

CARROLS RESTAURANT GROUP, INC.
Form DEF 14A
April 25, 2008

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

CARROLS RESTAURANT GROUP, INC.

Edgar Filing: CARROLS RESTAURANT GROUP, INC. - Form DEF 14A

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party

4) Date Filed:

CARROLS RESTAURANT GROUP, INC.

968 James Street

Syracuse, NY 13203

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held June 9, 2008

To the Stockholders of

Carrols Restaurant Group, Inc.:

You are invited to attend the annual meeting of stockholders (the *Meeting*) of CARROLS RESTAURANT GROUP, INC., a Delaware corporation (*we* , *us* , *our* and the *Company*), at the New York Marriott East Side, 525 Lexington Avenue, New York, New York 10017 on Monday, June 9, 2008, at 1:00 P.M. (EDT), for the following purposes:

- (1) To elect two directors of the Company as Class II directors to serve for a term of three years and until their successors have been duly elected and qualified;
- (2) To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the 2008 fiscal year; and
- (3) To consider and act upon such other matters as may properly come before the Meeting.

Only stockholders of record at the close of business on April 14, 2008 are entitled to receive notice of, and to vote at, the Meeting, and at any adjournment or adjournments thereof. A list of the stockholders of the Company as of the close of business on April 14, 2008 will be available for inspection during business hours for ten days prior to the Meeting at the Company's principal executive offices located at 968 James Street, Syracuse, New York 13203.

We are taking advantage of the new Securities and Exchange Commission rule that allows us to deliver our proxy materials (which include the proxy statement included with this notice, our 2007 annual report and form of proxy card) to stockholders via the Internet. As a result, our stockholders will receive a mailing containing only a notice of the Meeting instead of paper copies of our proxy materials.

Your vote is important. Whether or not you plan to attend the Meeting, please review our proxy materials and request a proxy card to sign, date and return or submit your proxy by telephone or through the Internet. If you attend the Meeting in person, you may, if you desire, revoke your proxy and choose to vote in person even if you had previously sent in your proxy card or voted by telephone or the Internet.

Edgar Filing: CARROLS RESTAURANT GROUP, INC. - Form DEF 14A

By order of the Board of Directors,

JOSEPH A. ZIRKMAN,

Vice President, General Counsel and Secretary

Syracuse, New York

April 25, 2008

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE 2008 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 9, 2008

The Company's Proxy Statement for the 2008 Annual Meeting of Stockholders is available at www.proxyvote.com.

CARROLS RESTAURANT GROUP, INC.

968 James Street

Syracuse, NY 13203

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

June 9, 2008

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors, also referred to as the Board of Directors or the Board, of CARROLS RESTAURANT GROUP, INC., a Delaware corporation, to be used at the annual meeting of stockholders (the *Meeting*) of the Company which will be held at the New York Marriott East Side, 525 Lexington Avenue, New York, New York 10017 on Monday, June 9, 2008, at 1:00 P.M. (EDT), and at any adjournment or adjournments thereof.

All references in this Proxy Statement to the Company, we, us, and our refer to Carrols Restaurant Group, Inc.

Pursuant to the new notice and access rules recently adopted by the Securities and Exchange Commission (the *SEC*), we have elected to provide access to our proxy materials (which include this proxy statement, our 2007 annual report and form of proxy) via the Internet. A Notice of Internet Availability of Proxy Materials (*Notice*) will be mailed to our stockholders of record and beneficial owners (stockholders who own their stock through a nominee such as a bank or broker). The document will instruct stockholders on how to access the proxy materials on a secure website referred to in the Notice or how to request printed copies.

In addition, by following the instructions in the Notice, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

Your vote is important. Your shares can be voted at the Meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, we urge you to authorize your proxy in advance. You may complete your proxy and authorize your vote by proxy over the Internet or by telephone. In addition, if you received paper copies of the proxy materials by mail, you can also complete your proxy and authorize your vote by mail by following the instructions on the proxy card. Completing your proxy and authorizing your vote by proxy over the Internet, by telephone or by written proxy card will ensure your representation at the Meeting regardless of whether you attend in person.

We encourage you to complete your proxy and authorize your vote by proxy electronically by going to the website www.proxyvote.com and entering your 12-digit control number located on your proxy card to create an electronic voting instruction form or complete your proxy and authorize your vote by calling the toll-free number (800) 690-6903, which is (for residents of the United States and Canada) listed on your proxy card. Please have your Notice or proxy card in hand when going online or calling. ***If you complete your proxy and authorize your vote by proxy electronically over the Internet, you do not need to return your proxy card.*** If you choose to complete your proxy by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

If you hold your shares beneficially in street name through a nominee (such as a bank or broker), you may be able to complete your proxy and authorize your vote by proxy by telephone or the Internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

You may revoke your proxy at any time before it is voted at the Meeting by:

properly executing and delivering a later-dated proxy (including a telephone or Internet proxy authorization);

voting by ballot at the Meeting; or

sending a written notice of revocation to the inspectors of election in care of the Corporate Secretary of the Company at the address listed above.

Unless so revoked, the shares represented by proxies will be voted at the Meeting. The shares represented by the proxies solicited by our Board of Directors will be voted in accordance with the directions given therein, but if no direction is given, such shares will be voted (i) FOR the election of the two named director nominees as Class II directors and (ii) FOR the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the 2008 fiscal year.

Stockholders vote at the Meeting by casting ballots (in person or by proxy) which are tabulated by a person who is appointed by the Board of Directors before the Meeting to serve as inspector of election at the Meeting and who has executed and verified an oath of office. The affirmative vote of (i) a plurality of the shares present at the Meeting and entitled to vote on the subject matter is required to elect the director nominees to the Board of Directors and (ii) a majority of the shares present at the Meeting and entitled to vote on the subject matter is required to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the 2008 fiscal year and approve any other business which may properly come before the Meeting. Abstentions and broker non-votes are included in the determination of the number of shares present at the Meeting for quorum purposes. Abstentions will count as a vote against the proposals, other than the election of directors. Abstentions will not have an effect on the election of directors because directors are elected by a plurality of the votes cast. Broker non-votes are not counted in the tabulations of the votes cast on any of the proposals. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. There are no proposals at this Meeting which involve a broker non-vote.

Our principal executive offices are located at 968 James Street, Syracuse, New York 13203. The approximate date on which the Notice was first sent or given to stockholders was on or about April 25, 2008.

We use a 52 or 53 week fiscal year ending on the Sunday closest to December 31. For convenience, all references herein to the fiscal years ended December 31, 2006 and December 30, 2007 will hereinafter be referred to as the 2006 and 2007 fiscal years, respectively, or the fiscal years ended December 31, 2006 and 2007, respectively. All reference herein to the fiscal year ending December 28, 2008 will hereinafter be referred to as the 2008 fiscal year or the fiscal year ending December 31, 2008.

VOTING SECURITIES

We had outstanding 21,571,565 shares of our common stock, par value \$.01 per share (the *Common Stock*), at the close of business on April 14, 2008. Each share of Common Stock is entitled to one vote on each matter as may properly be brought before the Meeting. Only stockholders of record at the close of business on April 14, 2008 will be entitled to vote.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes of directors, with the classes as nearly equal in number as possible, each serving staggered three-year terms. As a result, approximately one third of our Board of Directors will be elected each year.

The terms of office of our Board of Directors are:

Class I directors, whose term will expire at the Annual Meeting of Stockholders to be held in 2010 and when their successors are duly elected and qualify;

Class II directors, whose initial term will expire at this Meeting and when their successors are duly elected and qualify; and

Class III directors, whose initial term will expire at the Annual Meeting of Stockholders to be held in 2009 and when their successors are duly elected and qualify.

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

Two directors will be elected at the Meeting as Class II directors of the Company for a term of three years expiring at the Annual Meeting of Stockholders to be held in 2011 and until their respective successors shall have been elected and shall qualify. The election of directors requires the affirmative vote of a plurality of the shares of Common Stock present in person or by proxy at the Meeting. **Each proxy received will be voted FOR the election of the nominees named below unless otherwise specified in the proxy.** At this time, our Board of Directors knows of no reason why any nominee might be unable to serve. There are no arrangements or understandings between any nominee and any other person pursuant to which such person was selected as a nominee.

