution obligation before any further contributions that would constitute “annual additions” may be made to the Plan. No suspense account established hereunder shall share in any increase or decrease in the net worth of the Trust.

For purposes of this Article, excesses shall result only from the allocation of forfeitures, a reasonable error in estimating a Participant’s annual “415 compensation”, a reasonable error in determining the amount of “elective contributions” that may be made with respect to any Participant under the limits of Code Section 415, or other limited facts and circumstances that justify the availability of the provisions set forth above.

7.6 Application of Code Section 415 Limitations Where Participant is Covered Under Other Qualified Defined Contribution Plan

If a Participant is covered by any other qualified defined contribution plan (whether or not terminated) maintained by an Employer or a Related Company concurrently with the Plan, and if the “annual addition” for the “limitation year” would otherwise exceed the amount that may be applied for the Participant's benefit under the limitation contained in the preceding Section, such excess shall be reduced first by returning or forfeiting, as provided under the applicable defined contribution plan, the contributions last allocated to the Participant's accounts for the limitation year under all such defined contribution plans, and, to the extent such contributions are returned to the Participant, the income attributable thereto. If contributions are allocated to the defined contribution plans as of the same date, any excess shall be allocated pro rata among the defined contribution plans. For purposes of determining the order of reduction hereunder, contributions to a simplified employee pension plan described in Code Section 408(k) shall be deemed to have been allocated first and contributions to a welfare benefit fund or individual medical account shall be deemed to have been allocated next, regardless of the date such contributions were actually allocated.

7.7 Scope of Limitations

The Code Section 415 limitations contained in the preceding Sections shall be applicable only with respect to benefits provided pursuant to defined contribution plans and defined benefit plans described in Code Section 415(k). For purposes of applying the Code Section 415 limitations contained in the preceding Sections, the term "Related Company" shall be adjusted as provided in Code Section 415(h).

ARTICLE VIII
TRUST FUNDS AND ACCOUNTS

8.1 General Fund

The Trustee shall maintain a General Fund as required to hold and administer any assets of the Trust that are not allocated among the Investment Funds as provided in the Plan or the Trust Agreement The General Fund shall be held and administered as a separate common trust fund. The interest of each Participant or Beneficiary under the Plan in the General Fund shall be an undivided interest.

8.2 Investment Funds

The Sponsor shall determine the number and type of Investment Funds and shall communicate the same and any changes therein in writing to the Administrator and the Trustee. Each Investment Fund shall be held and administered as a separate common trust fund. The interest of each Participant or Beneficiary under the Plan in any Investment Fund shall be an undivided interest.

8.3 Loan Investment Fund

If a loan from the Plan to a Participant is approved in accordance with the provisions of Article XII, the Sponsor shall direct the establishment and maintenance of a loan Investment Fund in the Participant's name. The assets of the loan Investment Fund shall be held as a separate trust fund. A Participant's loan Investment Fund shall be invested in the note(s) reflecting the loan(s) made to the Participant in accordance with the provisions of Article XII. Notwithstanding any other provision of the Plan to the contrary, income received with respect to a Participant's loan Investment Fund shall be allocated and the loan Investment Fund shall be administered as provided in Article XII.

8.4 Income on Trust

Any dividends, interest, distributions, or other income received by the Trustee with respect to any Trust Fund maintained hereunder shall be allocated by the Trustee to the Trust Fund for which the income was received.

8.5 Accounts

As of the first date a contribution is made by or on behalf of a Covered Employee there shall be established an Account in his name reflecting his interest in the Trust. Each Account shall be maintained and administered for each Participant and Beneficiary in accordance with the provisions of the Plan. The balance of each Account shall be the balance of the account after all credits and charges thereto, for and as of such date, have been made as provided herein.

8.6 Sub-Accounts

A Participant's Account shall be divided into such separate, individual Sub-Accounts as are necessary or appropriate to reflect the Participant's interest in the Trust.

ARTICLE IX
LIFE INSURANCE CONTRACTS

9.1 No Life Insurance Contracts

A Participant’s Account may not be invested in life insurance contracts on the life of the Participant.

ARTICLE X
DEPOSIT AND INVESTMENT OF CONTRIBUTIONS

10.1 Future Contribution Investment Elections

Each Eligible Employee shall make an investment election in the manner and form prescribed by the Administrator directing the manner in which the contributions made on his behalf shall be invested. An Eligible Employee's investment election shall specify the percentage, in the percentage increments prescribed by the Administrator, of such contributions that shall be allocated to one or more of the Investment Funds with the sum of such percentages equaling 100 percent. The investment election by a Participant shall remain in effect until his entire interest under the Plan is distributed or forfeited in accordance with the provisions of the Plan or until he records a change of investment election with the Administrator, in such form as the Administrator shall prescribe. If recorded in accordance with any rules prescribed by the Administrator, a Participant's change of investment election may be implemented effective as of the business day on which the Administrator receives the Participant's instructions.

10.2 Deposit of Contributions

All contributions made on a Participant's behalf shall be deposited in the Trust and allocated among the Investment Funds in accordance with the Participant's currently effective investment election. If no investment election is recorded with the Administrator at the time contributions are to be deposited to a Participant's Account, his contributions shall be allocated among the Investment Funds as directed by the Administrator.

10.3 Election to Transfer Between Funds

A Participant may elect to transfer investments from any Investment Fund to any other Investment Fund. The Participant's transfer election shall specify a percentage, in the percentage increments prescribed by the Administrator, of the amount eligible for transfer that is to be transferred, which percentage may not exceed 100 percent. Any transfer election must be recorded with the Administrator, in such form as the Administrator shall prescribe. Subject to any restrictions pertaining to a particular Investment Fund, if recorded in accordance with any rules prescribed by the Administrator, a Participant's transfer election may be implemented effective as of the business day on which the Administrator receives the Participant's instructions.

Notwithstanding any other provision of this Section to the contrary, the Administrator may prescribe such rules restricting Participants' transfer elections as it deems necessary or appropriate to preclude excessive or abusive trading or market timing.

10.4 404(c) Protection

The Plan is intended to constitute a plan described in ERISA Section 404(c) and regulations issued thereunder. The fiduciaries of the Plan may be relieved of liability for any losses that are the direct and necessary result of investment instructions given by a Participant, his Beneficiary, or an alternate payee under a qualified domestic relations order.

ARTICLE XI
CREDITING AND VALUING ACCOUNTS

11.1 Crediting Accounts

All contributions made under the provisions of the Plan shall be credited to Accounts in the Trust Funds by the Trustee, in accordance with procedures established in writing by the Administrator, either when received or on the succeeding Valuation Date after valuation of the Trust Fund has been completed for such Valuation Date as provided in Section 11.2, as shall be determined by the Administrator.

11.2 Valuing Accounts

Accounts in the Trust Funds shall be valued by the Trustee on the Valuation Date, in accordance with procedures established in writing by the Administrator, either in the manner adopted by the Trustee and approved by the Administrator or in the manner set forth in Section 11.3 as Plan valuation procedures, as determined by the Administrator.

11.3 Plan Valuation Procedures

With respect to the Trust Funds, the Administrator may determine that the following valuation procedures shall be applied. As of each Valuation Date hereunder, the portion of any Accounts in a Trust Fund shall be adjusted to reflect any increase or decrease in the value of the Trust Fund for the period of time occurring since the immediately preceding Valuation Date for the Trust Fund (the "valuation period") in the following manner:

(a) First, the value of the Trust Fund shall be determined by valuing all of the assets of the Trust Fund at fair market value.

(b) Next, the net increase or decrease in the value of the Trust Fund attributable to net income and all profits and losses, realized and unrealized, during the valuation period shall be determined on the basis of the valuation under paragraph (a) taking into account appropriate adjustments for contributions, loan payments, and transfers to and distributions, withdrawals, loans, and transfers from such Trust Fund during the valuation period.

(c) Finally, the net increase or decrease in the value of the Trust Fund shall be allocated among Accounts in the Trust Fund in the ratio of the balance of the portion of such Account in the Trust Fund as of the preceding Valuation Date less any distributions, withdrawals, loans, and transfers from such Account balance in the Trust Fund since the Valuation Date to the aggregate balances of the portions of all Accounts in the Trust Fund similarly adjusted, and each Account in the Trust Fund shall be credited or charged with the amount of its allocated share.

Notwithstanding the foregoing, the Administrator may adopt such accounting procedures as it considers appropriate and equitable to establish a proportionate crediting of net increase or decrease in the value of the Trust Fund for contributions, loan payments, and transfers to and distributions, withdrawals, loans, and transfers from such Trust Fund made by or on behalf of a Participant during the valuation period.

11.4 Unit Accounting Permitted

The Administrator may, for administrative purposes, establish unit values for one or more Investment Fund (or any portion thereof) and maintain the accounts setting forth each Participant's interest in such Investment Fund (or any portion thereof) in terras of such units, all in accordance with such rules and procedures as the Administrator shall deem to be fair, equitable, and administratively practicable. In the event that unit accounting is thus established for an Investment Fund (or any portion thereof), the value of a Participant's interest in that Investment Fund (or any portion thereof) at any time shall be an amount equal to the then value of a unit in such Investment Fund (or any portion thereof) multiplied by the number of units then credited to the Participant.

11.5 Finality of Determinations

The Trustee shall have exclusive responsibility for determining the value of each Account maintained hereunder. The Trustee's determinations thereof shall be conclusive upon all interested parties.

11.6 Notification

Within a reasonable period of time after the end of each Plan Year, the Administrator shall notify each Participant and Beneficiary of the value of his Account and Sub-Accounts as of a Valuation Date during the Plan Year.

ARTICLE XII
LOANS

12.1 Application for Loan

A Participant who is a party in interest as defined in ERISA Section 3(14) may make application to the Administrator for a loan from his Account. Loan withdrawals are permitted first from the Participant's Rollover Contributions Sub-Account and then from his 401(k) Contributions Sub-Account. Notwithstanding the foregoing, a Participant may not receive a loan from the following:

- that portion of his Account attributable to from his Employer Contributions Sub-Account.

Loans shall be made to Participants in accordance with written guidelines which are hereby incorporated into and made a part of the Plan. To the extent that such written guidelines comply with the requirements of Code Section 72(p), but are inconsistent with the provisions of this Article, such written guidelines shall be given effect.

12.2 Collateral for Loan

As collateral for any loan granted hereunder, the Participant shall grant to the Plan a security interest in his vested interest under the Plan equal to the amount of the loan; provided, however, that in no event may the security interest exceed 50 percent of the Participant's vested interest under the Plan determined as of the date as of which the loan is originated in accordance with Plan provisions. That portion of a Participant's Account that is not available for loans in accordance with Section 12.1 shall be excluded in determining the amount of the Plan's security interest. In the case of a Participant who is an active employee, the Participant also shall enter into an agreement to repay the loan by payroll withholding.

No loan in excess of 50 percent of the Participant's vested interest under the Plan, including only that portion of the Participant's Account that is available for loans in accordance with Section 12.1, shall be made from the Plan.

Loans shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other employees.

A loan shall not be granted unless the Participant consents to the charging of his Account for unpaid principal and interest amounts in the event the loan is declared to be in default. A Participant's Spouse must consent in writing to any loan hereunder. Any spousal consent given pursuant to this Section must be made within the 90-day period ending on the date the Plan acquires a security interest in the Participant's Account, must acknowledge the effect of the loan, and must be witnessed by a Plan representative or a notary public. Such spousal consent shall be binding with respect to the consenting Spouse and any subsequent Spouse with respect to the loan. A new spousal consent shall be required if the Participant's Account is used for security in any renegotiation, extension, renewal, or other revision of the loan.

12.3 Reduction of Account Upon Distribution

Notwithstanding any other provision of the Plan, the amount of a Participant's Account that is distributable to the Participant or his Beneficiary under Article XIII or XV shall be reduced by the portion of his vested interest that is held by the Plan as security for any loan outstanding to the Participant, provided that the reduction is used to repay the loan. If distribution is made because of the Participant's death prior to the commencement of distribution of his Account and the Participant's vested interest in his Account is payable to more than one individual as Beneficiary, then the balance of the Participant's vested interest in his Account shall be adjusted by reducing the vested account balance by the amount of the security used to repay the loan, as provided in the preceding sentence, prior to determining the amount of the benefit payable to each such individual.

12.4 Legal Requirements Applicable to Plan Loans

Notwithstanding any other provision of the Plan to the contrary, the following terms and conditions shall apply to any loan made to a Participant under this Article:

(a) The amount of any loan to a Participant (when added to the outstanding balance of all other loans to the Participant from the Plan or any other plan maintained by an Employer or a Related Company) shall not exceed the lesser of:

  (i) $50,000, reduced by the excess, if any, of the highest outstanding balance of any other loan to the Participant from the Plan or any other plan maintained by an Employer or a Related Company during the preceding 12-month period over the outstanding balance of such loans on the date a loan is made hereunder; or

  (ii) 50 percent of the vested portions of the Participant's Account and his vested interest under all other plans maintained by an Employer or a Related Company.

(b) The term of any loan to a Participant shall be no greater than 5 years, except in the case of a loan used to acquire any dwelling unit which within a reasonable period of time is to be used (determined at the time the loan is made) as a principal residence (as defined under Code Section 121) of the Participant.

(c) Substantially level amortization shall be required over the term of the loan with payments made not less frequently than quarterly. Notwithstanding the foregoing, if so provided in the written guidelines applicable to Plan loans, the amortization schedule may be waived and payments suspended while a Participant is on a leave of absence from employment with an Employer or any Related Company (for periods in which the Participant does not perform military service as described in paragraph (d) below), provided that all of the following requirements are met:

(i) Such leave is either without pay or at a reduced rate of pay that, after withholding for employment and income taxes, is less than the amount required to be paid under the amortization schedule;

(ii) Payments resume after the earlier of (a) the date such leave of absence ends or (b) the one-year anniversary of the date such leave began;

(iii) The period during which payments are suspended does not exceed one year;

(iv) Payments resume in an amount not less than the amount required under the original amortization schedule; and

(v) The waiver of the amortization schedule does not extend the period of the loan beyond the maximum period permitted under this Article.

