CARROLS RESTAURANT GROUP, INC.
Form S-1/A
November 30, 2006
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As filed with the Securities and Exchange Commission on November 30, 2006

Registration No. 333-137524

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 4

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CARROLS RESTAURANT GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

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

968 James Street

Syracuse, New York 13203

(315) 424-0513

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Joseph A. Zirkman, Esq.

Vice-President, General Counsel, Secretary

Carrols Restaurant Group, Inc.

968 James Street

Syracuse, New York 13203

(315) 424-0513

(Name, Address Including Zip Code and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Wayne A. Wald, Esq.	**Eric S. Haueter, Esq.**
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(212) 940-8800	**(212) 839-5300**

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

(1) Includes shares of common stock that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) Pursuant to Rule 457(p) promulgated under the Securities Act of 1933, as amended, $29,532 of the registration fee paid by the registrant in connection with its filing of a Registration Statement on Form S-1 on June 22, 2004, Registration No. 333-116737 (which registration statement was withdrawn on October 25, 2004), shall offset in its entirety the registration fee currently due.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

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

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell, nor does it seek an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

SUBJECT TO COMPLETION, DATED NOVEMBER 30, 2006

15,000,000 Shares

Carrols Restaurant Group, Inc.

Common Stock

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

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The NASDAQ Global Market under the symbol TAST .

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

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

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

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

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

Wachovia Securities **Banc of America Securities LLC**

RBC Capital Markets **Raymond James**

The date of this prospectus is , 2006.

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

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

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

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Industry and Market Data

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

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

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

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

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

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

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

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PROSPECTUS SUMMARY

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

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

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

Our Company

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

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

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

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

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

Our Competitive Strengths

We believe we have the following strengths:

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

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

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

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

Largest Burger King Franchisee. We are Burger King s largest franchisee and are well positioned to leverage the scale and marketing of one of the most recognized brands in the restaurant industry. The size of our Burger King business has contributed significantly to our large aggregate restaurant base, enabling us to enhance operating efficiencies and realize benefits across all three of our brands from economies of scale with

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respect to our management team and management information and operating systems. In addition, our Burger King business has significantly contributed, and is expected to continue to significantly contribute, to our consolidated operating cash flows. For the year ended December 31, 2005 and the nine months ended September 30, 2006, revenues for our Burger King restaurants were $360.1 million and $275.4 million, respectively, which represented 50.9% and 48.9%, respectively, of our total consolidated revenues.

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

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

Our Growth Strategy

Our primary growth strategy is as follows:

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

Increase Comparable Restaurant Sales. Our strategy is to grow sales in our existing restaurants by continuing to develop new menu offerings and enhance the effectiveness of our proprietary advertising and promotional programs for our Hispanic Brands, further capitalize on attractive industry and demographic trends and enhance the quality of the customer experience at our restaurants. We also believe that our Burger King restaurants are well-positioned to benefit from BKC s initiatives with respect to the Burger King brand.

Continue to Improve Income from Operations and Leverage Existing Infrastructure. We believe that our continuing development of new company-owned Hispanic Brand restaurants, combined
with our strategy to increase sales at our existing Hispanic Brand restaurants, will increase revenues generated by our Hispanic Brands as a percentage of our consolidated revenues, positioning us to continue to improve our overall income from operations. We also believe that our large restaurant

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

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

Recent Developments

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

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

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

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

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

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

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

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

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

Equity Ownership

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

Corporate Information

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

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The Offering

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

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

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

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

- gives effect to an 11.288 for one split of our outstanding common stock that we will effect prior to completion of this offering;
- assumes no exercise of the underwriters over-allotment option to purchase up to 2,250,000 additional shares of common stock from the selling stockholders;

assumes the effectiveness of our 2006 Stock Incentive Plan, which occurred on November 21, 2006; and

assumes the filing of our restated certificate of incorporation with the State of Delaware and the effectiveness of our amended and restated bylaws, which will occur prior to completion of this offering.