Our Corporate Governance and Nominating Committee has reviewed the qualifications of the nominees for director and has recommended each of the nominees for election to the Board of Directors.

Name of Nominee	Principal Occupation	Age	Year Became a Director
Joel M. Handel	Partner, Thelen Reid Brown Raysman & Steiner	72	2006
Clayton E. Wilhite	Senior Partner, CFI Group Worldwide LLC	62	1997

Joel M. Handel has served as a Director since December 14, 2006 (the *Effective Time*), the date on which our Registration Statement on Form S-1 relating to the initial public offering of our common stock (the *IPO*) was declared effective by the SEC. Since 2001, Mr. Handel has been a partner in the law firm of Brown Raysman Millstein Felder & Steiner LLP which merged with and became a part of Thelen Reid Brown Raysman & Steiner on December 1, 2006. From 1976 to 2001 he was managing partner of the law firm of Baer Marks & Upham LLP.

Clayton E. Wilhite has served as a Director since July 1997. Since January 1998, Mr. Wilhite has been with CFI Group Worldwide LLC, and was Managing Partner of its North American Group from May 1998 to December 2004 and Managing Partner of CFI Worldwide LLC from January 2005, until his retirement on December 31, 2007. Mr. Wilhite continues to be a Senior Partner and shareholder of CFI Group Worldwide LLC. Mr. Wilhite has served since September 1998 on the board of directors of CFI Group Worldwide LLC, an international management consulting firm specializing in measuring customer satisfaction. Between 1996 and

1998, he was the Chairman of Thurloe Holdings, L.L.C. From August 1996 through our acquisition of Pollo Tropical, Inc., Mr. Wilhite served on the board of directors of Pollo Tropical, Inc. Before 1996, Mr. Wilhite was with the advertising firm of D Arcy Masius Benton & Bowles, Inc. having served as its Vice Chairman from 1995 to 1996, as President of DMB&B/North America from 1988 to 1995, and as Chairman and Managing Director of DMB&B/St. Louis from 1985 to 1988.

The Board of Directors unanimously recommends a vote FOR the election of the two named Class II nominees to our Board of Directors, Joel M. Handel and Clayton E. Wilhite. Proxies received in response to this solicitation will be voted FOR the election of the two named Class II nominees to our Board of Directors unless otherwise specified in the proxy.

Information Regarding Other Members of the Board of Directors

The following table sets forth information with respect to each of the other members of the Board of Directors whose term extends beyond the Meeting, including the Class of such director and the year in which each such director's term would expire.

Name	Age	Year Became a Director	Year Term Expires and Class
Alan Vituli	66	1986	2010 Class I
Daniel T. Accordino	57	1993	2010 Class I
Robin P. Selati	42	1997	2009 Class III
Jack A. Smith	72	2006	2009 Class III
Olaseni Adeyemi Sonuga	54	2004	2009 Class III

Alan Vituli has been Chairman of the Board of the Company since 1986 and Chief Executive Officer of the Company since March 1992.

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

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

Robin P. Selati has served as a Director since March 1997. Mr. Selati is a Managing Director of Madison Dearborn Partners, LLC (*Madison Dearborn*), a leading private equity firm, and joined the firm in 1993. Before 1993, Mr. Selati was associated with Alex Brown & Sons Incorporated in the consumer/retail investment banking group. Mr. Selati also serves on the board of directors of Tuesday Morning Corporation, Cinemark, Inc., Ruth's Chris Steak House, Inc., The Yankee Candle Corporation and Pierre Holding Corp. Mr. Selati also serves on the board of directors of other non-public companies.

Jack A. Smith has served as a Director since the Effective Time. Mr. Smith is President of SMAT, Incorporated, a consulting company specializing in consumer services. Mr. Smith founded The Sports Authority, Inc., a national sporting goods chain, in 1987 where he served as Chief Executive Officer until September 1998 and as Chairman until April 1999. From 1982 until 1987, Mr. Smith served as Chief Operating Officer of

Herman's Sporting Goods. Prior to Herman's, Mr. Smith served in executive management positions with other major retailers including Sears & Roebuck, Montgomery Ward, Jefferson Stores, and Diana Shops. Mr. Smith also serves on the board of directors of Darden Restaurants, Inc. and I-trax, Inc.

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

Arrangements With Respect to the Board of Directors

In connection with the IPO, the parties to a certain Stockholders Agreement, as amended, among Madison Dearborn Capital Partners, L.P. and Madison Dearborn Capital Partners II, L.P. (collectively, the *Madison Dearborn Stockholders*) which are funds managed by entities affiliated with Madison Dearborn, BIB, Alan Vituli, Daniel T. Accordino and Joseph A. Zirkman entered into an agreement providing for the termination of the Stockholders Agreement upon the completion of the IPO. Such agreement also provides that we and our Board of Directors take all necessary action within our control so that one director designated by the Madison Dearborn Stockholders (collectively) and one director designated by BIB are nominated for election as Class III directors to our Board of Directors (and whose term of office will therefore expire at our Annual Meeting of Stockholders in 2009), and gives the Madison Dearborn Stockholders (collectively) and BIB the sole right to remove and replace (with a designee reasonably acceptable to us) their respective directors. Such right to replace directors may only be exercised once by each of the Madison Dearborn Stockholders (collectively) and BIB. The right to nominate, remove and replace directors as aforesaid terminates upon the earliest of (1) immediately prior to our Annual Meeting of Stockholders in 2009, (2) with respect to the Madison Dearborn Stockholders, at any time they collectively cease to own, of record or beneficially, at least 5% of the aggregate number of shares of our Common Stock then outstanding, and (3) with respect to BIB, at any time it ceases to own, of record or beneficially, at least 5% of the aggregate number of our shares of Common Stock then outstanding. Mr. Selati, a Class III director of the Company, is currently serving as a designee of the Madison Dearborn Stockholders. Mr. Sonuga, a Class III director of the Company, is currently serving as a designee of BIB.

Information Regarding Executive Officers

Name	Age	Position
Alan Vituli	66	Chief Executive Officer and Chairman of the Board of Directors of the Company
Daniel T. Accordino	57	President and Chief Operating Officer of the Company
Paul R. Flanders	51	Vice President, Chief Financial Officer and Treasurer of the Company
Joseph A. Zirkman	47	Vice President, General Counsel and Secretary of the Company
Timothy J. LaLonde	51	Vice President, Controller of the Company
Michael A. Biviano	51	Executive Vice President, Taco Cabana
James E. Tunnessen	53	Executive Vice President, Pollo Tropical

For biographical information regarding Alan Vituli and Daniel T. Accordino, please see page 4 of this Proxy Statement.

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

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

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

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

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

Information Regarding the Board of Directors and Committees

Family Relationships

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

Independence of Directors

During the fiscal year ended December 31, 2007, the Board met or acted by unanimous consent on eight occasions. During the fiscal year ended December 31, 2007, each of the directors attended at least 75% of the aggregate number of meetings of the Board and of any committees of the Board on which they served. The Company does not have a policy on attendance by directors at our annual meeting of stockholders. All of our directors attended our 2007 annual meeting of stockholders.

As required by the listing standards of The NASDAQ Stock Market LLC (*NASDAQ*), a majority of the members of our Board must qualify as independent, as affirmatively determined by our Board. Our Board determines director independence based on an analysis of such listing standards and all relevant securities and other laws and regulations regarding the definition of independent .

Consistent with these considerations, after review of all relevant transactions and relationships between each director, any of his or her family members, and us, our executive officers and our independent registered public accounting firm, the Board has affirmatively determined that a majority of our Board is comprised of independent directors. Our independent directors pursuant to NASDAQ are Messrs. Handel, Wilhite, Selati, Smith and Sonuga.

Committees of the Board

The standing committees of our Board of Directors consist of an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. Our Board of Directors may also establish from time to time any other committees that it deems necessary or advisable.