(d) If a Participant is absent from employment with any Employer or any Related Company for a period during which he performs services in the uniformed services (as defined in chapter 45 of title 38 of the United States Code), whether or not such services constitute qualified military service, the suspension of payments shall not be taken into account for purposes of applying either paragraph (b) or paragraph (c) of this Section provided that all of the following requirements are met:

(i) Payments resume upon completion of such military service;

(ii) Payments resume in an amount not less than the amount required under the original amortization schedule and continue in such amount until the loan is repaid in full;

(iii) Upon resumption, payments are made no less frequently than required under the original amortization schedule and continue under such schedule until the loan is repaid in full; and

(iv) The loan is repaid in full, including interest accrued during the period of such military service, no later than the maximum period otherwise permitted under this Article extended by the period of such military service.

(e) The loan shall be evidenced by a legally enforceable agreement that demonstrates compliance with the provisions of this Section.

(f) Subject to the requirements of the Servicemembers Civil Relief Act, the interest rate on any loan to a Participant shall be a reasonable interest rate commensurate with current interest rates charged for loans made under similar circumstances by persons in the business of lending money.

12.5 Administration of Loan Investment Fund

Upon approval of a loan to a Participant, the Administrator shall direct the Trustee to transfer an amount equal to the loan amount from the Investment Funds in which it is invested, as directed by the Administrator, to the loan Investment Fund established in the Participant's name. Any loan approved by the Administrator shall be made to the Participant out of the Participant's loan Investment Fund. All principal and interest paid by the Participant on a loan made under this Article shall be deposited to his Account and shall be allocated upon receipt among the Investment Funds in accordance with the Participant's currently effective investment election. The balance of the Participant's loan Investment Fund shall be decreased by the amount of principal payments and the loan Investment Fund shall be terminated when the loan has been repaid in full.

12.6 Default

If either (i) a Participant fails to make or cause to be made, any payment required under the terms of the loan within 90 days following the date on which such payment shall become due, unless payment is not made because the Participant is on a leave of absence and the amortization schedule is waived as provided in paragraph (c) or (d) of Section 12.4, or (ii) there is an outstanding principal balance existing on a loan after the last scheduled repayment date (extended as provided in Section 12.4(d), if applicable), the Administrator shall direct the Trustee to declare the loan to be in default, and the entire unpaid balance of such loan, together with accrued interest, shall be immediately due and payable. In any such event, if such balance and interest thereon is not then paid, the Trustee shall charge the Account of the borrower with the amount of such balance and interest as of the earliest date a distribution may be made from the Plan to the borrower without adversely affecting the tax qualification of the Plan or of the cash or deferred arrangement.

12.7 Deemed Distribution Under Code Section 72(p)

If a Participant's loan is in default as provided in Section 12.6, the Participant shall be deemed to have received a taxable distribution in the amount of the outstanding loan balance as required under Code Section 72(p), whether or not distribution may actually be made from the Plan without adversely affecting the tax qualification of the Plan; provided, however, that the taxable portion of such deemed distribution shall be reduced in accordance with the provisions of Code Section 72(e) to the extent the deemed distribution is attributable to the Participant's After-Tax Contributions.

If a Participant is deemed to have received distribution of an outstanding loan balance hereunder, no further loans may be made to such Participant from his Account unless either (a) there is a legally enforceable arrangement among the Participant, the Plan, and the Participant's employer that repayment of such loan shall be made by payroll withholding or (b) the loan is secured by such additional collateral consisting of real, personal, or other property satisfactory to the Administrator to provide adequate security for the loan.

12.8 Treatment of Outstanding Balance of Loan Deemed Distributed Under Code Section 72(p)

The balance of any loan that is deemed to have been distributed to a Participant hereunder shall cease to be an outstanding loan for purposes of Code Section 72(p) and a Participant shall not be treated as having received a taxable distribution when his Account is offset by such outstanding loan balance as provided in Section 12.6. Any interest that accrues on a loan after it is deemed to have been distributed shall not be treated as an additional loan to the Participant and shall not be included in the Participant's taxable income as a deemed distribution. Notwithstanding the foregoing, however, unless a Participant repays such loan, with interest, the amount of such loan, with interest thereon calculated as provided in the original loan note, shall continue to be considered an outstanding loan for purposes of determining the maximum permissible amount of any subsequent loan under Section 12.4(a).

If a Participant elects to make payments on a loan after it is deemed to have been distributed hereunder, such payments shall be treated as After-Tax Contributions to the Plan solely for purposes of determining the taxable portion of the Participant's Account and shall not be treated as After-Tax Contributions for any other Plan purpose, including application of the limitations on contributions applicable under Code Sections 401 (m) and 415.

The provisions of this Section regarding treatment of loans that are deemed distributed shall not apply to loans made prior to January 1, 2002, except to the extent provided under the transition rules in Q & A 22(c)(2) of Section 1.72(p)-l of the Treasury Regulations.

12.9 Special Rules Applicable to Loans

Any loan made hereunder shall be subject to the following rules:

(a) Maximum Number of Outstanding Loans: A Participant with an outstanding loan may not apply for another loan until the existing loan is paid in full and may not refinance an existing loan or obtain a second loan for the purpose of paying off the existing loan. The provisions of this paragraph shall not apply to any loans made prior to the effective date of this amendment and restatement; provided, however, that any such loan shall be taken into account in determining whether a Participant may apply for a new loan hereunder.

(b) Limit on Loans Made During 12-Month Period: Regardless of the number of loans outstanding to a Participant, no more than one loan shall be made to the Participant during a Plan Year or such other consistent 12-month period designated by the Administrator.

(c) Pre-Payment Without Penalty: A Participant may pre-pay the full outstanding balance of any loan hereunder prior to the date it is due without penalty.

(d) Effect of Termination of Employment: Upon a Participant's termination of employment, the balance of any outstanding loan hereunder shall immediately become due and owing.

12.10 Prior Loans

Notwithstanding any other provision of this Article to the contrary, any loan made under the provisions of the Plan as in effect prior to this amendment and restatement shall be administered in accordance with the provisions of the note reflecting such loan and shall remain outstanding until repaid in accordance with its terms.

ARTICLE XIII
WITHDRAWALS WHILE EMPLOYED

13.1 Non-Hardship Withdrawals of After-Tax Contributions

A Participant who is employed by an Employer or a Related Company may elect at any time, subject to the limitations and conditions prescribed in this Article, to make a cash withdrawal or, if the Participant's Account is subject to the "automatic annuity" provisions of Article XVI, a withdrawal through the purchase of a Qualified Joint and Survivor Annuity or a Single Life Annuity as provided in Article XVI from his After-Tax Contributions Sub-Account.

13.2 Non-Hardship Withdrawals of Restricted Contributions

A Participant who is employed by an Employer or a Related Company and who has attained age 59 1/2 may elect, subject to the limitations and conditions prescribed in this Article, to make a cash withdrawal or, if the Participant's Account is subject to the "automatic annuity" provisions of Article XVI, a withdrawal through the purchase of a Qualified Joint and Survivor Annuity or a Single Life Annuity as provided in Article XVI from his vested interest in any of the following Sub-Accounts:

- his 401(k) Contributions Sub-Account.

13.3 Non-Hardship Withdrawals of Matching Contributions

A Participant who has attained age 59 1/2 and who is employed by an Employer or a Related Company may elect, subject to the limitations and conditions prescribed in this Article, to make a cash withdrawal or, if the Participant's Account is subject to the "automatic annuity" provisions of Article XVI, a withdrawal through the purchase of a Qualified Joint and Survivor Annuity or a Single Life Annuity as provided in Article XVI, from the portion of his Regular Matching Contributions Sub-Account made prior to July 1, 2002 and transferred to the Plan from the Taco Cabana Retirement Savings Plan.

13.4 Special In-Service Withdrawals While On Military Leave

A Participant who is employed by an Employer or a Related Company and who is absent from employment because of qualified military service as described in Code Section 414(u) may elect, subject to the limitations and conditions prescribed in this Article, to make a cash withdrawal or, if the Participant's Account is subject to the "automatic annuity" provisions of Article XVI, a withdrawal through the purchase of a Qualified Joint and Survivor Annuity or a Single Life Annuity as provided in Article XVI of all or a portion of his vested interest in his Account.

Notwithstanding the foregoing, a Participant may not make an in-service withdrawal from the following Sub-Accounts unless the Participant has attained age 59 1/2 or incurred a hardship, as defined below:

- his 401 (k) Contributions Sub-Account.
- his Qualified Nonelective Contributions Sub-Account; provided, however, that if the Participant has not attained age 59 1/2, he may not withdraw any portion of his Qualified Nonelective Contributions Sub-Account.
- his Qualified Matching Contributions Sub-Account; provided, however, that if the Participant has not attained age 59 1/2, he may not withdraw any portion of his Qualified Matching Contributions Sub-Account.

13.5 Overall Limitations on Non-Hardship Withdrawals

Non-hardship withdrawals made pursuant to this Article shall be subject to the following conditions and limitations:

(a) A Participant must apply for a non-hardship withdrawal such number of days prior to the date as of which it is to be effective as the Administrator may prescribe.

(b) Non-hardship withdrawals may be made effective as soon as administratively practicable after the Administrator's approval of the Participant's withdrawal application.

(c) If a Participant's Account is subject to the "automatic annuity" provisions of Article XVI, the Participant's Spouse must consent to any withdrawal hereunder, unless the withdrawal is made in the form of a Qualified Joint and Survivor Annuity.

13.6 Hardship Withdrawals

A Participant who is employed by an Employer or a Related Company and who is determined by the Administrator to have incurred a hardship in accordance with the provisions of this Article may elect, subject to the limitations and conditions prescribed in this Article, to make a cash withdrawal or, if the Participant's Account is subject to the "automatic annuity" provisions of Article XVI, a withdrawal through the purchase of a Qualified Joint and Survivor Annuity or a Single Life Annuity as provided in Article XVI from his vested interest in any of the following Sub-Accounts:

- his 401(k) Contributions Sub-Account, excluding any income credited to such Sub-Account after December 31, 1988.

- his Regular Matching Contributions Sub-Account.

13.7 Hardship Determination

The Administrator shall grant a hardship withdrawal only if it determines that the withdrawal is necessary to meet an immediate and heavy financial need of the Participant. An immediate and heavy financial need of the Participant means a financial need on account of:

(a) expenses previously incurred by or necessary to obtain for the Participant, the Participant's Spouse, or any dependent of the Participant (as defined in Code Section 152, without regard to subsections (b)(l), (b)(2), and (d)(l)(B) thereof) medical care deductible under Code Section 213(d), determined without regard to whether the expenses exceed any applicable income limit;

(b) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant;

(c) payment of tuition, related educational fees, and room and board expenses for the next 12 months of post secondary education for the Participant, or the Participant's Spouse, child or other dependent (as defined in Code Section 152, without regard to subsections (b)(l), (b)(2) and (d)(l)(B) thereof);

(d) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage on the Participant's principal residence;

(e) payment of funeral or burial expenses for the Participant's deceased parent, Spouse, child or dependent (as defined in Code Section 152, without regard to subsections (b)(l), (b)(2) and (d)(l)(B) thereof);

(f) expenses for the repair of damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds any applicable income limit); and

(g) with respect only to hardship withdrawals from a Participant's Regular Matching Contributions Sub-Account, such other facts and circumstances that the Administrator determines, based on uniform and non-discriminatory criteria, adversely effect the Participant's financial security.

13.8 Satisfaction of Necessity Requirement for Hardship Withdrawals

A withdrawal from a Participant's 401(k) and Qualified Matching Contributions Sub-Account shall be deemed to be necessary to satisfy an immediate and heavy financial need of a Participant only if the Participant satisfies one of the following sets of conditions as elected by the Participant:

(a) The Participant represents, and the Administrator has no actual knowledge to the contrary, that the need cannot be relieved

(i) through reimbursement or compensation by insurance or otherwise,

(ii) by reasonable liquidation of the Participant’s assets, to the extent such liquidation would not itself cause an immediate and heavy financial need,

(iii) by cessation of 401(k) Contributions or After-Tax Contributions

(iv) by other distributions or nontaxable (at the time of the loan) loans from plans maintained by an Employer or any Related Company, or

(v) by borrowing from commercial sources on reasonable commercial terms.

To the extent that the Participant’s hardship can be partially relieved by any of the sources above, other than borrowing from commercial sources, the Participant must utilize such source before a hardship withdrawal is deemed necessary under the Plan. For purposes of the foregoing, a Participant’s resources shall be deemed to include those assets of his Spouse and minor children that are reasonably available to the Participant.

(b) The Participant satisfies all of the following requirements:

(i) The withdrawal is not in excess of the amount of the immediate and heavy financial need of the Participant.

(ii) The Participant has obtained all distributions, other than hardship distributions, and all non-taxable loans currently available under all plans maintained by an Employer or any Related Company.

(iii) The Participant’s 401(k) Contributions and After-Tax Contributions and the Participant’s “elective contributions” and “employee contributions”, as defined in Section 7.1, under all other qualified and non qualified deferred compensation plans maintained by an Employer or any Related Company shall be suspended for at least 6 months after his receipt of the withdrawal.

A Participant shall not fail to be treated as an Eligible Employee for purposes of applying the limitations contained in Article VII of the Plan merely because his 401(k) Contributions are suspended in accordance with this Section.

13.9 Conditions and Limitations on Hardship Withdrawals

Hardship withdrawals made pursuant to this Article shall be subject to the following conditions and limitations:

(a) A Participant must apply for a hardship withdrawal such number of days prior to the date as of which it is to be effective as the Administrator may prescribe.

(b) Hardship withdrawals may be made effective as soon as administratively practicable after the Administrator's approval of the Participant's withdrawal application.

(c) The amount of a hardship withdrawal may include any amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution.

(d) If a Participant's Account is subject to the "automatic annuity" provisions of Article XVI, the Participant's Spouse must consent to any hardship withdrawal hereunder, unless the withdrawal is made in the form of a Qualified Joint and Survivor Annuity.

13.10 Order of Withdrawal from a Participant's Sub-Accounts

Distribution of a withdrawal amount shall be made from a Participant's Sub-Accounts, to the extent necessary, in the order prescribed by the Administrator, which order shall be uniform with respect to all Participants and non-discriminatory. If the Sub-Account from which a Participant is receiving a withdrawal is invested in more than one Investment Fund, the withdrawal shall be charged against the Investment Funds as directed by the Administrator.