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

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Risk Factors

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

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Summary Financial and Operating Data

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

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

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

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

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

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	Year Ended December 31,			Nine Months Ended September 30,	
	Restated 2003(1)	Restated 2004(1)(2)	2005	2005	2006
	(dollar amounts in thousands, except share and per share data)				
Operating Data:					
Total company-owned restaurants (at end of period)	532	537	540	536	542
Pollo Tropical:					
Company-owned restaurants (at end of period)	60	63	69	66	73
Average number of company-owned restaurants	59.4	60.3	64.9	64.5	70.6
Revenues:					
Restaurant sales	$ 109,201	$ 124,000	$ 135,787	$ 103,036	$ 114,463
Franchise royalty revenues and fees	993	1,101	1,196	918	840
Total revenues	110,194	125,101	136,983	103,954	115,303
Average annual sales per company-owned restaurant(8)	1,838	2,018	2,092		
Segment EBITDA(9)(10)	22,477	27,884	28,684	22,369	21,792
Segment EBITDA margin(11)	20.4%	22.3%	20.9%	21.5%	18.9%
Change in comparable company-owned restaurant sales(12)	2.3%	10.6%	4.7%	7.5%	2.6%
Taco Cabana:					
Company-owned restaurants (at end of period)	121	126	135	132	141
Average number of company-owned restaurants	118.9	123.9	129.8	128.5	137.7
Revenues:					
Restaurant sales	$ 181,068	$ 202,506	$ 209,539	$ 156,554	$ 171,821
Franchise royalty revenues and fees	413	435	292	242	162
Total revenues	181,481	202,941	209,831	156,796	171,983
Average annual sales per company-owned restaurant(8)	1,523	1,604	1,614		
Segment EBITDA(9)(13)	24,206	30,082	31,927	23,584	25,669
Segment EBITDA margin(11)	13.3%	14.8%	15.2%	15.0%	14.9%
Change in comparable company-owned restaurant sales(12)	(3.0)%	4.8%	1.2%	1.3%	2.4%
Burger King:					
Restaurants (at end of period)	351	348	336	338	328
Average number of restaurants	352.2	350.9	343.5	344.6	334.5
Restaurant sales	$ 353,310	$ 369,837	$ 360,096	$ 271,852	$ 275,435
Average annual sales per restaurant(8)	1,003	1,034	1,048		
Segment EBITDA(9)(14)	37,350	36,582	31,767	25,495	26,345
Segment EBITDA margin(11)	10.6%	9.9%	8.8%	9.4%	9.6%
Change in comparable restaurant sales(12)	(7.2)%	2.9%	1.0%	1.3%	3.1%

	As of September 30, 2006	
	Actual	As Adjusted(15)
	(dollars in thousands)	
Balance Sheet Data:		
Total assets	$ 453,726	$ 453,726
Working capital	(35,819)	(35,819)
Debt:		
Senior and senior subordinated debt (including current portion of $2,200)	$ 366,950	$ 290,975
Capital leases (including current portion of $299)	1,590	1,590
Lease financing obligations	58,440	58,440
Total debt	$ 426,980	$ 351,005
Stockholders deficit	$ (93,936)	$ (17,961)

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

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

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

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

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

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

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

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

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

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

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

(12) The changes in comparable restaurant sales are calculated using only those company owned and operated 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. For comparative purposes, the calculation of the changes in comparable restaurant sales is based on a 52-week year. 2004 was a 53-week fiscal year. For purposes of calculating the changes in comparable restaurant sales, we have excluded restaurant sales data for the extra week of 2004.

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

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

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

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December 2004 Transactions

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

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

- approximately $74.4 million was used to repay borrowings outstanding under the prior senior credit facility;

- approximately $3.1 million was paid to repurchase stock options held by a former employee;

- approximately $175.9 million was used to retire all $170 million aggregate principal amount of Carrols 9½% Senior Subordinated Notes due 2008, which we refer to in this prospectus as the old notes, that were then outstanding;

- approximately $116.8 million was used to pay a dividend to our stockholders; and

- approximately $20.9 million was distributed to our employees (including management) and a director who owned options to purchase our common stock on a pro rata basis in proportion to the number of shares of our common stock issuable upon the exercise of options owned by those persons (which included $0.6 million in employer payroll taxes).

