Fiesta Restaurant Group, Inc.
Form 10-Q
May 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2014
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.
(Exact name of Registrant as specified in its charter)

Delaware	90-0712224
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14800 Landmark Boulevard, Suite 500 Addison, Texas	75254
(Address of principal executive office)	(Zip Code)

Registrant’s telephone number, including area code: (972) 702-9300

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 ý 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 ý 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	ý	Accelerated filer	¨
Non-accelerated filer (Do not check if smaller reporting company)	¨	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 ý
As of May 2, 2014, Fiesta Restaurant Group, Inc. had 26,786,855 shares of its common stock, $.01 par value, outstanding.

FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED MARCH 30, 2014

Table of Contents

PART I—FINANCIAL INFORMATION
ITEM 1—INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share and per share amounts)
(unaudited)

	March 30, 2014	December 29, 2013
ASSETS		
Current assets:		
Cash	$2,406	$10,978
Trade receivables	8,434	6,011
Inventories	2,497	2,564
Prepaid rent	2,542	2,500
Income tax receivable	147	4,497
Prepaid expenses and other current assets	3,465	3,357
Deferred income taxes	2,886	3,018
Total current assets	22,377	32,925
Property and equipment, net	149,429	144,527
Goodwill	123,484	123,484
Intangible assets, net	101	121
Deferred income taxes	12,259	12,046
Deferred financing costs, net	1,459	1,530
Other assets	4,165	4,152
Total assets	$313,274	$318,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$61	$61
Accounts payable	8,763	10,802
Accrued interest	165	118
Accrued payroll, related taxes and benefits	10,184	14,296
Accrued real estate taxes	1,668	4,505
Other liabilities	6,042	8,305
Total current liabilities	26,883	38,087
Long-term debt, net of current portion	65,310	72,324
Lease financing obligations	1,658	1,657
Deferred income—sale-leaseback of real estate	36,843	35,873
Other liabilities	13,784	12,538
Total liabilities	144,478	160,479
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $.01; authorized 100,000,000 shares, issued 26,780,381 and 26,710,111 shares, respectively, and outstanding 26,243,588 and 26,082,800 shares, respectively.	262	261
Additional paid-in capital	150,535	148,765
Retained earnings	17,999	9,280
Total stockholders' equity	168,796	158,306
Total liabilities and stockholders' equity	$313,274	$318,785

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

Table of Contents

FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 30, 2014 AND MARCH 31, 2013
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	Three Months Ended	
	March 30, 2014	March 31, 2013
Revenues:		
Restaurant sales	$144,825	$133,090
Franchise royalty revenues and fees	611	534
Total revenues	145,436	133,624
Costs and expenses:		
Cost of sales	45,529	42,411
Restaurant wages and related expenses (including stock-based compensation expense of $9 and $1, respectively)	36,506	35,116
Restaurant rent expense	7,204	6,435
Other restaurant operating expenses	17,885	16,164
Advertising expense	5,419	4,549
General and administrative (including stock-based compensation expense of $712 and $425, respectively)	12,151	12,211
Depreciation and amortization	5,345	4,810
Pre-opening costs	683	831
Impairment and other lease charges	(15)	95
Other income	(6)	(497)
Total operating expenses	130,701	122,125
Income from operations	14,735	11,499
Interest expense	603	5,007
Income before income taxes	14,132	6,492
Provision for income taxes	5,413	1,693
Net income	$8,719	$4,799
Basic net income per share	$0.33	$0.20
Diluted net income per share	$0.33	$0.20
Basic weighted average common shares outstanding (Note 8)	26,201,747	22,868,894
Diluted weighted average common shares outstanding (Note 8)	26,202,309	22,868,894

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

Table of Contents

FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 30, 2014 and March 31, 2013
(In thousands of dollars, except share amounts)
(Unaudited)

	Number of Common Stock Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at December 30, 2012	22,748,241	$ 227	$ 10,254	$ 23	$ 10,504
Stock-based compensation	—	—	426	—	426
Vesting of restricted shares	146,392	2	(2)	—	—
Net income	—	—	—	4,799	4,799
Balance at March 31, 2013	22,894,633	$ 229	$ 10,678	$ 4,822	$ 15,729
Balance at December 29, 2013	26,082,800	$ 261	$ 148,765	$ 9,280	$ 158,306
Stock-based compensation	—	—	721	—	721
Vesting of restricted shares and related tax benefit	160,788	1	1,049	—	1,050
Net income	—	—	—	8,719	8,719
Balance at March 30, 2014	26,243,588	$ 262	$ 150,535	$ 17,999	$ 168,796