ARTICLE XIV
TERMINATION OF EMPLOYMENT AND SETTLEMENT DATE

14.1 Termination of Employment and Settlement Date

A Participant's Settlement Date shall occur on the date he terminates employment with the Employers and all Related Companies because of death, disability, retirement, or other termination of employment. Written notice of a Participant's Settlement Date shall be given by the Administrator to the Trustee.

14.2 Separate Accounting for Non-Vested Amounts

If as of a Participant's Settlement Date the Participant's vested interest in his Employer Contributions Sub-Account is less than 100 percent, that portion of his Employer Contributions Sub-Account that is not vested shall be accounted for separately from the vested portion and shall be disposed of as provided in the following Section. If prior to such Settlement Date the Participant received a distribution under the Plan and the non-vested portion of his Employer Contributions Sub-Account was not forfeited as provided in the following Section, his vested interest in his Employer Contributions Sub-Account shall be an amount ("X") determined by the following formula:

$$X = P(AB + D)-D$$

For purposes of the formula:

P = The Participant's vested interest in his Employer Contributions Sub-Account on the date distribution is to be made.

AB = The balance of the Participant's Employer Contributions Sub-Account as of the Valuation Date immediately preceding the date distribution is to be made.

D = The amount of all prior distributions from the Participant's Employer Contributions Sub-Account. Amounts deemed to have been distributed to a Participant pursuant to Code Section 72(p), but which have not actually been offset against the Participant's Account balance shall not be considered distributions hereunder.

14.3 Disposition of Non-Vested Amounts

That portion of a Participant's Employer Contributions Sub-Account that is not vested upon the occurrence of his Settlement Date shall be disposed of as follows:

(a) If the Participant has no vested interest in his Account upon the occurrence of his Settlement Date or his vested interest in his Account as of the date of distribution does not exceed $5,000, resulting in the distribution or deemed distribution to the Participant of his entire vested interest in his Account, the non-vested balance in the Participant's Employer Contributions Sub-Account shall be forfeited and his Account closed as of (i) the Participant's Settlement Date, if the Participant has no vested interest in his Account and is therefore deemed to have received distribution on that date, or (ii) the date actual distribution is made to the Participant.

(b) If the Participant's vested interest in his Account exceeds $5,000 and the Participant is eligible for and consents in writing to a single sum payment of his vested interest in his Account, the non-vested balance in the Participant's Employer Contributions Sub-Account shall be forfeited and his Account closed as of the date the single sum payment occurs, provided that such distribution is made because of the Participant's Settlement Date. A distribution is deemed to be made because of a Participant's Settlement Date if it occurs prior to the end of the second Plan Year beginning on or after the Participant's Settlement Date.

(c) If neither paragraph (a) nor paragraph (b) is applicable, the non-vested balance remaining in the Participant's Employer Contributions Sub-Account shall continue to be held in such Sub-Account and shall not be forfeited until the date the Participant incurs 5-consecutive Breaks in Service.

14.4 Treatment of Forfeited Amounts

Whenever the non-vested balance of a Participant's Employer Contributions Sub-Account is forfeited during a Plan Year in accordance with the provisions of the preceding Section, the amount of such forfeiture shall be applied against the Employer Contribution obligations for any subsequent Contribution Period of the Employer for which the Participant last performed services as an Employee. Notwithstanding the foregoing, however, should the amount of all such forfeitures for any Contribution Period with respect to any Employer exceed the amount of such Employer's Employer Contribution obligations for the Contribution Period, the excess amount of such forfeitures shall be held unallocated in a suspense account established with respect to the Employer and shall be applied against the Employer's Employer Contribution obligations for the following Contribution Period.

14.5 Recrediting of Forfeited Amounts

A former Participant who forfeited the non-vested portion of his Employer Contributions Sub-Account in accordance with the provisions of paragraph (a) or (b) of the above Section entitled "Disposition of Non-Vested Amounts" and who is reemployed by an Employer or a Related Company shall have such forfeited amounts recredited to a new

Account in his name, without adjustment for interim gains or losses experienced by the Trust, if:

(a) he returns to employment with an Employer or a Related Company before he incurs 5-consecutive Breaks in Service commencing after the date he received, or is deemed to have received, distribution of his vested interest in his Account;

(b) he resumes employment covered under the Plan before the earlier of (i) the end of the 5-year period beginning on the date he is reemployed or (ii) the date he incurs 5-consecutive Breaks in Service commencing after the date he received, or is deemed to have received, distribution of his vested interest in his Account; and

(c) if he received actual distribution of his vested interest in his Account, he repays to the Plan the full amount of such distribution that is attributable to Employer Contributions before the earlier of (i) the end of the 5-year period beginning on the date he is reemployed or (ii) the date he incurs 5-consecutive Breaks in Service commencing after the date he received distribution of his vested interest in his Account.

Funds needed in any Plan Year to recredit the Account of a Participant with the amounts of prior forfeitures in accordance with the preceding sentence shall come first from forfeitures that arise during such Plan Year, and then from Trust income earned in such Plan Year, to the extent that it has not yet been allocated among Participants' Accounts as provided in Article XI, with each Trust Fund being charged with the amount of such income proportionately, unless his Employer chooses to make an additional Employer Contribution, and shall finally be provided by his Employer by way of a separate Employer Contribution.

ARTICLE XV
DISTRIBUTIONS

15.1 Distributions to Participants

Subject to the provisions of the Section below entitled "Code Section 401(a)(9) Requirements," a Participant whose Settlement Date occurs shall receive distribution of his vested interest in his Account in the form provided under Article XVI beginning as soon as reasonably practicable following his Settlement Date or the date his application for distribution is filed with the Administrator, if later.

15.2 Partial Distributions to Retired or Terminated Participants

A Participant whose Settlement Date has occurred, but who has not reached his Required Beginning Date may elect to receive distribution of all or any portion of his Account at any time prior to his Required Beginning Date in a cash withdrawal or in any other form provided in Article XVI, subject to any applicable spousal consent requirements.

15.3 Distributions to Beneficiaries

Subject to the provisions of the Section below entitled "Code Section 401(a)(9) Requirements," if a Participant dies prior to his Benefit Payment Date, his Beneficiary shall receive distribution of the Participant's vested interest in his Account in the form provided under Article XVI beginning as soon as reasonably practicable following the date the Beneficiary's application for distribution is filed with the Administrator. If distribution is to be made to a Participant's Spouse, it shall be made available within a reasonable period of time after the Participant's death that is no less favorable than the period of time applicable to other distributions.

If a Participant dies after the date distribution of his vested interest in his Account begins under this Article, but before his entire vested interest in his Account is distributed, his Beneficiary shall receive distribution of the remainder of the Participant's vested interest in his Account beginning as soon as reasonably practicable following the Participant's date of death.

15.4 Code Section 401(a)(9) Requirements

The provisions of this Section take precedence over any inconsistent provision of the Plan; provided, however, that the provisions of this Section are not intended to create additional forms of payment that are not otherwise provided under Article XVI.

To the extent required under Code Section 401(a)(9), all distributions made from the Plan shall be determined and made in accordance with the provisions of Code Section 401(a)(9) and the Treasury Regulations issued thereunder, as set forth in this Section. If distribution is made through the purchase of an annuity contract, as provided in Article XVI, the terms of such annuity contract shall satisfy the requirements of Code Section 401(a)(9) and the Treasury Regulations issued thereunder.

(a) A Participant's vested interest in his Account shall be distributed, or begin to be distributed to the Participant no later than the Participant's Required Beginning Date.

(b) Following the Participant's Required Beginning Date, the minimum amount that will be distributed for each "distribution calendar year", up to and including the "distribution calendar year" that includes the Participant's date of death, is the lesser of:

(i) the quotient obtained by dividing the Participant's "mrd account balance" by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9, Q & A-2 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the "distribution calendar year", or

(ii) if the Participant's sole "designated beneficiary" for a "distribution calendar year" is the Participant's Spouse, the quotient obtained by dividing the Participant's "mrd account balance" by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9, Q & A-3 of the Treasury Regulations, using the Participants and Spouse's attained ages as of the Participant's and Spouse's birthdays in the "distribution calendar year".

(c) If a Participant dies on or after his Required Beginning Date, but before his vested interest in his Account has been distributed in full, the remainder of the Participant's vested Account balance shall be distributed, or begin to be distributed to the Participant's Beneficiary as soon as reasonably practicable following the Participant's death.

(d) The minimum amount that will be distributed to a Participant's Beneficiary for each "distribution calendar year" following the year in which the Participant's death occurs is:

(i) If the Participant's Beneficiary is a "designated beneficiary", the quotient obtained by dividing the Participant's "mrd account balance" by the longer of:

(A) the remaining life expectancy of the Participant, calculated using the age of the Participant in the year of death, reduced by one for each subsequent year, or

(B) the remaining life expectancy of the “designated beneficiary”, calculated as provided in (1) or (2) below, as applicable.

(1) If the Participant’s Spouse is his sole “designated beneficiary”, the Spouse’s remaining life expectancy is calculated for each “distribution calendar year” using the surviving Spouse’s age as of the Spouse’s birthday during that calendar year. For “distribution calendar years” after the year of the surviving Spouse’s death, the remaining life expectancy is calculated using the age of the surviving Spouse as of the Spouse’s birthday in the calendar year of the Spouse’s death, reduced by one for each subsequent year.

(2) If the Participant’s Spouse is not the sole “designated beneficiary”, the “designated beneficiary’s” remaining life expectancy is calculated for each “distribution calendar year” using his age in the calendar year following the Participant’s death, reduced by one for each subsequent year.

(ii) If the Participant’s Beneficiary is not a “designated beneficiary” (determined as of September 30 of the calendar year following the year of the Participant’s death), the quotient obtained by dividing the Participant’s “mrd account balance” by the Participant’s remaining life expectancy calculated using the age of the Participant in the calendar year of death, reduced by one for each subsequent year.

(iii) Minimum distribution amounts shall be determined using the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations and the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations.

(e) If a Participant dies before his Required Beginning Date and before his vested interest in his Account has been distributed in full, the Participant’s vested Account balance shall be distributed or begin to be distributed as provided below:

(i) If distribution is to be made in a single sum payment, distribution shall be made no later than December 31 of the calendar year containing the 5th anniversary of the Participant’s death; provided, however, that if the Participant’s Spouse is his sole “designated beneficiary” with respect to all or any portion of the Participant’s vested Account, the Spouse may elect to postpone payment until December 31 of the calendar year in which the Participant would have attained age 70 $^1/_2$, if later. The Spouse’s election to defer payment must be made no later than September 30 of the calendar year that contains the 5th anniversary of the Participant's death. If a Participant's "designated beneficiary" does not wish to receive payment in a single sum, but would prefer to receive minimum payments as provided in the following paragraph, the Participant's "designated beneficiary" must notify the Administrator of his election no later than September 30 of the calendar year following the calendar year of the Participant's death; provided, however, that if the Participant's Spouse is his sole "designated beneficiary" with respect to all or any portion of the Participant's vested Account, the Spouse must notify the Administrator of her election no later than September 30 of the calendar year in which minimum distributions would be required to commence to the Participant's Spouse under this Section or, if earlier, September 30 of the calendar year that contains the 5th anniversary of the Participant's death.

(ii) If distribution is to be made to a Participant's "designated beneficiary" in a form other than a single sum payment, distribution shall be made in accordance with the following requirements:

(A) Distribution shall commence to the Participant's "designated beneficiary" no later than December 31 of the calendar year following the calendar year of the Participant's death; provided, however, that if the Participant's Spouse is his sole "designated beneficiary" with respect to all or any portion of the Participant's vested Account, the Spouse may elect to postpone commencement until December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later. The Spouse's election to defer payment must be made no later than September 30 of the calendar year following the calendar year of the Participant's death.

(B) The minimum amount that will be distributed to the "designated beneficiary" for each "distribution calendar year" during the "designated beneficiary's" lifetime is the quotient obtained by dividing the Participant's "mrd account balance" by the "designated beneficiary's" remaining life expectancy.

(C) The "designated beneficiary's" remaining life expectancy is determined for the first "distribution calendar year" using the Single Life Table in Section 1.401 (a)(9)-9, Q & A-l of the Treasury Regulations, and the "designated beneficiary's" age as of his or her birthday in the calendar year immediately following the calendar year of the Participant's death. In subsequent "distribution calendar years," the "designated beneficiary's" remaining life expectancy is determined as follows:

(1) If the Participant's Spouse is not the Participant's sole "designated beneficiary," the "life expectancy" determined above is reduced by one for each calendar year that has elapsed after the calendar year immediately following the calendar year of the Participant's death.

(2) If the Participant's surviving Spouse is the Participant's sole "designated beneficiary," the "designated beneficiary's" remaining "life expectancy" shall be re-determined for each subsequent "distribution calendar year" using the Single Life Table in Section 1.401 (a)(9)-9 of the Treasury Regulations, and the "designated beneficiary's" age as of the "designated beneficiary's" birthday in the "distribution calendar year."

(iii) A Participant's Spouse qualifies as the Participant's sole "designated beneficiary" if she is entitled to the Participant's entire vested interest in his Account or his entire vested interest in a segregated portion of the Participant's Account and no other "designated beneficiary" is entitled to any portion of that interest unless the Spouse dies prior to receiving full distribution of that interest.

(iv) If the Participant's Spouse is a sole "designated beneficiary" with respect to all or any portion of the Participant's interest and the Spouse dies after the Participant but before distributions to the Spouse begin, the rules described above shall be applied with respect to the interest for which the Spouse was the sole "designated beneficiary," substituting the date of the Spouse's death for the date of the Participant's death.

(v) If there is no "designated beneficiary" as of September 30 of the calendar year following the calendar year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the 5th anniversary of the Participant's death.

(f) For purposes of this Section the following terms have the following meanings:

(i) A Participant's **"designated beneficiary"** means the individual who is the Participant's Beneficiary under Article XVII of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Treasury Regulations Section 1.401(a)(9)-4.

(ii) A **"distribution calendar year"** means a calendar year for which a minimum payment is required. The first year for which a minimum payment is required depends on whether distribution begins before or after the Participant's death. If distribution begins before the Participant's death, the first "distribution calendar year" is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. If distribution begins after the Participant's death, the first "distribution calendar year" is the calendar year in which distributions are required to begin under paragraph (c) of this Section.