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

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RISK FACTORS

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

Risks Related to the Restaurant Industry and Our Business

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

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

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

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

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

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

- changes in local, regional or national economic conditions;
- changes in demographic trends;
- changes in consumer tastes;
- changes in traffic patterns;
- increases in fuel prices, including a continuation of the current relatively higher levels of gasoline prices;
- consumer concerns about health and nutrition;

increases in the number of, and particular locations of, competing restaurants;

inflation;

increases in utility costs;

increases in the cost of food, such as beef and chicken, and packaging;

consumer dietary considerations;

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

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

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

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

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

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

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

Some of our new restaurants are and will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than

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

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

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

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

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

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

- it will limit our ability to borrow money to fund our working capital, capital expenditures, acquisitions and debt service requirements and other financing needs;

- our interest expense would increase if interest rates in general increase because a substantial portion of our indebtedness, including all of our indebtedness under our senior credit facility, bears interest at floating rates;

- it may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;

- we are more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

- it may make us more vulnerable to a downturn in our business, industry or the economy in general;

- a substantial portion of our Consolidated Adjusted EBITDA will be dedicated to the repayment of our indebtedness and related interest, including indebtedness we may incur in the future, and will not be available for other purposes; for instance, for the year ended December 31, 2005, interest expense and scheduled principal payments on our indebtedness (including on our lease financing obligations) accounted for 48.9% of our Consolidated Adjusted EBITDA for such period; and

- there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing as needed.

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

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

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

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

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

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

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

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

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

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

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

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and

- adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

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

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

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

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

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

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

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

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17 of our franchise agreements with BKC are due to expire in 2007; and

27 of our franchise agreements with BKC are due to expire in 2008.

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

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

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

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

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

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

In response to this situation, we have taken what we believe to be the necessary measures to ensure that restatements will not occur in the future. However, there can be no assurance that future restatements will not be necessary due to evolving policies, revised or new accounting pronouncements or other factors. Any future restatements of our financial statements could cause us to fail to timely meet our reporting obligations or could result in defaults under our senior credit facility, the Indenture governing the Notes or under any

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other debt instruments we may enter into in the future. Future restatements of our financial statements could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

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

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

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

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

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

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

Changes in consumer taste could negatively impact our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to this Offering

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

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

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

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

capital commitments;

changes in accounting principles;

additions or departures of key personnel; and

sales of our common stock, including sales of large blocks of our common stock or sales by our directors and officers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

- competitive conditions;
- regulatory factors;
- environmental conditions and regulations;
- general economic conditions, particularly at the retail level;
- weather conditions;
- fuel prices;
- significant disruptions in service or supply by any of our suppliers or distributors;
- changes in consumer perception of dietary health and food safety;
- labor and employment benefit costs;
- the outcome of pending or future legal proceedings;
- our ability to manage our growth and successfully implement our business strategy;
- the risks associated with the expansion of our business;

- general risks associated with the restaurant industry;

- our inability to integrate any businesses we acquire;

- our borrowing costs and credit ratings, which may be influenced by the credit ratings of our competitors;

- the availability and terms of necessary or desirable financing or refinancing and other related risks and uncertainties;

- the risk of events similar to those of September 11, 2001 or an outbreak or escalation of any insurrection or armed conflict involving the United States or any other national or international calamity;

- factors that affect the restaurant industry generally, including recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations, reports of cases of mad cow disease and avian flu, and the possibility that consumers could lose confidence in the safety and quality of certain food products, as well as recent publicity concerning the health implications of obesity and transfatty acids; and

- other factors discussed under Risk Factors or elsewhere in this prospectus.

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

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USE OF PROCEEDS

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

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

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

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

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

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DIVIDEND POLICY

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

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

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CAPITALIZATION

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

- on an actual basis; and

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

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

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

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

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

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

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

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

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

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DILUTION

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

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

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

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

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

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	15,958,874	73.8%	$ 113,459,735	57.2%	$ 7.11
New investors	5,666,666	26.2%	84,999,990	42.8%	$ 15.00
Total	21,625,540	100%	$ 198,459,725	100%	

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

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

The foregoing discussion and tables do not include:

- an aggregate of 1,300,000 shares issuable upon exercise of options to be issued in connection with this offering under our 2006 Stock Incentive Plan; and

- an aggregate of 1,925,000 additional shares that will be initially available for future awards under our 2006 Stock Incentive Plan.

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SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

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

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

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

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

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