

Fiesta Restaurant Group, Inc.  
Form 10-Q  
May 10, 2012  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

For the quarterly period ended April 1, 2012

OR

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

Commission File Number: 001-35373

**FIESTA RESTAURANT GROUP, INC.**

Edgar Filing: Fiesta Restaurant Group, Inc. - Form 10-Q

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**90-0712224**  
(I.R.S. Employer  
Identification No.)

**968 James Street**

**Syracuse, New York**  
(Address of principal executive office)

**13203**  
(Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 8, 2012, Fiesta Restaurant Group, Inc. had 23,161,822 shares of its common stock, \$.01 par value, outstanding.

---

**Table of Contents**

**FIESTA RESTAURANT GROUP, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**QUARTER ENDED APRIL 1, 2012**

	<b>Page</b>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1	Interim Consolidated Financial Statements (Unaudited) - Fiesta Restaurant Group, Inc.:
	<u>Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011</u> 3
	<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2012 and 2011</u> 4
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011</u> 5
	<u>Notes to Unaudited Consolidated Financial Statements</u> 6
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 16
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 26
Item 4	<u>Controls and Procedures</u> 26
<b>PART II OTHER INFORMATION</b>	
Item 1	<u>Legal Proceedings</u> 27
Item 1A	<u>Risk Factors</u> 27
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 27
Item 3	<u>Default Upon Senior Securities</u> 27
Item 4	<u>Mine Safety Disclosures</u> 27
Item 5	<u>Other Information</u> 27
Item 6	<u>Exhibits</u> 28

**Table of Contents****FIESTA RESTAURANT GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of dollars, except per share amounts)****(unaudited)**

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 4,727	\$ 13,670
Trade receivables	6,154	4,842
Inventories	2,127	2,264
Prepaid rent	2,346	2,397
Prepaid expenses and other current assets	2,854	2,660
Deferred income taxes	1,853	1,776
<b>Total current assets</b>	<b>20,061</b>	<b>27,609</b>
Property and equipment, net	196,359	195,122
Goodwill (Note 2)	123,484	123,484
Intangible assets, net	272	301
Deferred income taxes	13,664	11,659
Deferred financing costs, net	6,578	6,908
Other assets	4,370	5,083
<b>Total assets</b>	<b>\$ 364,788</b>	<b>\$ 370,166</b>
<b>LIABILITIES AND STOCKHOLDER S EQUITY (DEFICIT)</b>		
Current liabilities:		
Current portion of long-term debt (Note 6)	\$ 60	\$ 59
Due to parent company (Note 5)	1,330	1,511
Accounts payable	7,856	7,515
Accrued interest	2,325	7,152
Accrued payroll, related taxes and benefits	9,861	12,154
Accrued real estate taxes	1,902	3,197
Other liabilities	5,704	5,085
<b>Total current liabilities</b>	<b>29,038</b>	<b>36,673</b>
Long-term debt, net of current portion (Note 6)	200,933	200,949
Lease financing obligations (Note 7)	123,232	123,019
Deferred income sale-leaseback of real estate	3,985	4,055
Other liabilities (Note 4)	10,766	10,142
<b>Total liabilities</b>	<b>367,954</b>	<b>374,838</b>
Commitments and contingencies (Note 10)		
Stockholder s equity (deficit):		
Common stock, par value \$.01; authorized 100,000,000 shares, issued 23,161,822 shares and outstanding 22,727,422 shares	227	227
Additional paid-in capital	6,716	3,345
Retained earnings (deficit) (Note 5)	(10,109)	(8,244)
<b>Total stockholder s equity (deficit)</b>	<b>(3,166)</b>	<b>(4,672)</b>

Edgar Filing: Fiesta Restaurant Group, Inc. - Form 10-Q

Total liabilities and stockholder's equity (deficit)	\$ 364,788	\$ 370,166
--	------------	------------

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

**Table of Contents****FIESTA RESTAURANT GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****THREE MONTHS ENDED MARCH 31, 2012 AND 2011****(In thousands of dollars, except per share amounts)****(Unaudited)**

	<b>Three months ended March 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Restaurant sales	\$ 125,566	\$ 115,251
Franchise royalty revenues and fees	576	365
Total revenues	126,142	115,616
<b>Costs and expenses:</b>		
Cost of sales	40,784	36,344
Restaurant wages and related expenses (including stock-based compensation expense of \$4 and \$5, respectively)	33,825	31,633
Restaurant rent expense	3,967	4,060
Other restaurant operating expenses	15,829	14,743
Advertising expense	4,295	4,119
General and administrative (including stock-based compensation expense of \$1,046 and \$411, respectively)	11,080	8,921
Depreciation and amortization	4,840	4,797
Impairment and other lease charges (Note 3)	6,900	264
Total operating expenses	121,520	104,881
Income from operations	4,622	10,735
Interest expense	7,969	4,845
Income (loss) before income taxes	(3,347)	5,890
Provision (benefit) for income taxes (Note 8)	(1,482)	2,276
Net income (loss)	\$ (1,865)	\$ 3,614
Basic and diluted net income (loss) per share	\$ (0.08)	\$ 0.16
Basic and diluted weighted average common shares outstanding	23,161,822	23,161,822