Audit Committee

Our Audit Committee consists of Messrs. Wilhite, Smith and Handel, with Mr. Smith serving as the Chairman of the Audit Committee. All three current members of the Audit Committee satisfy the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the *Exchange Act*) and Rules 4200 and 4350(d) of the NASDAQ listing standards. Each member of our Audit Committee is financially literate. In addition, Mr. Smith serves as our Audit Committee financial expert within the meaning of Item 407 of Regulation S-K of the Securities Act of 1933, as amended (the *Securities Act*), and has the financial sophistication required under the NASDAQ listing standards. Our Audit Committee, among other things:

reviews our annual and interim financial statements and reports to be filed with the SEC;

monitors our financial reporting process and internal control system;

appoints and replaces our independent outside auditors from time to time, determines their compensation and other terms of engagement and oversees their work;

oversees the performance of our internal audit function;

conducts a review of all related party transactions for potential conflicts of interest and approves all such related party transactions;

establishes procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

oversees our compliance with legal, ethical and regulatory matters.

The Audit Committee has the sole and direct responsibility for appointing, evaluating and retaining our independent registered public accounting firm and for overseeing their work. All audit services to be provided to us and all permissible non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm are approved in advance by our Audit Committee. During the fiscal year ended December 31, 2007, the Audit Committee met or acted by unanimous consent on ten occasions. The Audit Committee has adopted a formal written Audit Committee charter that complies with the requirements of the Exchange Act and the NASDAQ listing standards. A copy of the Audit Committee charter is available on the investor relations section of our website at www.carrols.com.

Audit Committee Report

The Company's management has the primary responsibility for the financial statements and the reporting process, including the Company's system of internal controls and disclosure controls and procedures. The independent auditors audit the Company's financial statements and express an opinion on the financial statements based on their audit. The independent auditors also perform an annual audit of the Company's system of internal control over financial reporting and express an opinion on these internal controls based on their audit. The Audit Committee oversees (i) the accounting, financial reporting, and internal control processes of the Company and (ii) the audits of the financial statements and internal controls of the Company on behalf of the Board. The Audit Committee operates under a written charter adopted by the Board.

The Audit Committee has met and held discussions with management and Deloitte & Touche LLP, the Company's independent registered public accounting firm. Management represented to the Audit Committee that the Company's financial statements for the year ended December 31, 2007 were prepared in accordance with generally accepted accounting principles. We discussed the financial statements with both management and the independent auditors. We also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board.

The Audit Committee discussed with the independent auditors the overall scope and plans for the audit. The Audit Committee met with the independent auditors, with and without management, to discuss the results of their examination, the evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

Management has completed the documentation, testing, and evaluation of the Company's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee met periodically, both independently and with management, to review and discuss the Company's progress in complying with Section 404, including the Public Company Accounting Oversight Board's (PCAOB) Auditing Standard No. 5 regarding the audit of the system of internal control over financial reporting. The Audit Committee also met periodically with Deloitte & Touche LLP, the Company's independent registered public accounting firm to discuss the Company's internal controls and the status of the Company's Section 404 compliance efforts. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Company's internal control over financial reporting. The Audit Committee continues to oversee the Company's efforts related to its internal controls.

The Audit Committee discussed with the independent auditors the auditor's independence from the Company and management, including the independent auditors written disclosures required by Independent Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*) as adopted by the Public Company Accounting Oversight Board.

Based on the foregoing, we have recommended to the Board of Directors that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission.

Audit Committee

Jack A. Smith, Chairman

Clayton E. Wilhite

Joel M. Handel

Compensation Committee

Our Compensation Committee consists of Messrs. Smith, Selati and Wilhite, with Mr. Wilhite serving as the Chairman of the Compensation Committee. All of these members of our Compensation Committee are independent as defined under Rule 4200 of the NASDAQ listing standards. The purpose of our Compensation Committee is to discharge the responsibilities of our Board of Directors relating to compensation of our executive officers. Our Compensation Committee, among other things:

provides oversight on the development and implementation of the compensation policies, strategies, plans and programs for our outside directors and disclosure relating to these matters; and

reviews and approves the compensation of our Chief Executive Officer and the other executive officers of us and our subsidiaries. The processes and procedures by which the Compensation Committee considers and determines executive officer compensation and outside directors compensation are described in the Compensation Discussion and Analysis included in this Proxy Statement. The Compensation Committee may form one or more subcommittees, each of which shall take such actions as shall be delegated by the Compensation Committee. The Compensation Committee has adopted a formal, written Compensation Committee charter that complies with SEC rules and regulations and the NASDAQ listing standards. During the fiscal year ended December 31, 2007, the Compensation Committee met or acted by unanimous consent on three occasions. A copy of the Compensation Committee charter is available on the investor relations section of our website at www.carrols.com.

Corporate Governance and Nominating Committee

Our Corporate Governance and Nominating Committee consists of Messrs. Handel, Selati and Sonuga, with Mr. Handel serving as the Chairman of the Corporate Governance and Nominating Committee. All of these members are independent as defined under Rule 4200 of the NASDAQ listing standards. Our Corporate Governance and Nominating Committee, among other things:

establishes criteria for Board and committee membership and recommends to our Board of Directors proposed nominees for election to the Board of Directors and for membership on committees of the Board of Directors;

makes recommendations regarding proposals submitted by our stockholders; and

makes recommendations to our Board of Directors regarding corporate governance matters and practices.

The Corporate Governance and Nominating Committee has adopted a formal written Corporate Governance and Nominating Committee charter that complies with SEC rules and regulations and the NASDAQ listing standards. During the fiscal year ended December 31, 2007, the Corporate Governance and Nominating Committee met or acted by unanimous written consent on one occasion. A copy of the Corporate Governance and Nominating Committee charter is available on the investor relations section of our website at www.carrols.com.

Nominations For The Board Of Directors

The Corporate Governance and Nominating Committee of the Board of Directors considers director candidates based upon a number of qualifications. The qualifications for consideration as a director nominee vary according to the particular area of expertise being sought as a complement to the existing composition of the Board. At a minimum, however, the Corporate Governance and Nominating Committee seeks candidates for director who possess:

the highest personal and professional ethics, integrity and values;

the ability to exercise sound judgment;

the ability to make independent analytical inquiries;

willingness and ability to devote adequate time, energy and resources to diligently perform Board and Board committee duties and responsibilities; and

a commitment to representing the long-term interests of the stockholders.

In addition to such minimum qualifications, the Corporate Governance and Nominating Committee takes into account the following factors when considering a potential director candidate:

whether the individual possesses specific industry expertise and familiarity with general issues affecting our business;

whether the person would qualify as an independent director under SEC and NASDAQ rules; and

the importance of diversified Board membership in terms of the individuals involved and their various experiences and areas of expertise.

The Corporate Governance and Nominating Committee shall make every effort to ensure that the Board and its committees include at least the required number of independent directors, as that term is defined by applicable standards promulgated by NASDAQ and/or the SEC.

Backgrounds giving rise to actual or perceived conflicts of interest are undesirable. In addition, prior to nominating an existing director for re-election to the Board, the Corporate Governance and Nominating Committee will consider and review such existing director's Board and Committee attendance and performance, independence, experience, skills and the contributions that the existing director brings to the Board.

The Corporate Governance and Nominating Committee has not in the past relied upon third-party search firms to identify director candidates, but may employ such firms if so desired. The Corporate Governance and Nominating Committee generally relies upon, receives and reviews recommendations from a wide variety of contacts, including current executive officers, directors, community leaders, and stockholders as a source for potential director candidates. The Board retains complete independence in making nominations for election to the Board.