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

Table of Contents

FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 30, 2014 AND MARCH 31, 2013
(In thousands of dollars)
(Unaudited)

	Three Months Ended	
	March 30, 2014	March 31, 2013
Cash flows from operating activities:		
Net income	$8,719	$4,799
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss (gain) on disposals of property and equipment	36	(421)
Stock-based compensation	721	426
Impairment and other lease charges	(15)	95
Depreciation and amortization	5,345	4,810
Amortization of deferred financing costs	77	398
Amortization of deferred gains from sale-leaseback transactions	(919)	(863)
Deferred income taxes	(82)	60
Changes in other operating assets and liabilities	(6,985)	(9,980)
Net cash provided by (used in) operating activities	6,897	(676)
Cash flows from investing activities:		
Capital expenditures:		
New restaurant development	(10,869)	(7,834)
Restaurant remodeling	(1,929)	(918)
Other restaurant capital expenditures	(1,432)	(1,362)
Corporate and restaurant information systems	(1,999)	(1,238)
Total capital expenditures	(16,229)	(11,352)
Properties purchased for sale-leaseback	—	(1,277)
Proceeds from sale-leaseback transactions	5,704	2,523
Proceeds from sales of other properties	1,027	1,734
Net cash used in investing activities	(9,498)	(8,372)
Cash flows from financing activities:		
Excess tax benefit from vesting of restricted shares	1,050	—
Borrowings on revolving credit facility	8,000	—
Repayments on revolving credit facility	(15,000)	—
Principal payments on capital leases	(15)	(16)
Other	(6)	(15)
Net cash used in financing activities	(5,971)	(31)
Net decrease in cash	(8,572)	(9,079)
Cash, beginning of period	10,978	15,533
Cash, end of period	$2,406	$6,454
Supplemental disclosures:		
Interest paid on long-term debt	$470	$9,161
Interest paid on lease financing obligations	$36	$64
Accruals for capital expenditures	$1,933	$1,107
Income tax payments, net	$94	$91

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

6

FIESTA RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except share and per share amounts)

1. Basis of Presentation

Business Description. Fiesta Restaurant Group, Inc. ("Fiesta Restaurant Group" or "Fiesta") owns, operates and franchises two fast-casual restaurant brands through its wholly-owned subsidiaries Pollo Operations, Inc., and its subsidiaries, and Pollo Franchise, Inc., (collectively “Pollo Tropical”) and Taco Cabana, Inc. and its subsidiaries (collectively “Taco Cabana”). Unless the context otherwise requires, Fiesta and its subsidiaries, Pollo Tropical and Taco Cabana, are collectively referred to as the “Company”. At March 30, 2014, the Company owned and operated 106 Pollo Tropical® restaurants, of which 98 were located in Florida, five were located in Georgia, two were located in Tennessee, and one was located in Texas, and franchised a total of 39 Pollo Tropical restaurants, including 18 in Puerto Rico, one in Ecuador, one in Honduras, one in the Bahamas, two in Trinidad & Tobago, three in Venezuela, three in Costa Rica, three in Panama, one in the Dominican Republic, one in India, one in Guatemala and four on college campuses in Florida. At March 30, 2014, the Company also owned and operated 165 Taco Cabana® restaurants, of which 162 were located in Texas and three were located in Oklahoma, and franchised a total of seven Taco Cabana restaurants, including four in New Mexico, and three non-traditional locations (two college campuses and one sports arena) in Texas.

Spin-Off from Carrols Restaurant Group, Inc. On May 7, 2012, Carrols Restaurant Group, Inc. ("Carrols Restaurant Group" or "Carrols") completed the spin-off of Fiesta through the distribution of all of the outstanding shares of Fiesta Restaurant Group's common stock to the stockholders of Carrols Restaurant Group (the "Spin-off"). As a result of the Spin-off, since May 7, 2012 Fiesta Restaurant Group has been an independent public company whose common stock is traded on The NASDAQ Global Select Market under the symbol “FRGI.”