The required minimum payment for the Participant's first "distribution calendar year" must be made on or before the Participant's Required Beginning Date. The required minimum payment for other "distribution calendar years," including the required minimum payment for the "distribution calendar year" in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that "distribution calendar year."

(iii) A Participant's **"mrd account balance"** means the Participant's Account balance as of the last Valuation Date in the calendar year immediately preceding the "distribution calendar year" (the "valuation calendar year"), adjusted as follows:

(A) Such Account balance shall be increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the "valuation calendar year" after the Valuation Date.

(B) Such Account balance shall be decreased by distributions made in the "valuation calendar year" after the Valuation Date.

The Account balance for the "valuation calendar year" includes any amounts rolled over or transferred to the Plan either in the "valuation calendar year" or in the "distribution calendar year" if distributed or transferred in the "valuation calendar year."

15.5 Cash Outs and Participant Consent

Notwithstanding any other provision of the Plan to the contrary, if a Participant's vested interest in his Account does not exceed $5,000, distribution of such vested interest shall be made to the Participant in a single sum payment or through a direct rollover, as described in Article XVI, as soon as reasonably practicable following his Settlement Date.

If a Participant has no vested interest in his Account on his Settlement Date, he shall be deemed to have received distribution of such vested interest on his Settlement Date.

If a Participant's vested interest in his Account exceeds $5,000, distribution shall not commence to such Participant prior to his Normal Retirement Date or the date he attains age 62, if later, without the Participant's written consent and, if the Participant has a Spouse and his Account is subject to the "automatic annuity" provisions of Article XVI, the written consent of such Spouse. Notwithstanding the foregoing, spousal consent shall not be required if distribution is made through the purchase of a Qualified Joint and Survivor Annuity or the Spouse cannot be located or spousal consent cannot be obtained for other reasons set forth in Code Section 401(a)(l 1) and regulations issued thereunder.

If a Participant's Account is subject to the "automatic annuity" provisions of Article XVI, the Participant's vested interest in his Account shall be deemed to exceed $5,000 if the Participant's Benefit Payment Date has occurred with respect to amounts currently held in his Account and as of such Benefit Payment Date his vested interest in his Account exceeded $5,000.

15.6 Automatic Rollover of Mandatory Distributions

If distribution of a Participant's vested interest is to be made to a Participant as provided in the preceding Section before the later of the Participant's Normal Retirement Date or the date the Participant attains age 62, and the amount of such vested interest exceeds $1,000, distribution of such vested interest shall be made through a direct rollover to an individual retirement plan selected by the Administrator, unless the Participant affirmatively elects distribution in a single sum payment or through a direct rollover to an "eligible retirement plan" (as defined in Code Section 402(c)(8)(B), modified as provided in Code Section 401(a)(31)(E)) specified by the Participant. Any distribution made to a Participant's surviving Spouse or other Beneficiary or to an alternate payee under a qualified domestic relations order shall not be subject to the automatic rollover provisions described in the preceding sentence.

15.7 Required Commencement of Distribution

Unless the Participant elects a later date, distribution of his vested interest in his Account shall commence to the Participant no later than 60 days after the close of the Plan Year in which occurs the latest of (i) the Participant's Normal Retirement Date, (ii) the Participant's attainment of age 65, (iii) the tenth anniversary of the year in which the Participant commenced participation, or (iv) the Participant's Settlement Date. A Participant who does not make application for his benefit to commence shall be deemed to have elected to postpone distribution hereunder.

15.8 Reemployment of a Participant

If a Participant whose Settlement Date has occurred is reemployed by an Employer or a Related Company, he shall lose his right to any distribution or further distributions from the Trust arising from his prior Settlement Date and his interest in the Trust shall thereafter be treated in the same manner as that of any other Participant whose Settlement Date has not occurred.

15.9 Restrictions on Alienation

Except as provided in Code Section 401 (a)(13) (relating to qualified domestic relations orders), Code Section 401(a)(l3)(C) and (D) (relating to offsets ordered or required under a criminal conviction involving the Plan, a civil judgment in connection with a violation or alleged violation of fiduciary responsibilities under ERISA, or a settlement agreement between the Participant and the Department of Labor in connection with a violation or alleged violation of fiduciary responsibilities under ERISA), Treasury Regulations Section 1.401(a)-13(b)(2) (relating to Federal tax levies and judgments), or as otherwise required by law, no benefit under the Plan at any time shall be subject in any manner to anticipation, alienation, assignment (either at law or in equity), encumbrance, garnishment, levy, execution, or other legal or equitable process; and no person shall have power in any manner to anticipate, transfer, assign (either at law or in equity), alienate or subject to attachment, garnishment, levy, execution, or other legal or equitable process, or in any way encumber his benefits under the Plan, or any part thereof, and any attempt to do so shall be void.

15.10 Facility of Payment

If the Administrator finds that any individual to whom an amount is payable hereunder is incapable of attending to his financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount may, in the discretion of the Administrator, be paid to such individual's court appointed guardian or to another person with a valid power of attorney. The Trustee shall make such payment only upon receipt of written instructions to such effect from the Administrator. Any such payment shall be charged to the Account from which the payment would otherwise have been paid to the individual found incapable of attending to his financial affairs and shall be a complete discharge of any liability therefor under the Plan.

If distribution is to be made to a minor Beneficiary, the Administrator may, in its discretion, pay the amount to a duly qualified guardian or other legal representative, to an adult relative under the applicable state Uniform Gifts to Minors Act, as custodian, or to a trust that has been established for the benefit of the minor. Any such payment shall be charged to the Account from which the payment would otherwise have been paid to the minor and shall be a complete discharge of any liability therefor under the Plan.

15.11 Inability to Locate Payee and Non-Negotiated Checks

If any benefit becomes payable to any person, or to the executor or administrator of any deceased person, and if that person or his executor or administrator does not present himself to the Administrator within a reasonable period after the Administrator mails written notice of his eligibility to receive a distribution hereunder to his last known address and makes such other diligent effort to locate the person as the Administrator determines, such as (1) providing a distribution notice to the lost Participant at his/her last known address by certified mail, (2) use of the Internal Revenue Service letter forwarding program under IRS Revenue Procedure 94-22, (3) use of a commercial locater service, the internet or other general search method, or (4) use of the Social Security Administration search program, that benefit will be forfeited. However, if the payee later files a claim for that benefit, the benefit will be restored.

If a distribution check has been issued and is outstanding for more than 180 days and the Administrator has been unable to locate the payee after diligent efforts have been made to do so, then except as specifically directed by the Administrator, the amount of the check shall be re-deposited to the Plan and forfeited. However, if the payee is subsequently located, the check amount will be restored to an Account established on the payee’s behalf, without adjustment for investment gains or losses since the date of issuance.

Any amount forfeited under this Section shall be applied against the Employer Contribution obligations for any subsequent Contribution Period of the Employer for which the Participant last performed services as an Employee. Notwithstanding the foregoing, however, should the amount of all such forfeitures for any Contribution Period with respect to any Employer exceed the amount of such Employer’s Employer Contribution obligations for the Contribution Period, the excess amount of such forfeitures shall be held unallocated in a suspense account established with respect to the Employer and shall be applied against the Employer’s Employer Contribution obligations for the following Contribution Period.

15.12 Distribution Pursuant to Qualified Domestic Relations Orders

Notwithstanding any other provision of the Plan to the contrary, if a qualified domestic relations order so provides, distribution may be made to an alternate payee pursuant to a qualified domestic relations order, as defined in Code Section 414(p), regardless of whether the Participant’s Settlement Date has occurred or whether the Participant is otherwise entitled to receive a distribution under the Plan.

ARTICLE XVI
FORM OF PAYMENT

16.1 Definitions

For purposes of this Article, the following terms have the following meanings:

The **"automatic annuity form"** means the form of annuity that will be purchased on behalf of a Participant who has elected to receive distribution through the purchase of an annuity contract that provides for payment over his life (or whose Account includes assets transferred directly from a plan subject to Code Section 417) unless the Participant elects another form of annuity.

A **"qualified election"** means an election that is made during the qualified election period. A "qualified election" of a form of payment other than a Qualified Joint and Survivor Annuity or designating a Beneficiary other than the Participant's Spouse to receive amounts otherwise payable as a Qualified Preretirement Survivor Annuity must include the written consent of the Participant's Spouse, if any. A Participant's Spouse will be deemed to have given written consent to the Participant's election if the Participant establishes to the satisfaction of a Plan representative that such consent cannot be obtained because the Spouse cannot be located or because of other circumstances set forth in Code Section 401(a)(l1) and regulations issued thereunder. The Spouse's written consent must acknowledge the effect of the Participant's election and must be witnessed by a Plan representative or a notary public. In addition, the Spouse's written consent must either (i) specify the form of payment selected instead of a Qualified Joint and Survivor Annuity, if applicable, and that such form may not be changed (except to a Qualified Joint and Survivor Annuity) without written spousal consent and specify any non-Spouse Beneficiary designated by the Participant, if applicable, and that such Beneficiary may not be changed without written spousal consent or (ii) acknowledge that the Spouse has the right to limit consent as provided in clause (i), but permit the Participant to change the form of payment selected or the designated Beneficiary without the Spouse's further consent Any written consent given or deemed to have been given by a Participant's Spouse hereunder shall be irrevocable and shall be effective only with respect to such Spouse and not with respect to any subsequent Spouse.

The **"qualified election period"** with respect to the "automatic annuity form" means the 90-day period ending on a Participant's Benefit Payment Date. The "qualified election period" with respect to a Qualified Preretirement Survivor Annuity means the period beginning on the later of (i) the date his Account becomes subject to the automatic annuity provisions of this Article or (ii) the first day of the Plan Year in which the Participant attains age 35 or, if he terminates employment prior to such date, the day he terminates employment with his Employer and all Related Companies. A Participant whose employment has not terminated may make a "qualified election" designating a Beneficiary other than his Spouse prior to the Plan Year in which he attains age 35;

provided, however, that such election shall cease to be effective as of the first day of the Plan Year in which the Participant attains age 35.

16.2 Normal Form of Payment

Subject to the Qualified Preretirement Survivor Annuity requirements described in this Article, unless a Participant, or his Beneficiary, if the Participant has died, elects an optional form of payment, distribution shall be made to the Participant, or his Beneficiary, as the case may be, in a single sum payment.

16.3 Optional Forms of Payment

A Participant, or his Beneficiary, as the case may be, may elect to receive distribution of all or a portion of his Account in one of the following optional forms of payment:

(a) Installment Payments—Distribution shall be made in a series of monthly, quarterly, annual, or semi-annual installments over a specified period. Payments hereunder must satisfy the distribution requirements described in the Section of Article XV entitled "Code Section 401(a)(9) Requirements." Each installment shall be equal in amount except as necessary to adjust for any changes in the value of the Participant's Account.

(b) Annuity Contract—Distribution shall be made through the purchase of a single premium, nontransferable annuity contract for such term and in such form as the Participant, or his Beneficiary, as the case may be, shall select, subject to the automatic annuity requirements described in this Article; provided, however, that a Participant's Beneficiary may not elect to receive distribution of an annuity payable over the joint lives of the Beneficiary and any other individual. The terms of any annuity contract purchased hereunder and distributed to a Participant or his Beneficiary shall comply with the requirements of the Plan.

16.4 Change of Election

Subject to the automatic annuity requirements of this Article, a Participant or Beneficiary who has elected an optional form of payment may revoke or change his election at any time prior to his Benefit Payment Date by filing his election with the Administrator in the form prescribed by the Administrator. There is no limit on the number of elections or revocations a Participant or his Beneficiary may make prior to his Benefit Payment Date.

16.5 Automatic Annuity Requirements

If a Participant elects to receive distribution through the purchase of an annuity contract that provides for payment over his life (or his Account includes assets transferred directly from a plan subject to Code Section 417), distribution shall be made to such Participant through the purchase of an annuity contract that provides for payment in one of the following "automatic annuity forms", unless the Participant elects a different type of annuity.

(a) The “automatic annuity form” for a Participant who has a Spouse on his Benefit Payment Date is the 50 percent Qualified Joint and Survivor Annuity.

(b) The “automatic annuity form” for a Participant who does not have a Spouse on his Benefit Payment Date is the Single Life Annuity.

A Participant’s election of an annuity other than the “automatic annuity form” shall not be effective unless it is a “qualified election”; provided, however, that spousal consent shall not be required if the form of payment elected by the Participant is a Qualified Joint and Survivor Annuity. A Participant who has elected to receive distribution through the purchase of an annuity contract that provides for payment over his life (or whose Account includes assets transferred directly from a plan subject to Code Section 417) may only change his election of a form of payment pursuant to a “qualified election”; provided, however, that spousal consent shall not be required if the form of payment elected by the Participant is a Qualified Joint and Survivor Annuity.

16.6 Qualified Preretirement Survivor Annuity Requirements

If a Participant who elects to receive distribution through the purchase of an annuity contract that provides for payment over his life (or whose Account includes assets transferred directly from a plan subject to Code Section 417) has a Spouse dies before his Benefit Payment Date, his Spouse shall receive distribution of the value of the Participant’s vested interest in his Account through the purchase of an annuity contract that provides for payment over the life of the Participant’s Spouse. A Participant’s Spouse may elect to receive distribution under any one of the other forms of payment available under this Article instead of in the Qualified Preretirement Survivor Annuity form. A Participant who who has elected to receive distribution through the purchase of an annuity contract that provides for payment over his life (or whose Account includes assets transferred directly from a plan subject to Code Section 417) has a Spouse may only designate a non-Spouse Beneficiary to receive distribution of his Account pursuant to a “qualified election”.

16.7 Direct Rollover

Notwithstanding any other provision of the Plan to the contrary, in lieu of receiving distribution in a form of payment provided under this Article, a “qualified distributee” may elect in writing, in accordance with rules prescribed by the Administrator, to have a portion or all of any “eligible rollover distribution” paid directly by the Plan to the “eligible retirement plan” designated by the “qualified distributee”. Any such payment by the Plan to another “eligible retirement plan” shall be a direct rollover.