The Corporate Governance and Nominating Committee will consider qualified director candidates recommended by stockholders in compliance with our procedures and subject to applicable inquiries. The Corporate Governance and Nominating Committee's evaluation of candidates recommended by stockholders does not differ materially from its evaluation of candidates recommended from other sources. Pursuant to our amended and restated bylaws, any stockholder may recommend nominees for director not less than 90 days nor more than 120 days in advance of the anniversary date of the immediately preceding annual meeting of stockholders, by writing to Joseph A. Zirkman, Vice President, General Counsel and Secretary, Carrols Restaurant Group, Inc., 968 James Street, Syracuse, NY 13203, giving the name, Company stockholdings and contact information of the person making the nomination, the candidate's name, address and other contact information, any direct or indirect holdings of our securities by the nominee, any information required to be disclosed about directors under applicable securities laws and/or stock exchange requirements, information regarding related party transactions with us, the nominee and/or the stockholder submitting the nomination, and any actual or potential conflicts of interest, the nominee's biographical data, current public and private company affiliations, employment history and qualifications and status as independent under applicable securities laws and/or stock exchange requirements. All of these communications will be reviewed by our Secretary and forwarded to Joel M. Handel, the Chairman of the Corporate Governance and Nominating Committee, for further review and consideration in accordance with this policy. Any such stockholder recommendation should be accompanied by a written statement from the candidate of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director.

Code of Ethics

We have adopted written codes of ethics applicable to our directors, officers and employees in accordance with the rules of the SEC and the NASDAQ listing standards. We make our codes of ethics available free of charge on the investor relations section of our website at www.carrols.com. We will disclose on our website amendments to or waivers from our codes of ethics in accordance with all applicable laws and regulations.

Section 16(A) Beneficial Ownership Reporting Compliance

Based upon a review of the filings furnished to us pursuant to Rule 16a-3(e) promulgated under the Exchange Act, and on representations from our executive officers and directors and persons who beneficially own more than 10% of our Common Stock, all filing requirements of Section 16(a) of the Exchange Act were complied with in a timely manner during the fiscal year ended December 31, 2007.

Stockholder Communications With The Board Of Directors

Any stockholder or other interested party who desires to communicate with our Chairman of the Board of Directors or any of the other members of the Board of Directors may do so by writing to: Board of Directors, c/o Alan Vituli, Chief Executive Officer and Chairman of the Board of Directors, Carrols Restaurant Group, Inc., 968 James Street, Syracuse, NY 13203. Communications may be addressed to the Chairman of the Board, an individual director, a Board committee, the non-management directors or the full Board. Communications will then be distributed to the appropriate directors unless the Chairman determines that the information submitted constitutes spam, pornographic material and/or communications offering to buy or sell products or services.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information regarding beneficial ownership of our Common Stock as of April 14, 2008, by:

each person known by us to beneficially own more than 5% of all outstanding shares of our Common Stock;

each of our directors, nominees for director and Named Executive Officers (as defined in Executive Compensation Compensation Discussion and Analysis herein) individually; and

all of our directors and executive officers as a group.

Except as otherwise indicated, to our knowledge, all persons listed below have sole voting power and investment power and record and beneficial ownership of their shares, except to the extent that authority is shared by spouses under applicable law.

The information contained in this table reflects beneficial ownership as defined in Rule 13d-3 of the Exchange Act. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person (and/or pursuant to proxies held by that person) that were exercisable on April 14, 2008 or became exercisable within 60 days following that date are considered outstanding, including those options to officers and directors authorized by board resolution, but not yet issued. However, such shares are not considered outstanding for the purpose of computing the percentage ownership of any other person, nor is there any obligation to exercise any of the options. Except as otherwise indicated, the address for each beneficial owner is c/o Carrols Restaurant Group, Inc., 968 James Street, Syracuse, NY 13203.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Madison Dearborn Capital Partners (1)	3,729,869	17.3%
BIB Holdings (Bermuda) Ltd. (2)	3,729,870	17.3%
Manulife Financial Corporation (3)	2,578,642	12.0%
Osterweis Capital Management, Inc. (4)	1,294,100	6.0%
Alan Vituli (5)	1,429,102	6.6%
Daniel T. Accordino (6)	706,268	3.3%
Paul R. Flanders (7)	78,064	*
Joseph A. Zirkman (8)	79,263	*
James E. Tunnessen (9)	57,052	*
Joel M. Handel (10)	7,400	*
Clayton E. Wilhite (10)	52,552	*
Robin P. Selati (11)	3,729,869	17.3%
Olaseni Adeyemi Sonuga (12)		
Jack A. Smith (10)	12,400	*
All directors and executive officers as a group (12 persons) (13)	6,271,525	28.9%

* Less than one percent

- (1) Madison Dearborn Capital Partners, L.P. (MDCP) is the record owner of 1,864,929 shares and Madison Dearborn Capital Partners II, L.P. (MDCPII) is the record owner of 1,864,940 shares. The shares held by MDCP may be deemed to be beneficially owned by Madison Dearborn Partners, L.P. (MDP), the sole general partner of MDCP. The shares held by MDCPII may be deemed to be beneficially owned by Madison Dearborn Partners II, L.P. (MDPII), the sole general partner of MDCPII. John A. Canning, Paul J. Finnegan and Samuel M. Menco are the sole members of a limited partner committee of (i) MDP that has the power, acting by majority vote, to vote or dispose of the shares directly held by MDCP and (ii) MDPII that has the power, acting by majority vote, to vote or dispose of the shares directly held by MDCPII. Messrs. Canning, Finnegan and Menco and MDP and MDPII each hereby disclaims any

- beneficial ownership of any shares directly held by MDCP and MDCPII. The address for MDCP, MDCPII, MDP, MDPII and Messrs. Canning, Finnegan and Menckoff is Three First National Plaza, Suite 3800, Chicago, IL 60602.
- (2) BIB Holdings (Bermuda) Ltd. is a wholly-owned subsidiary of Bahrain International Bank (E.C.) (the Bank). Based on information provided to us by the Bank, we understand that the creditors of the Bank agreed in May 2004 to an asset realization protocol which will entail a program for the realization of the assets of the Bank. According to the Bank, at the end of such process the Bank is expected to continue operations. The address of BIB Holdings (Bermuda) Ltd. and the Bank is Hedaya Building, Fifth Floor, Government Avenue, P.O. Box 5016, Manama, Kingdom of Bahrain.
 - (3) Information as to shares owned by Manulife Financial Corporation, MFC Global Investment Management (U.S.A.) Limited and MFC Global Investment Management (U.S.) LLC is as of December 31, 2007, as set forth in an amendment to Schedule 13G filed with the SEC on February 7, 2008. The address of Manulife Financial Corporation is 200 Bloor Street, East, Toronto, Canada, M4W1E5.
 - (4) Information as to shares owned by Osterweis Capital Management, Inc., Osterweis Capital Management, LLC and John S. Osterweis is as of December 31, 2007, as set forth in a Schedule 13G filed with the SEC on February 14, 2008. The address of Osterweis Capital Management, Inc. is One Maritime Plaza, Suite 800, San Francisco, CA 94111.
 - (5) Includes 71,100 shares that are issuable upon the exercise by Mr. Vituli of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008. All shares are held by the Vituli Family Trust and deemed to be beneficially owned by Mr. Vituli. Excludes 84,459 shares held by the Alan Vituli Charitable Remainder Trust, and Mr. Vituli is not deemed to have beneficial ownership of such shares.
 - (6) Includes 47,400 shares that are issuable upon the exercise by Mr. Accordino of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008.
 - (7) Includes 4,410 shares that are issuable upon the exercise by Mr. Flanders of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008.
 - (8) Includes 5,760 shares that are issuable upon the exercise by Mr. Zirkman of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008.
 - (9) Includes 5,760 shares that are issuable upon the exercise by Mr. Tunnessen of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008.
 - (10) Includes 700 shares that are issuable upon the exercise by each of Mr. Handel, Mr. Smith and Mr. Wilhite, respectively, of stock options that are exercisable within 60 days of April 14, 2008.
 - (11) Includes 3,729,869 held by affiliates of Madison Dearborn Capital Partners as reported in footnote (1) above. Mr. Selati is a Managing Director of Madison Dearborn and therefore he may be deemed to share voting and investment power over the shares owned by these entities, and therefore to beneficially own such shares. Mr. Selati disclaims beneficial ownership of all such shares.
 - (12) The address of the Mr. Sonuga is Hedaya Building, Fifth Floor, Government Avenue, P.O. Box 5016, Manama, Kingdom of Bahrain.
 - (13) Includes 145,680 shares that are issuable upon the exercise by our executive officers and directors upon the exercise of stock options that are presently exercisable or exercisable within 60 days of April 14, 2008. Does not include options that are not currently exercisable. Also includes 3,729,869 held by affiliates of Madison Dearborn Capital Partners as reported in footnote (1) above. Mr. Selati is a Managing Director of Madison Dearborn and therefore he may be deemed to share voting and investment power over the shares owned by these entities, and therefore to beneficially own such shares. Mr. Selati disclaims beneficial ownership of all such shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Registration Agreement