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

**Table of Contents****FIESTA RESTAURANT GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****THREE MONTHS ENDED MARCH 31, 2012 AND 2011****(In thousands of dollars)****(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows provided from (used for) operating activities:		
Net income (loss)	\$ (1,865)	\$ 3,614
Adjustments to reconcile net income (loss) to net cash provided from (used for) operating activities:		
Loss on disposals of property and equipment	60	73
Stock-based compensation	871	416
Impairment and other lease charges	6,900	264
Depreciation and amortization	4,840	4,797
Amortization of deferred financing costs	385	61
Amortization of deferred gains from sale-leaseback transactions	(70)	(64)
Accretion of interest on lease financing obligations	213	10
Deferred income taxes	(2,081)	(293)
Changes in other operating assets and liabilities:	(9,875)	(2,683)
<b>Net cash provided from (used for) operating activities</b>	<b>(622)</b>	<b>6,195</b>
Cash flows used for investing activities:		
Capital expenditures:		
New restaurant development	(5,365)	(2,543)
Restaurant remodeling	(1,273)	(1,517)
Other restaurant capital expenditures	(1,692)	(973)
Corporate and restaurant information systems	(213)	(92)
Total capital expenditures	(8,543)	(5,125)
Properties purchased for sale-leaseback	(2,082)	
Proceeds from sale-leaseback transactions		1,861
<b>Net cash used for investing activities</b>	<b>(10,625)</b>	<b>(3,264)</b>
Cash flows provided by (used for) financing activities:		
Payments to parent company, net	(181)	(2,899)
Capital contribution from parent company	2,500	
Principal payments on capital leases	(15)	(14)
<b>Net cash provided by (used for) financing activities</b>	<b>2,304</b>	<b>(2,913)</b>
<b>Net increase (decrease) in cash</b>	<b>(8,943)</b>	<b>18</b>
Cash, beginning of period	13,670	2,583
<b>Cash, end of period</b>	<b>\$ 4,727</b>	<b>\$ 2,601</b>

## Edgar Filing: Fiesta Restaurant Group, Inc. - Form 10-Q

### Supplemental disclosures:

Interest paid on long-term debt	\$ 9,407	\$
Interest paid on lease financing obligations	\$ 2,754	\$ 2,802
Accruals for capital expenditures	\$ 475	\$ 740

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



---

**Table of Contents**

**FIESTA RESTAURANT GROUP, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars)

**1. Basis of Presentation**

*Business Description.* At April 1, 2012 the Company operated 86 Pollo Tropical restaurants, of which 85 were located in Florida and one was located in Georgia, and franchised a total of 33 Pollo Tropical restaurants, 21 in Puerto Rico, two in Ecuador, one in Honduras, one in the Bahamas, one in Trinidad, two in Venezuela, two in Costa Rica and three on college campuses in Florida. At April 1, 2012, the Company also owned and operated 157 Taco Cabana restaurants located primarily in Texas and franchised two Taco Cabana restaurants in New Mexico, two in Texas and one in Georgia.

*Basis of Consolidation.* The consolidated financial statements presented herein reflect the consolidated financial position, results of operations and cash flows of Fiesta Restaurant Group, Inc. ( *Fiesta Restaurant Group* ) and its wholly-owned subsidiaries Pollo Operations, Inc. and Pollo Franchise, Inc., (collectively *Pollo Tropical* ) and Taco Cabana, Inc. and its subsidiaries, (collectively *Taco Cabana* ). Fiesta Restaurant Group was incorporated in April 2011. In May 2011, Carrols Corporation ( *Carrols* or *Parent Company* ) contributed all of the outstanding capital stock of Pollo Tropical and Taco Cabana to Fiesta Restaurant Group in exchange for all of the outstanding capital stock of Fiesta Restaurant Group and Fiesta Restaurant Group became a wholly-owned subsidiary of Carrols. On May 7, 2012 all outstanding shares of Fiesta Restaurant Group common stock which were held by Carrols were distributed in the form of a pro rata dividend to the stockholders of Carrols Restaurant Group (as defined below). See Note 12 for additional information. Unless the context otherwise requires, Fiesta Restaurant Group and its subsidiaries, Pollo Tropical and Taco Cabana, are collectively referred to as the *Company* . Carrols is a wholly-owned subsidiary of Carrols Restaurant Group, Inc., a publicly traded company ( *Carrols Restaurant Group* ). The consolidated financial statements have been prepared as if the Company was in existence for all periods presented. All intercompany transactions have been eliminated in consolidation.

*Fiscal Year.* The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. All references herein to fiscal year ended January 1, 2012 will be referred to as fiscal year ended December 31, 2011. Similarly, all references herein to the three months ended April 1, 2012 and April 3, 2011 will be referred to as the three months ended March 31, 2012 and March 31, 2011, respectively. The fiscal year ended December 31, 2011 contained 52 weeks. The three months ended March 31, 2012 and 2011 each contained thirteen weeks.

*Allocations.* Carrols provides administrative support to the Company for executive management, information systems and certain accounting, legal and other administrative functions. See Note 5 Due to parent company for a listing and amount of such transactions. For the three months ended March 31, 2012 and 2011, these costs were allocated to the Company based primarily on a pro-rata share of either the Company's revenues, number of restaurants or number of employees. The accompanying consolidated financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the results of operations or cash flows that would have resulted had these and other related-party transactions been consummated with unrelated parties or had the Company been a stand-alone company.

The unaudited consolidated financial statements for the three months ended March 31, 2011 also reflect interest expense allocated by Carrols to the Company. Effective with the refinancing discussed in Note 6, on August 5, 2011 the Company secured its own financing and interest allocations from Carrols ceased. Management believes that its allocations are reasonable and based on a systematic rational method; however, they are not necessarily indicative of the actual financial results of the Company, including such expenses that would have been incurred by the Company had it been operating as a separate, stand-alone entity for the periods presented. As a stand-alone entity, the Company expects to incur expenses that may not be comparable in future periods to what is presented for the historical periods presented in the consolidated financial statements. Consequently, the financial information herein may not reflect the financial position, results of op