Notwithstanding the foregoing, a “qualified distributee” may not eject a direct rollover with respect to an “eligible rollover distribution” if the total value of the “eligible rollover distributions” expected to be made to the “qualified distributee” for the year is less than $200 or with respect to a portion of an “eligible rollover distribution” if the value of such portion is less than $500.

For purposes of this Section, the following terms have the following meanings:

(a) An “eligible retirement plan” means any of the following: (i) an individual retirement account described in Code Section 408(a), (ii) an individual retirement annuity described in Code Section 408(b), (iii) an annuity plan described in Code Section 403(a) that accepts rollovers, (iv) a qualified trust described in Code Section 401 (a) that accepts rollovers, (v) an annuity contract described in Code Section 403(b), and (vi) an eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and that agrees to separately account for amounts transferred into such plan from the Plan; provided, however, that the portion of a Participant’s “eligible rollover distribution” that consists of his After-Tax Contributions may only be transferred to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for such contributions, including separate accounting for the portion of such “eligible rollover distribution” that is includible in income and the portion that is not includible in income.

(b) An “eligible rollover distribution” means any distribution of all or any portion of the balance of a Participant’s Account; provided, however, that an eligible rollover distribution does not include the following:

(i) any distribution to the extent such distribution is required under Code Section 401(a)(9).

(ii) any distribution that is one of a series of substantially equal periodic payment made not less frequently than annually for the life or life expectancy of the “qualified distributee” or the joint lives or life expectancies of the “qualified distributee” and the “qualified distributee’s” designated beneficiary, or for a specified period of ten years or more.

(iii) any hardship withdrawal made in accordance with the provisions of Article XIII.

(c) A “qualified distributee” means a Participant, his surviving Spouse, or his Spouse or former Spouse who is an alternate payee under a qualified domestic relations order, as defined in Code Section 4l4(p).

16.8 Notice Regarding Forms of Payment

The Administrator shall provide each Participant with a written explanation of his right to defer distribution until his Normal Retirement Date, or such later date as may be provided in the Plan, his right to make a direct rollover, and the forms of payment available under the Plan, including a written explanation of (i) the terms and conditions of the "automatic annuity form" applicable if the Participant elects to receive distribution through the purchase of an annuity that provides for payment over his life (or if his Account includes assets transferred directly from a plan subject to Code Section 417), (ii) the Participant's right to choose a form of payment other than the "automatic annuity form" or to revoke such choice, and (iii) the rights of the Participant's Spouse. The Administrator shall provide such explanation within the 60-day period ending 30 days before the Participant's Benefit Payment Date. Notwithstanding the foregoing, distribution of the Participant's. Account may commence fewer than 30 days after such explanation is provided to the Participant if (i) the Administrator clearly informs the Participant of his right to consider his election of whether or not to make a direct rollover or to receive a distribution prior to his Normal Retirement Date and his election of a form of payment for a period of at least 30 days following his receipt of the explanation, (ii) the Participant, after receiving the explanation, affirmatively elects an early distribution with his Spouse's written consent, if necessary, and, if the Participant has elected distribution through the purchase of an annuity contract that provides for payment over his life (or his Account includes assets transferred directly from a plan subject to Code Section 417), (iii) the Participant may revoke his election at any time prior to the later of his Benefit Payment Date or the expiration of the seven-day period beginning the day after the date the explanation is provided to him, and (iv) distribution does not commence to the Participant before such revocation period ends.

In addition, the Administrator shall provide a Participant who has elected distribution through the purchase of an annuity that provides for payment over his life (or whose Account includes assets transferred directly from a plan subject to Code Section 417) with a written explanation of (i) the terms and conditions of the Qualified Preretirement Survivor Annuity, (ii) the Participant's right to designate a non-Spouse Beneficiary to receive distribution of bis Account otherwise payable as a Qualified Preretirement Survivor Annuity or to revoke such designation, and (iii) the rights of the Participant's Spouse. The Administrator shall provide such explanation within one of the following periods, whichever ends last:

(a) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending on the last day of the Plan Year preceding the Plan Year in which the Participant attains age 35;

(b) the period beginning 12 calendar months before the date an individual becomes a Participant and ending 12 calendar months after such date; or

(c) provided the Participant's Account does not include assets transferred directly from a plan subject to Code Section 417, the period beginning 12 calendar months before the date the Participant elects to receive distribution through the purchase of an annuity contract that provides for payment over his life and ending 12 calendar months after such date;

provided, however, that in the case of a Participant who separates from service prior to attaining age 35, the explanation shall be provided to such Participant within the period beginning 12 calendar months before the Participant's separation from service and ending 12 calendar months after his separation from service.

16.9 Reemployment

If a Participant is reemployed by an Employer or a Related Company prior to receiving distribution of the entire balance of his vested interest in his Account, his prior election of a form of payment hereunder shall become ineffective. Notwithstanding the foregoing, if a Participant had elected to receive distribution through the purchase of an annuity contract that provides for payment over his life, the automatic annuity and Qualified Preretirement Survivor Annuity requirements described in this Article shall continue to apply to his entire Account.

ARTICLE XVII
BENEFICIARIES

17.1 Designation of Beneficiary

The Beneficiary of a Participant who does not have a Spouse shall be the person or persons designated by such Participant in accordance with rules prescribed by the Administrator. The Beneficiary of a Participant who has a Spouse shall be his Spouse, unless the Participant designates a person or persons other than his Spouse as Beneficiary with the written consent of his Spouse. For purposes of this Section, a Participant shall be treated as not having a Spouse and such Spouse's consent shall not be required if the Participant does not have a Spouse on his Benefit Payment Date. A Participant's designation of a Beneficiary shall be subject to the Qualified Preretirement Survivor Annuity provisions of Article XVI.

If no Beneficiary has been designated pursuant to the provisions of this Section, or if no Beneficiary survives the Participant and he has no surviving Spouse, then the Beneficiary under the Plan shall be the deceased Participant's surviving children in equal shares or, if there are no surviving children, the Participant's estate. If a Beneficiary dies after becoming entitled to receive a distribution under the Plan but before distribution is made to him in full, and if the Participant has not designated another Beneficiary to receive the balance of the distribution in that event, the estate of the deceased Beneficiary shall be the Beneficiary as to the balance of the distribution.

17.2 Spousal Consent Requirements

Any written consent given by a Participant's Spouse pursuant to this Article must acknowledge the effect of the action taken and must be witnessed by a Plan representative or a notary public. In addition, the Spouse's written consent must either (i) specify any non-Spouse Beneficiary designated by the Participant and that such Beneficiary may not be changed without the Spouse's written consent or (ii) acknowledge that the Spouse has the right to limit consent to a specific Beneficiary, but permit the Participant to change the designated Beneficiary without the Spouse's further consent. A Participant's Spouse will be deemed to have given written consent to the Participant's designation of Beneficiary if the Participant establishes to the satisfaction of a Plan representative that such consent cannot be obtained because the Spouse cannot be located or because of other circumstances set forth in Section 40l(a)(l1) of the Code and regulations issued thereunder. Any written consent given or deemed to have been given by a Participant's Spouse hereunder shall be valid only with respect to the Spouse who signs the consent.

17.3 Revocation of Beneficiary Designation Upon Divorce

Notwithstanding any other provision of this Article XVII to the contrary, if a Participant designates his or her Spouse as Beneficiary under the Plan, such designation shall automatically become null and void as of the date of any final divorce or similar decree or order unless either (i) the Participant re-designates such former Spouse as his or her Beneficiary after the date of the final decree or order or (ii) such former Spouse is designated as the Participant's Beneficiary under a qualified domestic relations order; provided, however, that such former Spouse shall be the Participant's Beneficiary under this clause (ii) only to the extent required in accordance with the qualified domestic relations order.

ARTICLE XVIII
ADMINISTRATION

18.1 Authority of the Sponsor

The Sponsor, which shall be the administrator for purposes of ERISA and the plan administrator for purposes of the Code, shall be responsible for the administration of the Plan and, in addition to the powers and authorities expressly conferred upon it in the Plan, shall have all such powers and authorities as may be necessary to carry out the provisions of the Plan, including the power and authority to interpret and construe the provisions of the Plan, to make benefit determinations, and to resolve any disputes which arise under the Plan. The Sponsor may employ such attorneys, agents, and accountants as it may deem necessary or advisable to assist in carrying out its duties hereunder. The Sponsor shall be a "named fiduciary" as that term is defined in ERISA Section 402(a)(2). The Sponsor, by action of its board of directors, may:

(a) allocate any of the powers, authority, or responsibilities for the operation and administration of the Plan (other than trustee responsibilities as defined in ERISA Section 405(c)(3)) among named fiduciaries; and

(b) designate a person or persons other than a named fiduciary to carry out any of such powers, authority, or responsibilities;

except that no allocation by the Sponsor of, or designation by the Sponsor with respect to, any of such powers, authority, or responsibilities to another named fiduciary or a person other than a named fiduciary shall become effective unless such allocation or designation shall first be accepted by such named fiduciary or other person in a writing signed by it and delivered to the Sponsor.

18.2 Discretionary Authority

In carrying out its duties under the Plan, including making benefit determinations, interpreting or construing the provisions of the Plan, making factual determinations, and resolving disputes, the Sponsor (or any individual to whom authority has been delegated in accordance with Section 18.1) shall have absolute discretionary authority. The decision of the Sponsor (or any individual to whom authority has been delegated in accordance with Section 18.1) shall be final and binding on all persons and entitled to the maximum deference allowed by law.

18.3 Action of the Sponsor

Any act authorized, permitted, or required to be taken under the Plan by the Sponsor and which has not been delegated in accordance with Section 18.1, may be taken by a majority of the members of the board of directors of the Sponsor, either by vote at a meeting, or in writing without a meeting, or by the employee or employees of the Sponsor designated by the board of directors to carry out such acts on behalf of the Sponsor. All notices, advice, directions, certifications, approvals, and instructions required or authorized to be given by the Sponsor under the Plan shall be in writing and signed by either (i) a majority of the members of the Sponsor's board of directors or by such member or members as may be designated by an instrument in writing, signed by all the members thereof, as having authority to execute such documents on its behalf, or (ii) the employee or employees authorized to act for the Sponsor in accordance with the provisions of this Section.

18.4 Claims Review Procedure

Except to the extent that the provisions of any collective bargaining agreement provide another method of resolving claims for benefits under the Plan, the provisions of this Section shall control whenever a claim for benefits under the Plan filed by any person (referred to in this Section as the "Claimant") is denied. The provisions of this Section shall also control whenever a Claimant seeks a remedy under any provision of ER1SA or other applicable law in connection with any error regarding his Account (including a failure or error in implementing investment directions) and such claim is denied.

Whenever a claim under the Plan is denied, whether in whole or in part, the Sponsor shall transmit a written notice of such decision to the Claimant within 90 days of the date the claim was filed or, if special circumstances require an extension, within 180 days of such date, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of (i) the specific reasons for the denial of the claim, (ii) specific reference to pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such information is necessary, (iv) that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, (v) records and other information relevant to the Claimant's claim, a description of the review procedures and in the event of an adverse review decision, a statement describing any voluntary review procedures and the Claimant's right to obtain copies of such procedures, and (vi) a statement that there is no further administrative review following the initial review, and that the Claimant has a right to bring a civil action under ERISA Section 502(a) if the Sponsor's decision on review is adverse to the Claimant. The notice shall also include a statement advising the Claimant that, within 60 days of the date on which he receives such notice, he may obtain review of such decision in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Sponsor a written request therefor, which request shall contain the following information:

(a) the date on which the Claimant's request was filed with the Sponsor; provided, however, that the date on which the Claimant's request for review was in fact filed with the Sponsor shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph;

(b) the specific portions of the denial of his claim which the Claimant requests the Sponsor to review;

(c) a statement by the Claimant setting forth the basis upon which he believes the Sponsor should reverse the previous denial of his claim for benefits and accept his claim as made; and

(d) any written material (offered as exhibits) which the Claimant desires the Sponsor to examine in its consideration of his position as stated pursuant to paragraph (c) of this Section.

Within 60 days of the date determined pursuant to paragraph (a) of this Section or, if special circumstances require an extension, within 120 days of such date, the Sponsor shall conduct a full and fair review of the decision denying the Claimant's claim for benefits and shall render its written decision on review to the Claimant. The Sponsor's decision on review shall be written in a manner calculated to be understood by the Claimant and shall specify the reasons and Plan provisions upon which the Sponsor's decision was based.

Notwithstanding the foregoing, special procedures apply for processing claims and reviewing prior claim determinations if a Claimant's claim for benefits is contingent upon a determination as to whether a Participant is Disabled under the Plan.

18.5 Special Rules Applicable to Claims Related to Investment Errors

Any person alleging that there has been a failure or error in implementing investment directions with respect to a Participant's Account must file a claim with the Administrator on or before the earlier of (a) 60 days from the mailing of a trade confirmation, account statement, or any other document, from which the error can be discovered, or (b) one year from the date of the transaction related to the error. Any claim filed outside of such period shall be limited to the benefit that would have been determined if the claim were timely filed, and therefore any adjustments shall be calculated for such period only.

18.6 Exhaustion of Remedies

No civil action for benefits under the Plan shall be brought unless and until the aggrieved person has (a) submitted a timely claim for benefits in accordance with this Article, (b) been notified by the Administrator that the claim has been denied, (c) filed a written request for a review of the claim in accordance with the preceding Section, (d) been notified in writing of an adverse benefit determination on review, and (e) filed the civil action within 1 years of the date he receives a final adverse determination of his claim on review.

18.7 Qualified Domestic Relations Orders

The Sponsor shall establish reasonable procedures to determine the status of domestic relations orders and to administer distributions under domestic relations orders which are deemed to be qualified orders. Such procedures shall be in writing and shall comply with the provisions of Code Section 414(p) and regulations issued thereunder.

18.8 Indemnification

In addition to whatever rights of indemnification the Trustee or the members of the Sponsor's board of directors or any employee or employees of the Sponsor to whom any power, authority, or responsibility is delegated pursuant to Section 18.3, may be entitled under the articles of incorporation or regulations of the Sponsor, under any provision of law, or under any other agreement, the Sponsor shall satisfy any liability actually and reasonably incurred by any such person or persons, including expenses, attorneys' fees, judgments, fines, and amounts paid in settlement (other than amounts paid in settlement not approved by the Sponsor), in connection with any threatened, pending or completed action, suit, or proceeding which is related to the exercising or failure to exercise by such person or persons of any of the powers, authority, responsibilities, or discretion as provided under the Plan, or reasonably believed by such person or persons to be provided hereunder, and any action taken by such person or persons in connection therewith, unless the same is judicially determined to be the result of such person or persons' gross negligence or willful misconduct.