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

Related Party Transaction Procedures

The Board of Directors has assigned responsibility for reviewing related party transactions to our Audit Committee. The Board of Directors and the Audit Committee have adopted a written policy pursuant to which certain transactions between us or our subsidiaries and any of our directors or executive officers must be submitted to the Audit Committee for consideration prior to the consummation of the transaction as required by the rules of the SEC. The Audit Committee reports to the Board of Directors on all related party transactions considered.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

Our Compensation Committee has responsibility for determining and approving the compensation programs for our Chairman of the Board and Chief Executive Officer (the "CEO") and our other executive officers named in the Summary Compensation Table (the "Named Executive Officers"). As described below, the principal elements of our compensation programs include base salary, annual bonus, long-term incentives including stock options and the ability to defer the receipt of current compensation. Our CEO recommends to the Compensation Committee the base salary, annual bonus and long term compensation levels for the other named executive officers. The Compensation Committee regularly reviews comparative data about the compensation of executives in the restaurant industry. Based upon their review, we believe that our executive compensation plans and amounts are comparable to those offered by other restaurant companies with which we compete for executive talent.

Other than cash bonuses under our Executive Bonus Plan, the compensation paid to or earned by the Named Executive Officers in the 2007 fiscal year was, for the most part, approved by the Compensation Committee prior to and in connection with the IPO.

Objectives of Compensation Program

The primary objectives of our executive compensation programs are to enable us to attract and retain executives with the requisite qualifications and experience to achieve our business objectives. We accomplish this by utilizing compensation programs that encourage, recognize and reward individual performance and tie a portion of compensation to long-term Company performance. Our programs are designed to permit flexibility in establishing compensation for each individual based upon job responsibilities. We believe these programs provide incentives to improve short term performance, achieve long-term sustainable growth in earnings and align the interests of our executive team with our stockholders.

While the Compensation Committee is primarily responsible for the overall oversight of our executive compensation, the CEO, with the assistance of other members of management, provides recommendations with respect to compensation for the other executive officers.

The Compensation Committee believes that the CEO's input is critical in determining the compensation of other executive officers given his day to day role in the Company and his responsibility in establishing and implementing the Company's strategic plans. Therefore, while the Compensation Committee has been and will be primarily responsible for determining executive compensation, the CEO will continue to provide his input and recommendations to the Compensation Committee with respect to compensation for the other executive officers.

Elements of Our Compensation Programs

Currently, our executive compensation program consists of short-term compensation (salary and incentive bonus) and long-term compensation (stock options) to achieve our goal of improving earnings and achieving long term sustainable growth in revenues and earnings which we believe constitutes alignment with stockholders' interests.

Short-Term Compensation

Base Salary. The Compensation Committee annually reviews and approves the base salaries of our executive officers based upon recommendations from our CEO, taking into account competitive market

compensation paid by comparable restaurant companies. Increases are not preset and take into account the individual's performance, responsibilities of the position, potential to contribute to the long term objectives of the company, management skills, competitive data and future potential.

Salary planning includes guidelines set after considering competitive market data and current salary levels, as appropriate. At the end of the year, the CEO evaluates each Named Executive Officer's performance and expected future contributions.

For the 2007 fiscal year, the base salaries of our CEO, Alan Vituli, and our President and Chief Operating Officer, Daniel T. Accordino (President), were determined pursuant to employment agreements with each of Mr. Vituli and Mr. Accordino, which became effective as of the Effective Time of the IPO in December 2006. Under such employment agreements, the base salaries for Mr. Vituli and Mr. Accordino in the 2007 fiscal year were fixed at \$650,000 and \$500,000 per year, respectively, which represented a 4% increase over their respective base salaries in the 2006 fiscal year. The employment agreements provide that the base salaries of Messrs. Vituli and Accordino may be increased annually at the sole discretion of the Compensation Committee.

Other than our CEO and President, none of our named executive officers has an employment agreement that provides base salary terms. In fiscal 2007, the base salary increases over fiscal 2006 for the Named Executive Officers ranged from 0% to 6%.

Annual Incentive Bonus Payments. Annual cash bonuses are an important component of our compensation program for our executive officers and are approved by the Compensation Committee. Our Executive Bonus Plan is established annually by the Compensation Committee and measures performance over the Company's fiscal year. Under our Executive Bonus Plan, annual incentive bonus payments are typically paid in March based on performance for the prior fiscal year.

Each of the Named Executive Officers is eligible to receive a maximum annual incentive bonus ranging from 90% to 105% of base salary, depending on position. With respect to each of the Named Executive officers other than James E. Tunnessen the majority of the potential bonus payments is tied to the level of increase in earnings per share (EPS) (as defined and measured under the Executive Bonus Plan) and provide for larger payments to the extent that those thresholds are exceeded. The majority of the potential bonus payment for Mr. Tunnessen is tied to the level of increase in stockholder value of Pollo Tropical (as defined and measured under the Executive Bonus Plan).

Our CEO's and President's maximum bonus was established at 105% and 100%, respectively, of their base salaries, and was based solely on our financial performance and the increase in EPS in the 2007 fiscal year as compared to the EPS for the 2006 fiscal year. Under the Executive Bonus Plan, EPS is defined as the earnings per share of the Company (based on fully diluted shares outstanding) in accordance with GAAP, excluding, at the Compensation Committee's reasonable discretion, gains or losses that are extraordinary, unusual or non-recurring and may also be based on pro forma calculations. Under the Executive Bonus Plan, if we achieved at least a 12% increase in EPS in fiscal 2007 as compared to fiscal 2006 (as determined by the Compensation Committee in accordance with the plan), each of our CEO and President was entitled to receive a bonus at the rate of 3.5% of his respective base compensation for each 1% increase in excess of the minimum of 12%, up to the maximum percentage of base salaries set forth above. Consequently, in the 2007 fiscal year our CEO and President earned a bonus of \$474,565 and \$365,050, respectively, which constituted approximately 73% of their respective base salary in fiscal 2007.

With respect to the other Named Executive Officers under the Executive Bonus Plan, if we achieved at least a 12% increase in EPS in fiscal 2007 as compared to fiscal 2006, Paul R. Flanders, our Vice President and Chief Financial Officer, and Joseph A. Zirkman, our Vice President and General Counsel, would each be entitled to receive a bonus at the rate of 2.5% of his respective base salary for each 1% increase in EPS in excess of the minimum of 12%, up to a maximum of 70% of his respective base salary. In addition, Messrs. Flanders and Zirkman were also eligible to receive a bonus of up to 20% of base salary, based on their respective individual

attainment of specified goals and objectives established for the year for them. Payments of that portion of the bonus tied to individual goals are determined based on the discretion of the CEO and the President based on evaluating achievement of each individual's goals and objectives. The payment of this portion of the bonus is also conditioned, in its entirety, on the achievement of a pre-determined minimum level of EBITDA for the Company. Consequently, in fiscal 2007 Messrs. Flanders and Zirkman each earned a bonus of \$170,806 which constituted approximately 69% of his respective base salary in fiscal 2007.