In connection with the Spin-off, Fiesta and Carrols entered into several agreements that govern Carrols' post Spin-off relationship with Fiesta, including a Separation and Distribution Agreement, Employee Matters Agreement, Tax Matters Agreement and Transition Services Agreement ("TSA"). See Note 4—Former Related Party Transactions.

Basis of Consolidation. The unaudited condensed consolidated financial statements presented herein reflect the consolidated financial position, results of operations and cash flows of Fiesta and its wholly-owned subsidiaries.

Fiscal Year. The Company uses a 52-53 week fiscal year ending on the Sunday closest to December 31. The fiscal year ended December 29, 2013 contained 52 weeks. The three months ended March 30, 2014 and March 31, 2013 each contained thirteen weeks.

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements for the three months ended March 30, 2014 and March 31, 2013 have been prepared without an audit pursuant to the rules and regulations of the Securities and Exchange Commission and do not include certain information and footnotes required by GAAP for complete financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of such financial statements have been included. The results of operations for the three months ended March 30, 2014 and March 31, 2013 are not necessarily indicative of the results to be expected for the full year.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 29, 2013 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2013. The December 29, 2013 balance sheet data is derived from those audited financial statements.

Fair Value of Financial Instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value as follows: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities; and Level 3 inputs are unobservable and reflect our own assumptions. The following methods were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the fair value:

- Current Assets and Liabilities. The carrying values reported on the balance sheet of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of those financial instruments.
- Revolving Credit Borrowings. The fair value of outstanding revolving credit borrowings under our new senior credit facility, which is considered Level 2, is based on current LIBOR rates and at March 30, 2014, was approximately $64.0 million.

Long-Lived Assets. The Company reviews its long-lived assets, principally property and equipment, for impairment at the restaurant level. In addition to considering management's plans, known regulatory or governmental actions and damage due to acts of God (hurricanes, tornadoes, etc.), the Company considers a triggering event to have occurred related to a specific restaurant if the restaurant's cash flows for the last twelve months are less than a minimum threshold or if consistent levels of cash flows for the remaining lease period are less than the carrying value of the restaurant's assets. If an indicator of impairment exists for any of its assets, an estimate of undiscounted future cash flows over the life of the primary asset for each restaurant is compared to that long-lived asset's carrying value. If the carrying value is greater than the undiscounted cash flow, the Company then determines the fair value of the asset and if an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value. For closed restaurant locations, the Company reviews the future minimum lease payments and related ancillary costs from the date of the restaurant closure to the end of the remaining lease term and records a lease charge for the lease liabilities to be incurred, net of any estimated sublease recoveries.

Use of Estimates. The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements. Estimates also affect the reported amounts of expenses during the reporting periods. Significant items subject to such estimates and assumptions include: accrued occupancy costs, insurance liabilities, evaluation for impairment of goodwill and long-lived assets and lease accounting matters. Actual results could differ from those estimates.

2. Long-term Debt

New Senior Credit Facility. In December 2013, the Company terminated its former senior secured revolving credit facility, referred to as the “former senior credit facility”, and entered into a new senior secured revolving credit facility with a syndicate of lenders, which we refer to as the "new senior credit facility". The new senior credit facility provides for aggregate revolving credit borrowings of up to $150 million (including $15 million available for letters of credit) and matures on December 11, 2018. The new senior credit facility also provides for potential incremental increases of up to $50 million to the revolving credit borrowings available under the new senior credit facility. On March 30, 2014, there were $64.0 million in outstanding borrowings under our new senior credit facility.

Borrowings under the new senior credit facility bear interest at a per annum rate, at our option, equal to either (all terms as defined in the new senior credit facility):

1) the Alternate Base Rate plus the applicable margin of 0.50% to 1.50% based on our Adjusted Leverage Ratio (with a margin of 0.75% as of March 30, 2014), or

2) the LIBOR Rate plus the applicable margin of 1.50% to 2.50% based on our Adjusted Leverage Ratio (with a margin of 1.75% at March 30, 2014).