18.9 Prudent Man Standard of Care

The Trustee, the Sponsor and any other fiduciary under the Plan shall discharge his duties under the Plan solely in the interests of Participants and Beneficiaries and, in accordance with the requirements of ER1SA Section 404(a)(l)(B), with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in conducting an enterprise of like character with like aims.

18.10 Actions Binding

Subject to the provisions of Section 18.4, any action taken by the Sponsor which is authorized, permitted, or required under the Plan shall be final and binding upon the Employers, the Trustee, all persons who have or who claim an interest under the Plan, and all third parties dealing with the Employers or the Trustee.

ARTICLE XIX
AMENDMENT AND TERMINATION

19.1 Amendment by Plan Sponsor

Subject to the provisions of Section 19.3, the Sponsor may at any time and from time to time, by action of its board of directors, or such officers of the Sponsor as are authorized by its board of directors, amend the Plan, either prospectively or retroactively. Any such amendment shall be by written instrument executed by the Sponsor.

19.2 Amendment by Volume Submitter Practitioner

In the event that there is a change in the law applicable to the Plan, as reflected in the Code, regulations issued thereunder, revenue rulings, or other statements published by the Internal Revenue Service, the “volume submitter practitioner” may amend the Plan to comply with such changes on behalf of the Sponsors who have adopted its “specimen plan” prior to the date that its “specimen plan” is amended to comply with such change. In addition, the “volume submitter practitioner” may amend the Plan to correct its prior approved “specimen plan.” No amendment by the “volume submitter practitioner” shall be effective prior to February 17, 2005.

The “volume submitter practitioner” shall maintain, or have maintained on its behalf, a record of the Sponsors adopting its “specimen plan.” The “volume submitter practitioner” shall make reasonable and diligent efforts to ensure that a copy of any amendment adopted hereunder is provided to each Sponsor at the Sponsor’s last known address, as shown in the record maintained in accordance with the preceding sentence. Where necessary, the “volume submitter practitioner” shall make reasonable and diligent efforts to ensure that each Sponsor adopts new documents when necessary.

An amendment made by the “volume submitter practitioner” in accordance with the provisions of this Section may be made effective on a date prior to the first day of the Plan Year in which it is adopted if, in published guidance, the Internal Revenue Service either permits or requires such an amendment to be made to enable the Plan and Trust to satisfy the applicable requirements of the Code and all requirements for the retroactive amendment are satisfied.

The “volume submitter practitioner” may not amend a Plan on behalf of its Sponsor if either (a) the Plan modifies the “specimen plan” to incorporate a type of plan that is not permitted under the volume submitter program, as described in applicable Revenue Procedures or other statements of the Internal Revenue Service, or (b) the Internal Revenue Service has advised the Sponsor that the Plan modifies the “specimen plan” in such a manner or to such an extent that the Plan must be treated as an individually-designed plan and will not receive the extended 6-year remedial amendment cycle applicable to volume submitter plans.

For purposes of this Section, the following terms have the following meanings:

(a) The “specimen plan” means the plan with respect to which the Internal Revenue Service has issued an advisory letter to the “volume submitter practitioner.”

(b) The “volume submitter practitioner” means Thompson Hine, LLP d/b/a Plan Document Systems.

19.3 Limitation on Amendment

Except as otherwise required by law, no amendment shall be made to the Plan that decreases the accrued benefit of any Participant or Beneficiary, except that nothing contained herein shall restrict the right to amend the provisions of the Plan relating to the administration of the Plan and Trust. Moreover, no such amendment shall be made hereunder which shall permit any part of the Trust to revert to an Employer or any Related Company or be used or be diverted to purposes other than the exclusive benefit of Participants and Beneficiaries. The Sponsor shall make no retroactive amendment to the Plan unless such amendment satisfies the requirements of Code Section 401(b) and/or Treasury Regulations Section 1.401(a)(4)-1l(g), as applicable.

19.4 Termination

The Sponsor reserves the right, by action of its board of directors, to terminate the Plan as to all Employers at any time (the effective date of such termination being hereinafter referred to as the “termination date”). Upon any such termination of the Plan, the following actions shall be taken for the benefit of Participants and Beneficiaries:

(a) As of the termination date, each Investment Fund shall be valued and all Accounts and Sub-Accounts shall be adjusted in the manner provided in Article XI, with any unallocated contributions or forfeitures being allocated as of the termination date in the manner otherwise provided in the Plan. The termination date shall become a Valuation Date for purposes of Article XI. In determining the net worth of the Trust, there shall be included as a liability such amounts as shall be necessary to pay all expenses in connection with the termination of the Trust and the liquidation and distribution of the property of the Trust, as well as other expenses, whether or not accrued, and shall include as an asset all accrued income.

(b) All Accounts shall then be disposed of to or for the benefit of each Participant or Beneficiary in accordance with the provisions of Article XV as if the termination date were his Settlement Date; provided, however, that notwithstanding the provisions of Article XV, if the Plan does not offer an annuity option and if neither his Employer nor a Related Company establishes or maintains another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), the Participant's written consent to the commencement of distribution shall not be required regardless of the value of the vested portions of his Account.

(c) Notwithstanding the provisions of paragraph (b) of this Section, no distribution shall be made to a Participant of any portion of the balance of his 401(k) Contributions Sub-Account on account of Plan termination (other than a distribution made in accordance with Article XIII or required in accordance with Code Section 401(a)(9)) unless (i) neither his Employer nor a Related Company establishes or maintains another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7), a tax credit employee stock ownership plan as defined in Code Section 409, a simplified employee pension as defined in Code Section 408(k), a SIMPLE IRA plan as defined in Code Section 408(p), a plan or contract that meets the requirements of Code Section 403(b), or a plan that is described in Code Section 457(b) or (f)) either at the time the Plan is terminated or at any time during the period ending 12 months after distribution of all assets from the Plan; provided, however, that this provision shall not apply if fewer than 2% of the Eligible Employees under the Plan were eligible to participate at any time in such other defined contribution plan during the 24 month period beginning 12 months before the Plan termination, and (ii) the distribution the Participant receives is a "lump sum distribution" as defined in Code Section 402(e)(4), without regard to clauses (I), (II), (III), and (IV) of sub paragraph (D)(i) thereof.

Notwithstanding anything to the contrary contained in the Plan, upon any such Plan termination, the vested interest of each Participant and Beneficiary in his Employer Contributions Sub-Account shall be 100 percent; and, if there is a partial termination of the Plan, the vested interest of each Participant and Beneficiary who is affected by the partial termination in his Employer Contributions Sub-Account shall be 100 percent. For purposes of the preceding sentence only, the Plan shall be deemed to terminate automatically if there shall be a complete discontinuance of contributions hereunder by all Employers.

19.5 Inability to Locate Payee on Plan Termination

If distribution of a Participant's Account is to be made to the Participant, his Beneficiary, or an alternate payee under a qualified domestic relations order (a "payee") on account of the termination of the Plan, and such payee does not present himself to the Administrator within a reasonable period after the Administrator mails written notice of his eligibility to receive a distribution hereunder to his last known address and makes such other diligent effort to locate the person as the Administrator determines, distribution of such Account shall be made at the direction of the Administrator through a direct rollover to an individual retirement plan established on behalf of the payee with a provider selected by the Administrator, purchase of an annuity contract on behalf of the payee, or transfer to another "eligible retirement plan", as defined in the Section of Article XVI entitled "Direct Rollovers".

19.6 Reorganization

The merger, consolidation, or liquidation of any Employer with or into any other Employer or a Related Company shall not constitute a termination of the Plan as to such Employer.

19.7 Withdrawal of an Employer

An Employer other than the Sponsor may withdraw from the Plan at any time upon notice in writing to the Administrator (the effective date of such withdrawal being hereinafter referred to as the “withdrawal date”), and shall thereupon cease to be an Employer for all purposes of the Plan. An Employer shall be deemed automatically to withdraw from the Plan in the event of its complete discontinuance of contributions, or, subject to Section 19.6 and unless the Sponsor otherwise directs, it ceases to be a Related Company of the Sponsor or any other Employer. Upon the withdrawal of an Employer, the withdrawing Employer shall determine whether a partial termination has occurred with respect to its Employees. In the event that the withdrawing Employer determines a partial termination has occurred, the action specified in Section 19.4 shall be taken as of the withdrawal date, as on a termination of the Plan, but with respect only to Participants who are employed solely by the withdrawing Employer, and who, upon such withdrawal, are neither transferred to nor continued in employment with any other Employer or a Related Company. The interest of any Participant employed by the withdrawing Employer who is transferred to or continues in employment with any other Employer or a Related Company, and the interest of any Participant employed solely by an Employer or a Related Company other than the withdrawing Employer, shall remain unaffected by such withdrawal; no adjustment to his Accounts shall be made by reason of the withdrawal; and he shall continue as a Participant hereunder subject to the remaining provisions of the Plan.

ARTICLE XX
ADOPTION BY OTHER ENTITIES

20.1 Adoption by Related Companies

A Related Company that is not an Employer may, with the consent of the Sponsor, adopt the Plan and become an Employer hereunder by causing an appropriate written instrument evidencing such adoption to be executed in accordance with the requirements of its organizational authority. Any such instrument shall specify the effective date of the adoption.

20.2 Effective Plan Provisions

An Employer who adopts the Plan shall be bound by the provisions of the Plan in effect at the time of the adoption and as subsequently in effect because of any amendment to the Plan.

ARTICLE XXI
MISCELLANEOUS PROVISIONS

21.1 No Commitment as to Employment

Nothing contained herein shall be construed as a commitment or agreement upon the part of any person to continue his employment with an Employer or Related Company, or as a commitment on the part of any Employer or Related Company to continue the employment, compensation, or benefits of any person for any period.

21.2 Benefits

Nothing in the Plan nor the Trust Agreement shall be construed to confer any right or claim upon any person, firm, or corporation other than the Employers, the Trustee, Participants, and Beneficiaries.

21.3 No Guarantees

The Employers, the Administrator, and the Trustee do not guarantee the Trust from loss or depreciation, nor do they guarantee the payment of any amount which may become due to any person hereunder.

21.4 Expenses

The expenses of operation and administration of the Plan, including the expenses of the Administrator and fees of the Trustee, shall be paid from the Trust, unless the Sponsor elects to make payment. To the extent paid from the Trust, administrative expenses shall be allocated among Participants' Accounts.

Notwithstanding the foregoing, the costs incident to the management of the assets of an Investment Fund or to the purchase or sale of securities held in an Investment fund shall be allocable to Accounts invested in such Investment Fund and administrative expenses that are incurred directly with respect to an individual Participant's Account will be allocated to that Account.

21.5 Precedent

Except as otherwise specifically provided, no action taken in accordance with the Plan shall be construed or relied upon as a precedent for similar action under similar circumstances.

21.6 Duty to Furnish Information

The Employers, the Administrator, and the Trustee shall furnish to any of the others any documents, reports, returns, statements, or other information that the other reasonably deems necessary to perform its duties hereunder or otherwise imposed by law.

21.7 Merger, Consolidation, or Transfer of Plan Assets

The Plan shall not be merged or consolidated with any other plan, nor shall any of its assets or liabilities be transferred to another plan, unless, immediately after such merger, consolidation, or transfer of assets or liabilities, each Participant in the Plan would receive a benefit under the Plan which is at least equal to the benefit he would have received immediately prior to such merger, consolidation, or transfer of assets or liabilities (assuming in each instance that the Plan had then terminated).

21.8 Condition on Employer Contributions

Notwithstanding anything to the contrary contained in the Plan or the Trust Agreement, any contribution of an Employer hereunder is conditioned upon the continued qualification of the Plan under Code Section 401 (a), the exempt status of the Trust under Code Section 501(a), and the deductibility of the contribution under Code Section 404. Except as otherwise provided in this Section and Section 21.9, however, in no event shall any portion of the property of the Trust ever revert to or otherwise inure to the benefit of an Employer or any Related Company.

21.9 Return of Contributions to an Employer

Notwithstanding any other provision of the Plan or the Trust Agreement to the contrary, in the event any contribution of an Employer made hereunder:

(a) is made under a mistake of fact, or

(b) is disallowed as a deduction under Code Section 404,

such contribution, reduced for any losses experienced by the Trust Fund, may be returned to the Employer within one year after the payment of the contribution or the disallowance of the deduction to the extent disallowed, whichever is applicable. In the event the Plan does not initially qualify under Code Section 401(a), any contribution of an Employer made hereunder may be returned to the Employer within one year of the date of denial of the initial qualification of the Plan, but only if an application for determination was made within the period of time prescribed under ERISA Section 403(c)(2)(B).

21.10 Validity of Plan

The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the laws of the state or commonwealth in which the Trustee has its principal place of business or, if the Trustee is an individual or group of individuals, the state or commonwealth in which the Sponsor has its principal place of business, except as preempted by applicable Federal law. The invalidity or illegality of any provision of the Plan shall not affect the legality or validity of any other part thereof.

21.11 Trust Agreement

The Trust Agreement and the Trust maintained thereunder, shall be deemed to be a part of the Plan as if fully set forth herein and the provisions of the Trust Agreement are hereby incorporated by reference into the Plan.

21.12 Parties Bound

The Plan shall be binding upon the Employers, all Participants and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

21.13 Application of Certain Plan Provisions

For purposes of the general administrative provisions and limitations of the Plan, a Participant’s Beneficiary or alternate payee under a qualified domestic relations order shall he treated as any other person entitled to receive benefits under the Plan. Upon any termination of the Plan, any such Beneficiary or alternate payee under a qualified domestic relations order who has an interest under the Plan at the time of such termination, which does not cease by reason thereof, shall be deemed to be a Participant for all purposes of the Plan. A Participant’s Beneficiary, if the Participant has died, or alternate payee under a qualified domestic relations order shall be treated as a Participant for purposes of directing investments as provided in Article X.