Under the Executive Bonus Plan, James E. Tunnessen, the Executive Vice President, Pollo Tropical, would receive a bonus if Pollo Tropical stockholder value increased 12% in fiscal 2007 as compared to fiscal 2006 and such bonus would be earned at the rate of 2.5% of Mr. Tunnessen's base salary for each 1% increase in Pollo Tropical stockholder value in excess of the minimum of 12% up to a maximum bonus of 50% of Mr. Tunnessen's base salary. Under the plan, Pollo Tropical stockholder value is measured by a defined formula, as determined by the Compensation Committee, based upon a multiple of Segment EBITDA of Pollo Tropical less certain capital expenditures, outstanding indebtedness and intercompany amounts, as adjusted to reflect capital advances, contributions or redemptions. Also, if we achieved at least a 12% increase in EPS (as determined above) in fiscal 2007 as compared to fiscal 2006, Mr. Tunnessen would also earn a bonus at the rate of 2.5% of his base salary for each 1% increase in EPS in excess of the minimum of 12% up to a maximum of 25% of his base salary. In addition, Mr. Tunnessen was also eligible to receive a bonus of up to 25% of his base salary, which is based on his attainment of specified goals and objectives established for the year for Mr. Tunnessen and determined and paid in the same manner as provided above for Messrs. Flanders and Zirkman. The payment of this portion of the bonus is also conditioned in its entirety, on the achievement of a predetermined minimum level of Segment EBITDA of Pollo Tropical. Consequently, in fiscal 2007, Mr. Tunnessen earned a bonus of \$128,250, which constituted 45% of his base salary in fiscal 2007.

Long-Term Compensation

The long-term incentive compensation utilized by us for our senior management is an equity based compensation plan designed to create alignment of senior management's interests with those of our long term stockholders. Stock options utilized in the plan have a time-based vesting schedule with a certain percentage of options vesting over a period of time established by the Compensation Committee under our 2006 Stock Incentive Plan, which we refer to as our stock incentive plan. During 2007, our Compensation Committee has established a policy with respect to granting stock options under our stock incentive plan. The Compensation Committee will annually grant stock options to employees, including the Named Executive Officers, on each January 15th (with an alternative date of July 15 for new employees or employees promoted after January 15th). Accordingly, the measurement of the value of any stock option will be based upon the price of our Common Stock at the close of business on those respective grant dates. The Compensation Committee will annually grant such stock options on January 15th based upon recommendations from our CEO who will provide such recommendations after evaluating the individual performance of our employees (including the Named Executive Officers (other than the CEO)). Such performance evaluations coincide with our normal end of year annual review process for employees and senior management. This is a significant component of the total compensation package for the Named Executive Officers and is an important retention tool. Because the Compensation Committee's policy is to grant options annually on a fixed date, the Compensation Committee may grant stock options at a time when it, as well as the CEO and senior management, is aware of material non-public information that, once made public, could either have a positive or negative effective on the price of our Common Stock.

2006 Stock Incentive Plan. In connection with our IPO, we adopted our stock incentive plan, which provides for the grant of stock options and stock appreciation rights, stock awards, performance awards, outside director stock options and outside director stock awards. Any officer, employee, associate, director and any consultant or advisor providing services to us are eligible to participate in the stock incentive plan.

The stock incentive plan is administered by the Compensation Committee which approves awards and may base its considerations on recommendations by our CEO. The Compensation Committee has the authority to (1)

approve stock incentive plan participants, (2) approve whether and to what extent stock options, stock appreciation rights and stock awards are to be granted and the number of shares of stock to be covered by each award (other than an outside director award), (3) approve forms of agreement for use under the stock incentive plan, (4) determine terms and conditions of awards (including, but not limited to, the option price, any vesting restriction or limitation, any vesting acceleration or waiver or forfeiture, and any right of repurchase, right of first refusal or other transfer restriction regarding any award), (5) modify, amend or adjust the terms and conditions of any award, (6) determine the fair market value, and (7) determine the type and amount of consideration to be received by us for any stock award issued.

In light of the Compensation Committee's adoption in 2007 of a policy that provides for the annual grant of stock options or other equity awards on a fixed date (January 15 with an alternative date of July 15 for new employees or employees promoted after January 15), no stock options or other equity awards were granted to any Named Executive Officers in 2007, although stock option grants were made to the Named Executive Officers on January 15, 2008 pursuant to such policy. In 2006, the only grants of equity incentive awards to the Named Executive Officers were a special grant of stock options under our stock incentive plan made in connection with, and subject to the completion of, our IPO. Special grants of stock options were also made to our other executive officers and certain employees in connection with our IPO. Such grants were approved on December 12, 2006. Such grants of stock options in 2006 are not necessarily reflective of the size and amounts of option grants or other equity incentive awards to be made to the Named Executive Officers in future years.

FAS 123R valuation of equity awards. Effective January 2, 2006, we adopted SFAS No. 123(R), Share-Based Payment (SFAS 123R) using the modified prospective transition method. Accordingly, we apply the Black-Scholes valuation model in determining the fair value of stock options granted to employees, including the Named Executive Officers, which is then amortized on a straight-line basis to compensation expense over the requisite service period. For restricted stock awards, the fair market value of the award, determined based upon the closing value of our stock price on the grant date, is amortized as compensation expense on a straight-line basis over the vesting period of the award.

Other Benefits

Deferred Compensation Plan. We provide certain benefits under The Carrols Corporation and Subsidiaries Deferred Compensation Plan (the Deferred Compensation Plan) which is discussed on page 23 of this Proxy Statement.

Change of Control and Severance Benefits. For a discussion of change of control arrangements or severance arrangements and the triggers for payments under such arrangements, please see page 24 of this Proxy Statement under the heading Potential Payments Upon Termination or Change of Control.

Other Post-Employment Benefits. The employment agreements for Messrs. Vituli and Accordino each provide for continued coverage under our welfare and benefits plans for such executive officer and his eligible dependents after cessation of employment with the Company for the remainder of their respective lives.

Compensation for the Named Executive Officers

As mentioned above, in December 2006, we entered into an employment agreement with our CEO, Alan Vituli, which became effective as of the Effective Time of our IPO and governs the terms of his compensation, including establishing his base salary for the 2007 fiscal year. Mr. Vituli's employment agreement is further described on pages 20 and 21 of this Proxy Statement.

Also, as mentioned above, in December 2006, we entered into an employment agreement with our President and President, Daniel T Accordino, which became effective as of the Effective Time and governs the terms of his compensation, including establishing his base salary for the 2007 fiscal year. Mr. Accordino's employment agreement is further described on page 21 of this Proxy Statement.

None of the other Named Executive Officers have an employment agreement with us.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Clayton E. Wilhite, Chairman

Robin P. Selati

Jack A. Smith

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee for the fiscal year ended December 31, 2007 were Robin P. Selati, Jack A. Smith and Clayton E. Wilhite. None of the members of the Compensation Committee were, during such year, an officer of the Company or any of its subsidiaries or had any relationship with the Company other than serving as a director of the Company. In addition, no executive officer of the Company served as a director or a member of the compensation committee of any other entity one of whose executive officers served as a director or on the Compensation Committee of the Company. None of the members of the Compensation Committee has any relationship required to be disclosed under this caption under the rules of the SEC.