In addition, the new senior credit facility requires the Company to pay (i) a commitment fee based on the applicable Commitment Fee margin of 0.25% to 0.45%, based on our Adjusted Leverage Ratio (with a margin of 0.30% at March 30, 2014) and the unused portion of the facility and (ii) a letter of credit fee based on the applicable LIBOR margin and the dollar amount of outstanding letters of credit.

All obligations under the Company's new senior credit facility are guaranteed by all of Company's material domestic subsidiaries. In general, the Company's obligations under the new senior credit facility and its subsidiaries' obligations under the guarantees are secured by a first priority lien and security interest on substantially all of its assets and the assets of its material subsidiaries (including a pledge of all of the capital stock and equity interests of its material subsidiaries), other than certain specified assets, including real property owned by the Company or its subsidiaries.

The new senior credit facility requires the Company to comply with customary affirmative, negative and financial covenants. As of March 30, 2014, the Company was in compliance with the covenants under its new senior credit facility.

After reserving $7.5 million for letters of credit issued under the new senior credit facility, $78.5 million was available for borrowing at March 30, 2014.

Former Senior Credit Facility. The former senior credit facility provided for aggregate revolving credit borrowings of up to $25.0 million (including $10.0 million available for letters of credit). The facility also provided for incremental increases of up to $5.0 million, in the aggregate, to the revolving credit borrowings available under the former senior credit facility, and matured on February 5, 2016. The former senior secured credit facility was terminated on December 11, 2013 and replaced with the new senior credit facility discussed above.

Table of Contents
FIESTA RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands of dollars, except share and per share amounts)

Borrowings under the former senior credit facility bore interest at a per annum rate, at the Company’s option, of either (all terms as defined in the former senior credit facility):
1) the Alternate Base Rate plus the applicable margin of 2.00% to 2.75% based on the Company’s Adjusted Leverage Ratio, or
2) the LIBOR Rate plus the applicable margin of 3.00% to 3.75% based on the Company’s Adjusted Leverage Ratio.
Repurchase of Notes. On November 12, 2013, the Company commenced a tender offer and consent solicitation for all of its outstanding $200.0 million in aggregate principal amount of 8.875% Senior Secured Second Lien Notes due 2016 (the "Notes"). The principal amount of Notes repurchased in the tender offer totaled $122.7 million. On December 11, 2013, the Company irrevocably called for redemption the remaining $77.3 million principal amount of Notes that were not validly tendered and accepted for payment in the tender offer.
The Notes were issued on August 5, 2011 pursuant to an indenture dated as of August 5, 2011 governing such Notes. The Notes matured and were payable on August 15, 2016. Interest was payable semi-annually on February 15 and August 15. The Notes were guaranteed by all of the Company’s subsidiaries and were secured by second-priority liens on substantially all of the Company’s and its subsidiaries’ assets (including a pledge of all of the capital stock and equity interests of its material subsidiaries).

3. Other Liabilities, Long-Term

Other liabilities, long-term, consisted of the following:

	March 30, 2014	December 29, 2013
Accrued occupancy costs	$10,488	$9,973
Accrued workers’ compensation and general liability claims	660	729
Deferred compensation	830	593
Other	1,806	1,243
	$13,784	$12,538

Accrued occupancy costs include obligations pertaining to closed restaurant locations and accruals to expense operating lease rental payments on a straight-line basis over the lease term.
The following table presents the activity in the closed-store reserve, of which $1.1 million is included in long-term accrued occupancy costs above at March 30, 2014 and December 29, 2013, with the remainder in other current liabilities:

	Three Months Ended March 30, 2014	Year Ended December 29, 2013
Balance, beginning of period	$1,439	$2,432
Provisions for restaurant closures	—	—
Recoveries, net of additional lease charges	(37)	(197)
Payments, net	(95)	(937)
Other adjustments	34	141
Balance, end of period	$1,341	$1,439

4. Former Related Party Transactions

Effective upon the completion of the Spin-off, Fiesta Restaurant Group ceased to be a related party of Carrols.
As of March 30, 2014 and December 29, 2013, Carrols owed $0.2 million and $0.3 million, respectively, to the Company, which is included in receivables in the accompanying condensed consolidated balance sheets.
Relationship Between Fiesta and Carrols After the Spin-Off

For purposes of governing certain of the ongoing relationships between the Company and Carrols at and after the Spin-off, the Company and Carrols have entered into the following agreements:

- Tax Matters Agreement. The tax matters agreement dated April 24, 2012, (the "Tax Matters Agreement"), (1) governs the allocation of the tax assets and liabilities between Fiesta and Carrols and Carrols Corporation, a subsidiary of Carrols

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

Table of Contents

("Carrols Corp."), (2) provides for certain restrictions and indemnities in connection with the tax treatment of the Spin-off and (3) addresses certain other tax related matters, including, without limitation, those relating to (a) the obligations of Carrols, Carrols Corp. and the Company with respect to the preparation or filing of tax returns for all periods, and (b) the control of any income tax audits and any indemnities with respect thereto. The Tax Matters Agreement provides that if the Company takes any actions after Carrols' distribution of our shares in the Spin-off that result in or cause the distribution to be taxable to Carrols, the Company will be responsible under the Tax Matters Agreement for any resulting taxes imposed on the Company or on Carrols or Carrols Corp. Further, the Tax Matters Agreement provides that the Company will be responsible for 50% of the losses and taxes of Carrols and its affiliates resulting from the Spin-off not attributable to any such action of the Company or an equivalent action by Carrols.

- Transition Services Agreement. Under the TSA, Carrols and Carrols Corp. agreed to provide certain support services (including accounting, tax accounting, treasury management, internal audit, financial reporting and analysis, human resources and employee benefits management, information systems, restaurant systems support, legal, property management and insurance and risk management services) to the Company, and the Company agreed to provide certain limited management services (including certain legal services) to Carrols and Carrols Corp. During the three months ended March 31, 2013, the Company recognized expenses of $1.3 million related to the TSA. In October 2013, the Company terminated the TSA with respect to substantially all of the remaining services provided under the TSA with the exception of certain information technology services and other miscellaneous services. The Company terminated the remaining services under the TSA in December 2013.

5. Income Taxes

The Company's income tax provision was comprised of the following for the three months ended March 30, 2014 and March 31, 2013:

	Three Months Ended	
	March 30, 2014	March 31, 2013
Current	$5,495	$1,633
Deferred	(82)	60
	$5,413	$1,693

The provision for income taxes for the three months ended March 30, 2014 was derived using an estimated effective annual income tax rate for 2014 of 38.3%. There were no discrete tax adjustments in the three months ended March 30, 2014.

The provision for income taxes for the three months ended March 31, 2013 was derived using an estimated effective annual income tax rate for 2013 of 35.8%, which excludes any discrete tax adjustments.

The American Taxpayer Relief Act of 2013 (the "Act") was signed into law on January 2, 2013. The Act included a provision to retroactively restore several expired business tax provisions, including the Work Opportunity Tax Credit, as of January 1, 2012, with a new expiration date of December 31, 2013. Because a change in tax law is accounted for in the period of enactment, and the Act was enacted after Fiesta's fiscal year-end, the retroactive effect of renewing the Work Opportunity Tax Credit was recorded as a discrete item in the first quarter of 2013. The discrete tax adjustment for the retroactive effect of renewing the Work Opportunity Tax Credit decreased the provision for income taxes by $0.6 million in the three months ended March 31, 2013.

6. Stock-Based Compensation

Prior to the Spin-off, certain of the Company's employees participated in the Carrols Restaurant Group, Inc. 2006 Stock Incentive Plan, as amended (the "Carrols Plan"). In conjunction with the Spin-off, the Company established the Fiesta Restaurant Group, Inc. 2012 Stock Incentive Plan (the "Fiesta Plan") in order to be able to compensate its employees and directors by issuing stock options, stock appreciation rights, or stock awards to them under this plan. For the three months ended March 30, 2014 and March 31, 2013, the condensed consolidated statements of operations include expenses related to the Company's employees' and directors' participation in both the Carrols Plan and the Fiesta Plan.

Effective as of the completion of the Spin-off, all holders of Carrols non-vested restricted stock (awarded under the Carrols Plan) on April 26, 2012, the record date of the Spin-off, received one share of Fiesta Restaurant Group non-vested restricted stock for every one share of Carrols non-vested restricted stock held, with terms and conditions substantially similar to the terms and conditions applicable to the Carrols non-vested restricted stock. Future stock compensation expense on all non-vested restricted Carrols and Fiesta stock awards held by the Company's employees will be recorded by the Company.