21.14 Merged Plans

In the event another defined contribution plan (the “merged plan”) is merged into and made a part of the Plan, each Employee who was eligible to participate in the “merged plan” immediately prior to the merger shall become an Eligible Employee on the date of the merger. In no event shall a Participant’s vested interest in his Sub-Account attributable to amounts transferred to the Plan from the “merged plan” (his “transferee Sub-Account”) on and after the merger be less than his vested interest in his account under the “merged plan” immediately prior to the merger. Notwithstanding any other provision of the Plan to the contrary, a Participant’s service credited for eligibility and vesting purposes under the “merged plan” as of the merger, if any, shall be included as Eligibility and Vesting Service under the Plan to the extent Eligibility and Vesting

Service are credited under the Plan. Special provisions applicable to a Participant's "transferee Sub-Account", if any, shall be specifically reflected in the Plan or in an Addendum to the Plan.

21.15 Transferred Funds

If funds from another qualified plan are transferred or merged into the Plan, such funds shall be held and administered in accordance with any restrictions applicable to them under such other plan to the extent required by law and shall be accounted for separately to the extent necessary to accomplish the foregoing.

21.16 Veterans Reemployment Rights

Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). Any contributions required to be made in accordance with this Section shall be contributed to the Plan within the time period prescribed under applicable regulations or other guidance. Any Matching Contributions required to be made because of 401(k) Contributions or After-Tax Contributions made by a Participant in accordance with the provisions of Code Section 414(u), shall be contributed to the Plan as soon as administratively practicable after the date on which the Participant's contributions are paid to the Plan. The Administrator shall notify the Trustee of any Participant with respect to whom additional contributions are made because of qualified military service. Additional contributions made in accordance with the provisions of this Section that are treated as 401(k) Contributions shall not be included in applying the limitations on 401(k) Contributions described in Article VII. Additional contributions made in accordance with the provisions of this Section that are treated as After-Tax Contributions shall not be included in applying the limitations on After-Tax Contributions described in Article VII. In addition, any Matching Contributions required to be made because of 401(k) Contributions or After-Tax Contributions made by a Participant in accordance with the provisions of Code Section 414(u), shall not be included in applying the limitations on Matching Contributions described in Article VII.

21.17 Delivery of Cash Amounts

To the extent that the Plan requires the Employers to deliver cash amounts to the Trustee, such delivery may be made through any means acceptable to the Trustee, including wire transfer.

21.18 Written Communications

Any communication among the Employers, the Administrator, and the Trustee that is stipulated under the Plan to be made in writing may be made in any medium that is acceptable to the receiving party and permitted under applicable law. In addition, any communication or disclosure to or from Participants and/or Beneficiaries that is required under the terms of the Plan to be made in writing may be provided in any other medium (electronic, telephonic, or otherwise) that is acceptable to the Administrator and permitted under applicable law.

21.19 Trust to Trust Transfer

Any Employee, including an Employee who has not yet satisfied any age and/or service requirements to become an Eligible Employee under the Plan, may, with the approval of the Administrator, have Transfer Contributions made to the Plan on his behalf by causing assets to be directly transferred by the trustee of another qualified retirement plan to the Trustee of the Plan.

Amounts contributed to the Plan through a direct rollover shall not constitute Transfer Contributions.

Transfer Contributions made on behalf of an Employee shall be deposited in the Trust and credited to a Transfer Contributions Sub-Account established in the Employee's name. Such Sub-Account shall share in the allocation of earnings, losses, and expenses of the Trust Fund(s) in which it is invested; but shall not share in allocations of Employer Contributions.

In the event a Transfer Contribution is made on behalf of an Employee who has not yet satisfied the requirements to become an Eligible Employee under the Plan, such Transfer Contributions Sub-Account shall represent the Employee's sole interest in the Plan until he becomes an Eligible Employee.

21.20 Plan Correction Procedures

The Employer shall take such action as it deems necessary to correct any Plan failure, including, but not limited to, operational failures, documentation failures (such as a failure to timely amend), failures affecting Plan qualification, etc. Subject to the requirements of the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2006-27, or any superseding guidance ("EPCRS"), the Employer may adopt any correction method that it deems appropriate under the circumstances. In addition to any correction method specified in the Plan, the Employer may, where appropriate, make correction in accordance with EPCRS, including the making of a Qualified Nonelective Contribution permitted under EPCRS, but not otherwise provided under the Plan.

In the event of a fiduciary breach or a prohibited transaction, correction shall be made in accordance with the requirements of ERISA and the Code.

ARTICLE XXII
TOP-HEAVY PROVISIONS

22.1 Definitions

For purposes of this Article, the following terms shall have the following meanings:

The **“compensation”** of an employee means his “415 compensation” as defined in Section 7.1.

The **“determination date”** with respect to any Plan Year means the last day of the preceding Plan Year, except that the “determination date” with respect to the first Plan Year of the Plan, shall mean the last day of such Plan Year.

A **“key employee”** means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the “determination date” was an officer of an Employer or a Related Company having annual “compensation” greater than $130,000 (as adjusted under Section 416(i)(l) of the Code for Plan Years beginning after December 31, 2002), a 5% owner of an Employer or a Related Company, or a 1% owner of an Employer or a Related Company having annual “compensation” of more than $150,000.

A **“non-key employee”** means any Employee who is not a “key employee”.

A **“permissive aggregation group”** means those plans included in each Employer’s “required aggregation group” together with any other plan or plans of the Employer or any Related Company, so long as the entire group of plans would continue to meet the requirements of Code Sections 401(a)(4) and 410.

A **“required aggregation group”** means the group of tax-qualified plans maintained by an Employer or a Related Company consisting of each plan in which a “key employee” participates or participated at any time during the Plan Year containing the “determination date” or any of the 4 preceding Plan Years (regardless of whether the plan has terminated) and each other plan that enables a plan in which a “key employee” participates to meet the requirements of Code Section 401(a)(4) or Code Section 410.

A **“top-heavy group”** with respect to a particular Plan Year means a “required” or “permissive aggregation group” if the sum, as of the “determination date”, of the present value of the cumulative accrued benefits for “key employees” under all defined benefit plans included in such group and the aggregate of the account balances of “key employees” under all defined contribution plans included in such group exceeds 60 percent of a similar sum determined for all employees covered by the plans included in such group.

A **“top heavy plan”** with respect to a particular Plan Year means (i) in the case of a defined contribution plan (including any simplified employee pension plan), a plan for which, as of the “determination date”, the aggregate of the accounts (within the meaning of Code Section 416(g) and the regulations and rulings thereunder) of “key employees” exceeds 60 percent of the aggregate of the accounts of all participants under the plan, with the accounts valued as of the relevant valuation date and increased for any distribution of an account balance made during the 1-year period ending on the “determination date” (5-year period ending on the “determination date” if distribution is made for any reason other than severance from employment, death, or disability), (ii) in the case of a defined benefit plan, a plan for which, as of the “determination date”, the present value of the cumulative accrued benefits payable under the plan (within the meaning of Code Section 416(g) and the regulations and rulings thereunder) to “key employees” exceeds 60 percent of the present value of the cumulative accrued benefits under the plan for all employees, with the present value of accrued benefits for employees (other than “key employees”) to be determined under the accrual method uniformly used under all plans maintained by an Employer or, if no such method exists, under the slowest accrual method permitted under the fractional accrual rate of Code Section 411(b)(l)(C) and including the present value of any part of any accrued benefits distributed during the 1-year period ending on the “determination date” (5-year period ending on the “determination date” if distribution is made for any reason other than severance from employment, death, or disability), and (iii) any plan (including any simplified employee pension plan) included in a “required aggregation group” that is a “top heavy group”. For purposes of this paragraph, the accounts and accrued benefits of any employee who has not performed services for an Employer or a Related Company during the 1 year period ending on the “determination date” shall be disregarded. For purposes of this paragraph, the present value of cumulative accrued benefits under a defined benefit plan for purposes of top heavy determinations shall be calculated using the actuarial assumptions otherwise employed under such plan, except that the same actuarial assumptions shall be used for all plans within a “required” or “permissive aggregation group”. A Participant’s interest in the Plan attributable to any Rollover Contributions, except Rollover Contributions made from a plan maintained by an Employer or a Related Company, shall not be considered in determining whether the Plan is a “top-heavy plan”. Notwithstanding the foregoing, if a plan is included in a “required” or “permissive aggregation group” that is not a “top-heavy group”, such plan shall not be a “top-heavy plan”.

The **“valuation date”** with respect to any “determination date” means the most recent Valuation Date occurring within the 12-month period ending on the “determination date”.

22.2 Applicability

Notwithstanding any other provision of the Plan to the contrary, the provisions of this Article shall be applicable during any Plan Year in which the Plan is determined to be a “top-heavy plan” as hereinafter defined. If the Plan is determined to be a “top-heavy plan” and upon a subsequent “determination date” is determined no longer to be a “top-heavy plan", the vesting provisions of Article VI shall again become applicable as of such subsequent "determination date"; provided, however, that if the prior vesting provisions do again become applicable, any Employee with three or more years of Vesting Service may elect in accordance with the provisions of Article VI, to continue to have his vested interest in his Employer Contributions Sub-Account determined in accordance with the vesting schedule specified in Section 22.5.

22.3 Minimum Employer Contribution

If the Plan is determined to be a "top heavy plan" for a Plan Year, the Employer Contributions allocated to the Account of each "non-key employee" who is an Eligible Employee and who is employed by an Employer or a Related Company on the last day of such top heavy Plan Year shall be no less than the lesser of (i) three percent of his "compensation" or (ii) the largest percentage of "compensation" that is allocated as an Employer Contribution and/or 401(k) Contribution for such Plan Year to the Account of any "key employee"; except that, in the event the Plan is part of a "required aggregation group", and the Plan enables a defined benefit plan included in such group to meet the requirements of Code Section 40l(a)(4) or 410, the minimum allocation of Employer Contributions to each such "non-key employee" shall be 3% of the "compensation" of such "non key employee". Any minimum allocation to a "non-key employee" required by this Section shall be made without regard to any social security contribution made on behalf of the "non-key employee", his number of hours of service, his level of "compensation", or whether he declined to make elective or mandatory contributions.

Employer Contributions allocated to a Participant's Account in accordance with this Section shall be considered "annual additions" under Article VII for the "limitation year" for which they are made and shall be separately accounted for. Employer Contributions allocated to a Participant's Account shall be allocated upon receipt among the Investment Funds in accordance with the Participant's currently effective investment election.

22.4 Accelerated Vesting

If the Plan is determined to be a top heavy plan, a Participant's vested interest in his Employer Contributions Sub-Account shall be determined no less rapidly than in accordance with the following vesting schedule:

Years of Vesting Service	Vested Interest
Less than 1	0%
1, but less than 2	20%
2, but less than 3	40%

3, but less than 4	60%
4, but less than 5	80%
5 or more	100%

22.5 Exclusion of Collectively-Bargained Employees

Notwithstanding any other provision of this Article, Employees who are covered by an agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers shall not be entitled to a minimum allocation or accelerated vesting under this Article, unless otherwise provided in the collective bargaining agreement.

* * *

EXECUTED AT [LOGO], [LOGO], this 19th day of April, 2010.

CARROLS CORPORATION

By: /S/ GERALD J. DIGENOVA
Title: Vice President Human Resources

3, but less than 4	60%
4, but less than 5	80%
5 or more	100%

22.5 Exclusion of Collectively-Bargained Employees

Notwithstanding any other provision of this Article, Employees who are covered by an agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers shall not be entitled to a minimum allocation or accelerated vesting under this Article, unless otherwise provided in the collective bargaining agreement.

* * *

EXECUTED AT [LOGO], [LOGO], this 19th day of April, 2010.

CARROLS CORPORATION

By: /s/ Paul R. Flanders
Title: VVP + Chief Financial Officer

FINAL 411(a) REGULATIONS COMPLIANCE APPENDIX
TO
CARROLS CORPORATION RETIREMENT SAVINGS PLAN

This Compliance Appendix amends the Plan to comply with final Treasury Regulations issued under Code Section 411(a) addressing the interaction between the anti-cutback requirements of Code Section 411(d)(6) and the nonforfeitability requirements of Code Section 411(a). This Compliance Appendix is intended as good faith compliance with the requirements of the final regulations and is to be construed in accordance with the Treasury Regulations construing Code Section 411(a) and is effective for amendments adopted on or after August 9, 2006.

Accordingly, Section 6.12 of the Plan is amended in its entirety to provide as follows:

6.12 Election of Former Vesting Schedule

If there is a change in the vesting schedule because the Plan Sponsor adopts an amendment to the Plan that directly or indirectly affects the computation of a Participant’s vested interest in his Employer Contributions Sub-Account, the following shall apply:

(a) In no event shall a Participant’s vested interest in his Account on the effective date of the change in vesting schedule be less than his vested interest in his Account immediately prior to the effective date of the amendment.

(b) In no event shall a Participant’s vested interest in attributable to his Account determined as of the later of (i) the effective date of such amendment or (ii) the date such amendment is adopted, be determined on and after the effective date of such amendment under a vesting schedule that is more restrictive than the vesting schedule applicable to such Account immediately prior to the effective date of such amendment.

(c) Any Participant with 3 or more years of Vesting Service shall have a right to have his vested interest in his Account (including amounts credited to such Account following the effective date of such amendment) continue to be determined under the vesting provisions in effect prior to the amendment rather than under the new vesting provisions, unless the vested interest of the Participant in his Account under the Plan as amended is not at any time less than such vested interest determined without regard to the amendment. A Participant shall exercise his right under this Section by giving written notice of his exercise thereof to the Administrator within 60 days after the latest of (i) the date he receives notice of the amendment from the Administrator, (ii) the effective date of the amendment, or (iii) the date the amendment is adopted.

415 COMPLIANCE APPENDIX
TO
CARROLS CORPORATION RETIREMENT SAVINGS PLAN

This Appendix amends the Plan to comply with final regulations released on April 4, 2007 under Code Section 401(k) (“401(k) regulations revisions”) and Code Section 415 (“final 415 regulations”). This Appendix is intended as good faith compliance with the requirements of the 401 (k) regulations revisions and final 415 regulations. To the extent the provisions of the Plan are inconsistent with the provisions of this Appendix, the provisions of this Appendix shall be controlling.