SUMMARY COMPENSATION TABLE

The following table summarizes compensation awarded or paid to, or earned by, each of the Named Executive Officers for the fiscal years ended December 31, 2006 and 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (1)(\$)	Stock Awards (\$)	Option Awards (2)(\$)	Non- Equity Incentive Plan Compensation (\$)	Change in Nonqualified Deferred Compensation Earnings (3)(\$)	All Other Compensation (\$)	Total (\$)
Alan Vituli Chairman of the Board and Chief Executive Officer	2007	\$ 650,008	\$ 474,565		\$		\$ 32,056	\$	\$ 1,156,629
	2006	\$ 625,000	\$ 310,832		\$ 18,294		\$ 18,365	\$	\$ 972,491
Daniel T. Accordino President, Chief Operating Officer and Director	2007	\$ 500,008	\$ 365,050		\$		\$ 27,938	\$	\$ 892,996
	2006	\$ 480,004	\$ 238,719		\$ 5,398		\$ 17,132	\$	\$ 741,253
Paul R. Flanders Vice President, Chief Financial Officer and Treasurer	2007	\$ 247,008	\$ 170,806		\$			\$	\$ 417,814
	2006	\$ 233,040	\$ 115,898		\$ 725			\$	\$ 349,663
Joseph A. Zirkman Vice President, General Counsel and Secretary	2007	\$ 247,008	\$ 170,806		\$			\$	\$ 417,814
	2006	\$ 233,040	\$ 127,550		\$ 947			\$	\$ 361,537
James E. Tunnessen Executive Vice President, Pollo Tropical	2007	\$ 285,000	\$ 128,250		\$			\$	\$ 413,250
	2006	\$ 285,000	\$		\$ 947			\$	\$ 285,947

- (1) We provide bonus compensation to our executive officers based on an individual's achievement of certain specified objectives and our achievement of specified increases in stockholder value. See Compensation Discussion and Analysis above for a discussion of our Executive Bonus Plan. Amounts include cash bonuses paid in fiscal year 2008 and 2007 with respect to services rendered in fiscal year 2007 and 2006, respectively.
- (2) There were no option awards granted in 2007. The amounts shown in this column include stock options granted under our stock incentive plan during 2006. This column reflects the dollar amount recognized with respect to such grants for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with SFAS 123R, excluding estimated forfeitures. See Notes 1 and 11 to the consolidated financial statements for the year ended December 31, 2007, which are included in our Annual Report on Form 10-K filed with the SEC on March 11, 2008 for assumptions used in the calculation of this amount. There were no forfeitures in 2007 or 2006 by the Named Executive Officers. These grants are included and discussed further in the tables included below under Outstanding Equity Awards at Fiscal Year-End.
- (3) These amounts represent the above-market portion of earnings on compensation deferred by the Named Executive Officers under our nonqualified Deferred Compensation Plan. Earnings on deferred compensation are considered to be above-market to the extent that the rate of interest exceeds 120% of the applicable federal long-term rate. At December 31, 2007 and 2006, 120% of the federal long-term rate was 5.68% and 5.76% per annum, respectively, and the interest rate paid to participants in each year was 8.0% per annum.

Vituli Employment Agreement

In December 2006, we and Carrols entered into an employment agreement with Alan Vituli. Pursuant to such employment agreement, which became effective as of the Effective Time and which will expire on December 31, 2008, Mr. Vituli will continue to serve as Carrols' and our Chairman of the Board of Directors and Chief Executive Officer. The employment agreement is subject to automatic renewals for successive one-year terms unless either Mr. Vituli, we or Carrols elect not to renew the employment agreement by giving written notice to the others at least 90 days before a scheduled expiration date. The employment agreement provides that Mr. Vituli will initially receive an annual base salary of \$650,000 and provides that such amount may be increased annually at the sole discretion of our Compensation Committee. Mr. Vituli's current base salary is

\$672,700. Pursuant to the employment agreement, Mr. Vituli will participate in Carrols Executive Bonus Plan, and any stock option or other equity incentive plans applicable to executive employees as determined by our compensation committee.

Accordino Employment Agreement

In December 2006, we and Carrols entered into an employment agreement with Daniel T. Accordino. Pursuant to such employment agreement, which became effective as of the Effective Time and which will expire on December 31, 2008, Mr. Accordino will continue to serve as Carrols and our President and Chief Operating Officer. The employment agreement is subject to automatic renewals for successive one-year terms unless either Mr. Accordino, we or Carrols elect not to renew the employment agreement by giving written notice to the others at least 90 days before a scheduled expiration date. The employment agreement provides that Mr. Accordino will initially receive an annual base salary of \$500,000 and provides that such amount may be increased annually at the sole discretion of our Compensation Committee. Mr. Accordino's current base salary is \$517,500. Pursuant to the employment agreement, Mr. Accordino will participate in Carrols Executive Bonus Plan, and any stock option or other equity incentive plans applicable to executive employees, as determined by our compensation committee.

GRANTS OF PLAN-BASED AWARDS

There were no grants of plan-based awards made to any of the Named Executive Officers during the fiscal year ended December 31, 2007.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth certain information with respect to the value of all equity awards that were outstanding at the 2007 fiscal year end for each of the Named Executive Officers.

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Alan Vituli (1)(2)	23,700	94,800		\$ 13.00	12/14/2013				
	23,700	94,800		\$ 15.60	12/14/2013				
Daniel T. Accordino (1)(3)	15,800	63,200		\$ 13.00	12/14/2013				
	15,800	63,200		\$ 15.60	12/14/2013				
Paul R. Flanders (1)	1,470	5,880		\$ 13.00	12/14/2013				
	1,470	5,880		\$ 15.60	12/14/2013				
Joseph A. Zirkman (1)	1,920	7,680		\$ 13.00	12/14/2013				
	1,920	7,680		\$ 15.60	12/14/2013				
James E. Tunnessen (1)	1,920	7,680		\$ 13.00	12/14/2013				
	1,920	7,680		\$ 15.60	12/14/2013				

- (1) In December 2006, we granted option awards to each Named Executive officer pursuant to our stock incentive plan. Messrs. Vituli and Accordino were each granted non-qualified stock options. Messrs. Zirkman, Flanders and Tunnessen were each granted incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. All such options vest over a period of five years, with one-fifth of such options vesting and becoming exercisable on the first anniversary of the grant date and one-sixtieth of such options vesting and becoming exercisable monthly on the first day of each month subsequent to the first anniversary of the grant date.
- (2) Pursuant to Mr. Vituli's current employment agreement, all of Mr. Vituli's unvested stock options will immediately vest and become exercisable in the event that we or Carrols elect not to renew Mr. Vituli's employment agreement after the initial term, which expires on December 31, 2008, and Mr. Vituli ceases to be employed after the end of such initial term, or if Mr. Vituli's employment is terminated by us or Carrols without cause (as defined in Mr. Vituli's employment agreement) or Mr. Vituli retires at any time after the initial two-year term of his employment agreement.
- (3) Pursuant to Mr. Accordino's employment agreement, all of Mr. Accordino's unvested stock options will immediately vest and become exercisable in the event that Mr. Accordino's employment is terminated by Mr. Accordino for the reason that Mr. Vituli has ceased to be Chief Executive Officer of us or Carrols and a person other than Mr. Accordino has succeeded Mr. Vituli as Chief Executive Officer.

OPTIONS EXERCISED AND STOCK VESTED

The Named Executive Officers did not exercise any stock options during the fiscal year ended December 31, 2007. In addition, the Named Executive Officers currently do not hold any restricted stock.

NONQUALIFIED DEFERRED COMPENSATION

We have a Deferred Compensation Plan for employees not eligible to participate in the Carrols Corporation Retirement Savings Plan (the *Retirement Plan*) because they have been excluded as highly compensated employees (as so defined in the Retirement Plan), to voluntarily defer portions of their base salary and annual bonus. An eligible employee may elect, on a deferral agreement, to defer all or a specified percentage of base salary and, if applicable, all or a specified percentage of cash bonuses. All amounts deferred by the participants earn interest at 8% per annum. We do not match any portion of the funds. All of the Named Executive Officers are eligible to participate in our Deferred Compensation Plan.