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

During the three months ended March 30, 2014, the Company granted 71,891 non-vested restricted shares under the Fiesta Plan to certain employees. These shares vest and become non-forfeitable over a four year vesting period. The weighted average fair value at grant date for the non-vested shares issued to employees during the three months ended March 30, 2014 was $45.04.

Also during the three months ended March 30, 2014, the Company granted 24,252 restricted stock units under the Fiesta Plan to certain employees. Certain of the restricted stock units vest and become non-forfeitable over a four year vesting period and certain of the restricted units vest and become non-forfeitable at the end of a four year vesting period. The weighted average fair value at grant date for the restricted stock units issued to employees during the three months ended March 30, 2014 was $45.04.

During the three months ended March 31, 2013, the Company granted in the aggregate 152,703 non-vested restricted shares under the Fiesta Plan to certain employees. These shares vest and become non-forfeitable over a four year vesting period. The weighted average fair value at the grant date for restricted non-vested shares issued to employees during the three months ended March 31, 2013 was $20.54.

Stock-based compensation expense for the three months ended March 30, 2014 and March 31, 2013 was $0.7 million and $0.4 million, respectively. As of March 30, 2014, the total unrecognized stock-based compensation expense relating to non-vested restricted shares and non-vested restricted stock units was approximately $8.9 million. At March 30, 2014, the remaining weighted average vesting period for non-vested restricted shares and non-vested restricted stock units was 2.4 years.

Non-vested Shares

A summary of all non-vested restricted share activity for the three months ended March 30, 2014 was as follows:

	Shares	Weighted Average Grant Date Price
Non-vested at December 29, 2013	627,311	$14.81
Granted	71,891	45.04
Vested	(160,788)	13.20
Forfeited	(1,621)	17.63
Non-vested at March 30, 2014	536,793	$19.33

The fair value of the non-vested restricted shares is based on the closing price on the date of grant.

7. Business Segment Information

The Company is engaged in the fast-casual restaurant industry, with two restaurant concepts (each of which is an operating segment): Pollo Tropical and Taco Cabana. Pollo Tropical is a fast-casual restaurant brand offering a wide variety of freshly prepared Caribbean inspired food, while our Taco Cabana restaurants offer a broad selection of hand-made, freshly prepared and authentic Mexican food.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies discussed in Note 1. The Company reports more than one measure of segment profit or loss to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The primary measures of segment profit or loss used to assess performance and allocate resources are income before taxes and Adjusted EBITDA, which is defined as earnings attributable to the applicable operating segment before interest, income taxes, depreciation and amortization, impairment and other lease charges, stock-based compensation expense and other income and expense. Although the chief operating decision maker uses Adjusted EBITDA as a measure of segment profitability, in accordance with Accounting Standards Codification 280, Segment Reporting, the following table includes segment income before taxes, which is the measure of segment profit or loss determined in accordance with the measurement principles that are most consistent with the principles used in measuring the corresponding amounts in the consolidated financial statements.

Table of Contents
FIESTA RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands of dollars, except share and per share amounts)

The “Other” column includes corporate related items not allocated to reportable segments and consists primarily of corporate owned property and equipment, miscellaneous prepaid costs, capitalized costs associated with the issuance of indebtedness and corporate cash accounts.

Three Months Ended	Pollo Tropical	Taco Cabana	Other	Consolidated
March 30, 2014:				
Restaurant sales	$71,356	$73,469	$—	$144,825
Franchise revenue	488	123	—	611
Cost of sales	23,229	22,300	—	45,529
Restaurant wages and related expenses (1)	15,265	21,241	—	36,506
Restaurant rent expense	2,917	4,287	—	7,204
Other restaurant operating expenses	8,377	9,508	—	17,885
Advertising expense	1,962	3,457	—	5,419
General and administrative expense (2)	6,240	5,911	—	12,151
Depreciation and amortization	2,577	2,768	—	5,345
Pre-opening costs	533	150	—	683
Impairment and other lease charges	(39)	24	—	(15)
Interest expense	287	316	—	603
Income before taxes	10,496	3,636	—	14,132
Capital expenditures	9,821			