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1. THE APPENDIX HAS BEEN CUSTOMIZED TO ELIMINATE REFERENCE TO HOW POST- SEVERANCE PAYMENTS ARE HANDLED UNDER THE DEFINITION OF COMPENSATION USED TO DETERMINE CONTRIBUTIONS.

2. EFFECTIVE BEGINNING THE FIRST DAY OF THE FIRST LIMITATION YEAR BEGINNING ON OR AFTER JULY 1, 2007, THE FOLLOWING REPLACES AND SUPERSEDES THE DEFINITION OF “ANNUAL ADDITION” IN SECTION 7.1.

The **“annual addition”** with respect to a Participant for a “limitation year” means the sum of the following amounts credited to the Participant’s account(s) for the “limitation year”:

(a) all employer contributions credited to the Participant’s account for the “limitation year” under any qualified defined contribution plan maintained by an Employer or a Related Company, including “elective contributions” (other than “elective contributions” to an eligible deferred compensation plan under Code Section 457) and amounts attributable to forfeitures applied to reduce the employer’s contribution obligation, but excluding “catch-up contributions”;

(b) all “employee contributions” credited to the Participant’s account for the “limitation year” under any qualified defined contribution plan maintained by an Employer or a Related Company or any qualified defined benefit plan maintained by an Employer or a Related Company if either separate accounts are maintained under the defined benefit plan with respect to such employee contributions or such contributions are mandatory employee contributions within the meaning of Code Section 41 l(c)(2)(C) (without regard to whether the plan is subject to the provisions of Code Section 411);

(c) all forfeitures credited to the Participant's account for the "limitation year" under any qualified defined contribution plan maintained by the Employer or a Related Company;

(d) all amounts credited for the "limitation year" to an individual medical benefit account, as described in Code Section 415(1)(2), established for the Participant as part of a pension or annuity plan maintained by the Employer or a Related Company;

(e) if the Participant is a key employee, as defined in Code Section 419A(d)(3), all amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after that date, that are attributable to post-retirement medical benefits credited for the "limitation year" to the Participant's separate account under a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer or a Related Company; and

(f) all amounts credited to the Participant for the "limitation year" under a simplified employee pension.

Notwithstanding the foregoing, any restorative payment made to a plan by an Employer or a Related Company to make up for losses to the plan resulting from the action or non-action of a fiduciary for which there is a reasonable risk of liability for a breach of fiduciary duty under ERISA or other applicable federal or state law shall not be treated as an annual addition provided that similarly situated participants are treated similarly with respect to the restorative payment.

Except as otherwise specifically provided below, an amount will be treated as credited to a Participant's account for a "limitation year" if such amount is both (1) allocated to the Participant's account as of a date within such "limitation year" (provided that if allocation of an amount is contingent upon the satisfaction of a future condition, such amount shall not be treated as allocated for purposes of determining "annual additions" for a "limitation year" until the date all such conditions are satisfied) and (2) actually contributed to the account within the applicable period described herein. If contributions are made after the end of the applicable period, they shall be treated as credited to the Participant's account for the "limitation year" in which they are made. The applicable period for making "employee contributions" is within 30 days of the close of the "limitation year." The applicable period for making employer contributions is: (i) for contributions by a taxable entity, within 30 days of the close of the period described in Code Section 404(a)(6), as applicable to the entity's taxable year with or within which the "limitation year" ends; or (ii) for contributions by a non-taxable entity (including a governmental employer) within 15 days of the last day of the 10th calendar month following the end of the calendar year or fiscal year (as applicable, based on how the entity maintains its books) with or within which the "limitation year" ends.

Forfeitures re-allocated to a Participant's account are treated as credited to the Participant's account for the "limitation year" in which they are allocated to such account. Corrective contributions and contributions required by reason of qualified military service (as defined in Code Section 414(u)) are treated as "annual additions" for the "limitation year" to which they relate, rather than the "limitation year" in which they are made.

3. EFFECTIVE BEGINNING THE FIRST DAY OF THE FIRST LIMITATION YEAR BEGINNING ON OR AFTER JULY 1, 2007, THE DEFINITION OF "415 COMPENSATION" IN SECTION 7.1 OF THE PLAN IS AMENDED BY THE ADDITION OF THE FOLLOWING PROVISIONS AT THE END OF SUCH DEFINITION.

Notwithstanding any other provision of the Plan to the contrary, effective for "limitation years" beginning on and after July 1, 2007, if a Participant has a severance from employment (as defined in Treasury Regulations Section 1.415(a)-l(f)(5)) with the Employer and all Related Companies, "415 compensation" does not include amounts received by the Participant following such severance from employment except amounts paid before the later of (a) the close of the "limitation year" in which the Participant's severance from employment occurs or (b) within 2 1/2 months of such severance if such amounts:

- would otherwise have been paid to the Participant in the course of his employment, are regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or shift differential pay), commissions, bonuses, or other similar compensation, and would have been included in the Participant's "415 compensation" if he had continued in employment.
- are payments for accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use such leave if his employment had continued and such amounts would have been includable in "415 compensation" if his employment had continued.
- are received by the Participant pursuant to a non-qualified, unfunded deferred compensation plan, but only if the Participant would have received such payments at the same time if he had continued in employment and only to the extent the payments are includable in the Participant's gross income.

For purposes of this subsection, a Participant will not be considered to have incurred a severance from employment if his new employer continues to maintain the plan with respect to such Participant.

To be included in a Participant's "415 compensation" for a particular "limitation year", an amount must have been received by the Participant (or would have been received, but for the Participant's election under Code Section 125, 132(f)(4), 401(k), 402(h)(1)(B), 403(b), 408(p)(2)(A)(i), or 457) within such "limitation year".

4. THE DEFINITION OF "TEST COMPENSATION" IN SECTION 7.1 OF THE PLAN IS INTENDED TO BE THE SAME AS THE DEFINITION OF COMPENSATION USED UNDER THE PLAN TO DETERMINE 401(K) CONTRIBUTIONS, PROVIDED SUCH DEFINITION SATISFIES THE REQUIREMENTS OF CODE SECTION 414(S). NOTWITHSTANDING THE FOREGOING, THE ADMINISTRATOR MAY ELECT TO SUBSTITUTE A DIFFERENT DEFINITION OF COMPENSATION THAT SATISFIES THE REQUIREMENTS OF CODE SECTION 414(S).

5. EFFECTIVE BEGINNING THE FIRST DAY OF THE FIRST LIMITATION YEAR BEGINNING ON OR AFTER JULY 1, 2007, THE FOLLOWING REPLACES AND SUPERSEDES THE SECTION IN ARTICLE VII OF THE PLAN ENTITLED "CODE SECTION 415 LIMITATIONS ON CREDITING OF CONTRIBUTIONS AND FORFEITURES."

Notwithstanding any other provision of the Plan to the contrary, the "annual addition" with respect to a Participant for a "limitation year" shall in no event exceed the lesser of (i) the maximum dollar amount permitted under Code Section 415(c)(l)(A), adjusted as provided in Code Section 415(d) (e.g., $46,000 for the "limitation year" beginning in 2008) or (ii) 100 percent of the Participant's "415 compensation" for the "limitation year"; provided, however, that the limit in clause (i) shall be pro-rated for any short "limitation year". The limit in clause (ii) shall not apply to any contribution to an individual medical account, as defined in Code Section 415(1), or to a post-retirement medical benefits account maintained for a key employee which is treated as an "annual addition" under Code Section 419A(d)(2). A Participant's 401(k) Contributions may be re-characterized as Catch-Up 401(k) Contributions and excluded from the Participant's "annual additions" for the "limitation year" to satisfy the preceding limitation.

If the Employer or a Related Company participates in a multiemployer plan, in determining whether the "annual additions" made on behalf of a Participant to the Plan, when aggregated with "annual additions" made on the Participant's behalf under the multiemployer plan satisfy the above limitation, only "annual additions" made by the Employer (or a Related Company) to the multiemployer plan shall be aggregated with the "annual additions" under the Plan and "415 compensation" shall include only compensation paid to the Participant by the Employer (or a Related Company).

If the "annual addition" to the Account of a Participant in any "limitation year" beginning on or after July 1, 2007, nevertheless exceeds the amount that may be applied for his benefit under the limitations described in clauses (i) and (ii) above, correction shall be made in accordance with the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2006-27, or any superseding guidance.

6. EFFECTIVE BEGINNING THE FIRST DAY OF THE FIRST LIMITATION YEAR BEGINNING ON OR

AFTER JULY 1, 2007, THE FOLLOWING REPLACES AND SUPERSEDES THE SECTION IN ARTICLE VII OF THE PLAN ENTITLED "APPLICATION OF CODE SECTION 415 LIMITATIONS WHERE PARTICIPANT IS COVERED UNDER OTHER QUALIFIED DEFINED CONTRIBUTION PLAN."

If a Participant is covered by any other qualified defined contribution plan (whether or not terminated) maintained by an Employer or a Related Company concurrently with the Plan, and if the "annual addition" to be made under the Plan for the "limitation year" when combined with the "annual addition" to be made under such other qualified defined contribution plan(s) would otherwise exceed the amount that may be applied for the Participant's benefit under the limitation contained in the preceding Section, the "annual additions" last scheduled for allocation under the Plan and such other plan(s) shall be reduced to the extent necessary so that the limitation in the preceding Section is satisfied. If "annual additions" are scheduled to be allocated as of the same date, any excess shall be allocated pro rata among the defined contribution plans.

If the "annual addition" to the Account of a Participant in any "limitation year" beginning on or after July 1, 2007, when combined with the "annual addition" made under any other qualified defined contribution plan maintained by an Employer or a Related Company nevertheless exceeds the amount that may be applied for the Participant's benefit under the limitation contained in the preceding Section, correction shall be made in accordance with the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2006-27, or any superseding guidance.

Exhibit 10.2

AMENDMENT

TO

CARROLS RESTAURANT GROUP, INC.

2006 STOCK INCENTIVE PLAN

AMENDMENT (this "Amendment") to the Carrols Restaurant Group, Inc. 2006 Stock Incentive Plan (the "Plan"). Capitalized terms used herein but not defined herein shall have the meanings ascribed thereto in the Plan.

WHEREAS, the Board of Directors of Carrols Restaurant Group, Inc., a Delaware corporation (the "Company"), previously adopted the Plan, which was approved by the stockholders of the Company;

WHEREAS, pursuant to and in accordance with the terms and provisions of the Plan, in March 2010, the Board of Directors of the Company adopted amendments to the Plan to modify Outside Director Awards to provide that, on the date of each annual meeting of Stockholders of the Company beginning with the 2010 annual meeting of Stockholders and on each annual Stockholders meeting thereafter, each Outside Director would no longer be granted an Outside Director Stock Option to purchase 3,500 shares of Stock, and in lieu thereof, each such Outside Director would be granted as of the date of each such annual meeting of Stockholders beginning with the 2010 annual meeting of Stockholders, a Stock Award comprised of that number of shares of Stock having an aggregate Fair Market Value of $25,000 on the date of grant; and

WHEREAS, all terms and conditions of the Plan, other than as specifically amended as set forth in this Amendment, shall remain in full force and effect.

NOW THEREFORE, the Plan has been amended as follows:

1. The first paragraph of Section 8 of the Plan was amended by adding the following sentence at the end of such paragraph:

   "Notwithstanding the preceding sentence, no further grants of such Outside Director Stock Options shall be made to Outside Directors after the date of the 2009 annual meeting of Stockholders."

2. The first paragraph of Section 9 of the Plan was amended by adding the following new subsection (c) thereof immediately following subsection (b) thereof:

   "(c) On the date of the 2010 annual meeting of Stockholders of the Company, and on the date of each annual meeting of Stockholders of the Company during each Company fiscal year thereafter, each Outside Director of the Company shall be granted a Stock Award comprised of that number of shares of Stock having an aggregate Fair Market Value of $25,000 on the date of grant."

IN WITNESS WHEREOF, the Secretary of the Company has executed this Amendment and certifies that the amendment to the Plan set forth above accurately reflects the amendment to the Plan adopted by the Board of Directors of the Company.

/s/ Joseph A. Zirkman

Joseph A. Zirkman, Secretary

Dated: March 24, 2010

Exhibit 31.1

CERTIFICATIONS

I, Alan Vituli, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended April 4, 2010 of Carrols Restaurant Group, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 12, 2010

/s/ ALAN VITULI
Alan Vituli
Chairman of the Board and Chief Executive Officer

CERTIFICATIONS

I, Paul R. Flanders, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended April 4, 2010 of Carrols Restaurant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2010

/s/ PAUL R. FLANDERS

Paul R. Flanders
Vice President – Chief Financial Officer and Treasurer

Exhibit 31.3

CERTIFICATIONS

I, Alan Vituli, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended April 4, 2010 of Carrols Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2010

/s/ ALAN VITULI
Alan Vituli
Chairman of the Board and Chief Executive Officer

Exhibit 31.4

CERTIFICATIONS

I, Paul R. Flanders, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended April 4, 2010 of Carrols Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2010

/s/ PAUL R. FLANDERS

Paul R. Flanders
Vice President – Chief Financial Officer and Treasurer

Exhibit 32.1

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

The undersigned, Alan Vituli, Chief Executive Officer of Carrols Restaurant Group, Inc. (the "Company"), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended April 4, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ ALAN VITULI
Alan Vituli
Chairman of the Board and Chief Executive Officer
May 12, 2010

Exhibit 32.2

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

The undersigned, Paul R. Flanders, Chief Financial Officer of Carrols Restaurant Group, Inc. (the “Company”), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company’s Quarterly Report on Form 10-Q for the period ended April 4, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ PAUL R. FLANDERS

Paul R. Flanders
Vice President – Chief Financial Officer and Treasurer
May 12, 2010

Exhibit 32.3

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

The undersigned, Alan Vituli, Chief Executive Officer of Carrols Corporation (the “Company”), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company’s Quarterly Report on Form 10-Q for the period ended April 4, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ ALAN VITULI
Alan Vituli
Chairman of the Board and Chief Executive Officer
May 12, 2010

Exhibit 32.4

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

The undersigned, Paul R. Flanders, Chief Financial Officer of Carrols Corporation (the "Company"), hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended April 4, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ PAUL R. FLANDERS

Paul R. Flanders
Vice President – Chief Financial Officer and Treasurer
May 12, 2010