The following table describes contributions, earnings and balances at December 31, 2007 under our Deferred Compensation Plan.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Alan Vituli (1)	\$ 635,164		\$ 103,367		\$ 1,646,396
Daniel T. Accordino (1)	\$ 251,214		\$ 89,836		\$ 1,288,997
Paul R. Flanders					
Joseph A. Zirkman					
James E. Tunnessen					

- (1) The contributions reported for Mr. Vituli and Mr. Accordino were paid and contributed in 2007 with respect to services rendered in fiscal year 2007.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-OF-CONTROL

Vituli and Accordino Employment Agreements

Mr. Vituli and Mr. Accordino's respective employment agreements provide that if Mr. Vituli or Mr. Accordino's employment is terminated without cause (as defined in their respective employment agreements) or Mr. Vituli or Mr. Accordino terminate their respective employment for good reason (as defined in their respective employment agreements), (a) in each case within twelve months following a change of control (as defined in their respective employment agreements), or (b) and a binding agreement with respect to a change of control transaction was entered into during the term of his employment and such change of control transaction occurs within 12 months after the date of his termination of employment, then in either case, Mr. Vituli and Mr. Accordino will each receive a cash lump sum payment equal to 2.99 times their respective average salary plus their respective average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under the Deferred Compensation Plan) for the prior five years. Their respective employment agreements also provide that if Mr. Vituli or Mr. Accordino's employment is terminated by us or Carrols without cause (other than following a change of control as described above) or Mr. Vituli or Mr. Accordino terminate their respective employment for good reason (other than following a change of control as described above), Mr. Vituli and Mr. Accordino will each receive a cash lump sum payment in an amount equal to two times their respective average salary plus average annual bonus (paid under Carrols' Executive Bonus Plan or deferred under our Deferred Compensation Plan) for the prior five years. Their respective employment agreements include non-competition and non-solicitation provisions effective during the term of their respective employment agreements and for two years following the termination of their respective employment agreements.

Change of Control/Severance Agreement

In December 2006, we and Carrols entered into a change of control/severance agreement with each of Messrs. Zirkman, Flanders and Tunnessen and six of our other officers. Each change of control/severance agreement provides that if within one year following a change of control (as defined in the change of control/severance agreement), such employee's employment is terminated by us or Carrols without cause (as defined in the change of control/severance agreement) or by such employee for good reason (as defined in the change of control/severance agreement), then such employee will be entitled to receive (a) a cash lump sum payment in the amount equal to the product of 18 and the employee's monthly base salary at the then current rate, (b) an amount equal to the aggregate bonus payment for the year in which the employee incurs a termination of employment to which the employee would otherwise have been entitled had his employment not terminated under the Executive Bonus Plan then in effect, and (c) continued coverage under our welfare and benefits plans for such employee and his dependents for a period of up to 18 months. Each change of control/severance agreement also provides that if prior to a change of control or more than one year after a change of control, such employee's employment is terminated by us or Carrols without cause or by such employee for good reason, then such employee will be entitled to receive (a) a cash lump sum payment in the amount equal to one year's salary at the then current rate, (b) an amount equal to the pro rata portion of the aggregate bonus payment for the year in which the employee incurs a termination of employment to which the employee would otherwise have been entitled had his employment not terminated under the Executive Bonus Plan then in effect, and (c) continued coverage under our welfare and benefits plans for such employee and his dependents for a period of up to 18 months. The payments and benefits due under each change of control/severance agreement cannot be reduced by any compensation earned by the employee as a result of employment by another employer or otherwise. The payments are also not subject to any set-off, counterclaim, recoupment, defense or other right that we may have against the employee.

The following table summarizes estimated benefits that would have been payable to Messrs. Vituli and Accordino if the employment of such executive officer had been (1) terminated on December 31, 2007 by the Company without cause or by the executive officer for good reason within 12 months of a change of control of the Company; (2) terminated on December 31, 2007 by the Company without cause or by the executive officer for good reason and (a) a binding agreement with respect to a change of control transaction was entered into during the term of employment of such executive officer and (b) such change of control transaction occurs

within 12 months after the date of termination of employment of such executive officer; (3) terminated by the Company for cause or by the executive without good reason on December 31, 2007; (4) terminated by the Company without cause or by the executive for good reason; (5) terminated by the Company due to disability; and (6) terminated due to death. The closing price of our Common Stock on December 28, 2007 (the last trading day in our 2007 fiscal year) was \$9.63.

Name	Terminated Without Cause or by Employee For Good Reason Within 12 Months of a Change in Control (\$)	Terminated Without Cause or by Employee For Good Reason Within 12 Months of a Change in Control Pursuant to a Binding Agreement Entered Into Prior to Termination (\$)	Terminated For Cause or by Employee Without Good Reason (\$)	Terminated Without Cause or by Employee For Good Reason (\$)	Disability (\$)	Death (\$)
Alan Vituli						
Severance	\$ 2,834,418(1)	\$ 2,834,418(1)	\$	\$ 1,895,932(2)	\$ 1,950,000(3)	\$
Bonus (4)				474,565	474,565	474,565
Accrued Vacation (5)	50,000	50,000	50,000	50,000		
Welfare Benefits (6)	155,143	155,143		155,143	155,143	155,143
Deferred Compensation Plan (7)	1,713,359	1,713,359	1,713,359	1,713,359	1,713,359	1,713,359
Equity (8)						
Total	\$ 4,752,920	\$ 4,752,920	\$ 1,763,359	\$ 4,288,999	\$ 4,293,067	\$ 2,343,067
Daniel T. Accordinio						
Severance	\$ 2,133,647(1)	\$ 2,133,647(1)	\$	\$ 1,427,189(2)	\$ 1,500,000(3)	\$
Bonus (4)				365,050	365,050	365,050
Accrued Vacation (5)	38,462	38,462	38,462	38,462		
Welfare Benefits (6)	217,106	217,106		217,106	217,106	217,106
Deferred Compensation Plan (7)	1,341,424	1,341,424	1,341,424	1,341,424	1,341,424	1,341,424
Equity (8)						
Total	\$ 3,730,639	\$ 3,730,639	\$ 1,379,886	\$ 3,389,230	\$ 3,423,580	\$ 1,923,580

- (1) Reflects a lump sum cash payment in an amount equal to 2.99 multiplied by the average of the sum of the base salary and the annual bonus paid under the Executive Bonus Plan or deferred in accordance with the Deferred Compensation Plan in the five calendar years prior to the date of termination (the Five-Year Compensation Average).
- (2) Reflects a lump sum cash payment in an amount equal to 2.00 multiplied by such executive officer's Five Year Compensation Average.
- (3) Such amounts based on the base salary in effect at December 31, 2007 of \$650,000 and \$500,000 for Messrs. Vituli and Accordinio, respectively, for a period of three years.
- (4) Reflects a lump sum cash payment in an amount equal to the pro rata portion of Messrs. Vituli's and Accordinio's annual bonus under our Executive Bonus Plan for the year in which such executive officer's employment is terminated. Amount represents the bonus earned by the executive for the year ended December 31, 2007.
- (5) Amount represents four weeks of accrued but unpaid vacation as of December 31, 2007, based on the annual salary of \$650,000 and \$500,000 in effect at December 31, 2007 for Messrs. Vituli and Accordinio, respectively.
- (6) The employment agreements for Messrs. Vituli and Accordinio each require continued coverage under our welfare and benefits plans for such executive officer and his eligible dependents for the remainder of their respective lives. The amount included in this table was actuarially determined based on the present value of future health care premiums paid for by the Company discounted at a rate of 6.48%.
- (7) Reflects all amounts previously deferred under our Deferred Compensation Plan, including any accrued interest through the six-month anniversary of the date of termination of employment, and not yet paid by the Company as of December 31, 2007.
- (8) All outstanding stock options held by the executive officer will automatically vest and become exercisable. Unlike other payments in this table, the options vest and become immediately exercisable in accordance with our stock incentive plan even if the executive officer's employment is not terminated following

Edgar Filing: CARROLS RESTAURANT GROUP, INC. - Form DEF 14A

change of control (i.e. it is a single trigger). The amount is based on the stock options held by each executive officer at December 31, 2007 and the closing price of our Common Stock on December 28, 2007 of \$9.63. At December 31, 2007, none of the executive officer s outstanding options were considered in-the-money as the exercise price per share exceeded the closing price of the Common Stock.

The following table summarizes estimated benefits that would have been payable to each Named Executive Officer identified in the table if the employment of such executive officer had been terminated on December 31, 2007 by the Company for cause or by the executive officer for good reason within one year after a change of control; or if the employment of such executive officer had been terminated on December 31, 2007 by the Company for cause or by the executive officer for good reason prior to a change of control or more than one year after a change of control:

Paul R. Flanders

Joseph A. Zirkman