

CARROLS RESTAURANT GROUP, INC.

Syracuse, New York

PERSONNEL POLICY AND PROCEDURE

Subject: **CODE OF BUSINESS ETHICS AND CONDUCT**

Instruction No: 325

Effective Date: 11/21/06

Revised: 10/22/07

Affects: All Employees

Approved By: William Myers

Title: Vice President, General Counsel

I. INTRODUCTION & PURPOSE

This Code of Business Ethics and Conduct (the “Code”) is applicable to all officers, directors and employees of Carrols Restaurant Group, Inc. and its subsidiaries, divisions and business units (collectively the “Company”). References to “employees” in this policy is deemed to include all officers, directors, salaried and hourly employees.

The purpose of this Code is to:

- promote the honest and ethical conduct of our employees, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- promote proper accounting and full, fair, and accurate disclosure in periodic reports required to be filed with the Securities and Exchange Commission (the “SEC”); and
- promote compliance with all laws, rules and regulations that apply to the Company.

II. GENERAL INTEGRITY

Our Company strives to achieve and maintain the highest ethical standards in all of its business dealings and activities. We have a long standing reputation as an honest and ethical organization, which we value greatly. While customs and perhaps even standards of ethics may vary in different business environments, honesty, integrity and the highest ethical standards must always characterize our business activities. Any attempts by employees to achieve results by violating laws, rules or regulations or through unscrupulous dealings such as bribery, kickbacks, and similar unethical practices, will not be permitted or tolerated.

Often in business we are faced with difficult situations and decisions and are unsure what to do. In those situations should always ask yourself:

- Are my actions legal?
- Am I being honest?
- Will my action stand the test of time?
- How will I feel about myself afterward?
- How will I feel if my actions were reported in the newspaper?
- Will I sleep soundly tonight?
- What would I tell my child to do?

In general, if it does not feel “right” it probably isn’t!

III. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Our Company strives to maintain full compliance with all laws, rules and regulations. In some instances, laws, rules and regulations may be unclear, ambiguous or difficult to interpret. If you are in doubt as to whether your actions comply with all applicable laws you should consult your supervisor and/or a member of the Company’s Legal team.

IV. CONFLICTS OF INTEREST

As a valued employee, you have a duty of loyalty to the Company. This duty can be violated if you engage in activities that conflict with Company interests or even create a perceived conflict. A conflict may arise when you are influenced or even appear to be influenced by considerations of personal gain or benefit for you or a family member that conflict with your obligation to serve the Company. Conflicts can take many forms, not all of which can be specifically mentioned here. The following is not an exhaustive list, but are some examples of conflicts that should be avoided or otherwise disclosed:

- Engaging in any activity that conflicts with the Company’s business, such as working as a consultant or in any capacity for another quick service restaurant company.
- An employee or family member having an ownership interest or other business relationship with a competitor, supplier, franchisee, landlord or distributor of the Company.
- Conducting any Company business with or on behalf of a family member, including business with any supplier, franchisee, landlord, or distributor of the Company.

- Borrowing money from any bank or firm with whom the Company does business, with terms more favorable than those generally available to the public.
- Serving as an officer or director of, or working as an employee or consultant for, a competitor, supplier, franchisee, landlord, or distributor or any other company without the approval of the Chief Ethics and Compliance Officer.

Conflicts of interest can also arise when it involves a close personal friend, not just family members. If you are “steering” Company business or a contract to a close friend rather than the organization with the best price, terms or service, you may be in violation of this Code. Once again, if it does not feel right, it probably isn’t!

V. ACCEPTANCE OF COSTLY ENTERTAINMENT OR GIFTS

A normal and acceptable part of business involves engaging in business related entertainment, such as dining or attending sporting or social events. These activities are fine as long as they are reasonable, are conducted in connection with Company business and do not influence your business judgments and decisions. It is not appropriate, however, to accept invitations to such entertainment activities if it involves a substantial cost to the provider.

Giving and accepting gifts is also a normal business activity, however, it is not acceptable to give or receive expensive or extravagant gifts or to be influenced by gifts, including free services, products, entertainment or travel. All gifts given or received must be given openly and lawfully and may not be exchanged when it is or will be perceived to influence the nature or continuation of the business relationship. As a general rule, any gift, the value of which exceeds one hundred fifty (\$150) dollars, must be reported to your immediate supervisor. If you are in doubt as to the value, report it!

VI. PROPER ACCOUNTING AND REPORTING

All Company business transactions must be properly authorized and be accurately recorded and described in the Company’s books and records, in accordance with generally accepted accounting principles and established Company financial policy. All filings and periodic reports filed with the SEC must be full, fair and accurate and in compliance with all applicable rules and regulations. Compliance with accounting procedures and internal control procedures is required at all times.

Employees should never participate in the misstatement of the Company's financial statements and no circumstances ever exist to justify the maintenance of "off the books" accounts to facilitate questionable or illegal payments or transactions, or to artificially improve financial results.

No officer, director or employee should make a false or misleading statement to the Company's external or internal auditors nor should any officer, director, or employee conceal or fail to reveal any information necessary to avoid making the statements made to such auditors appear misleading.

VII. COMPLIANCE AND ENFORCEMENT

You are expected to comply with both the letter and spirit of all applicable government laws, rules and regulations. Each individual covered by this Code shall be held responsible for full compliance with this Code. Any person found to have violated this Code shall be subject to disciplinary action, up to and including immediate termination of employment for cause or provision of services for cause, as applicable and possible prosecution.

VIII. REPORTING

Our Company is dedicated to providing a work environment in which all employees are free to express concerns or report violations without fear of retaliation. We call upon employees to help us in this goal by reporting all violations or apparent violations of this Code. Our Company is committed to maintaining confidentiality in the course of investigation of any potential violations. Employees may also make reports and voice concerns anonymously if they desire Using *EthicsPoint* via the toll free number (800-511-8439) or via the web at www.ethicspoint.com. *No employee will suffer retaliation for making a good faith report of an ethics violation (or apparent violation). Anyone who tries to prevent an employee from reporting a violation or retaliates against an employee for reporting is subject to disciplinary action, up to and including termination.*

Generally, violations of this Code should be reported to the immediate supervisor of the employee who has committed the alleged violation or in the case of a Director, the Chief Ethics and Compliance Officer. That supervisor shall inform the Legal Department or the Human Resources Department of the alleged violation. If, however, a reporting employee believes it would not be appropriate to report an alleged violation to the immediate supervisor, the reporting employee shall report the violation directly to the Legal Department, or the Human Resources Department, or any officer of the Company.

The Company will take all reasonable steps to ensure that the identity of the reporting employee is kept confidential, except to the extent the reporting person consents to being identified or the identification is required by law or is otherwise necessary to conduct a full and complete investigation of the alleged violation.

Employees must report in good faith. Unfortunately, a program like this can be abused. From time to time, an officer, director or employee may attempt to harm or slander another officer, director or employee by false accusation, malicious rumors or other irresponsible actions. Such attempts or any misuse of this system for reporting officer, director or employee concerns will be subject to discipline.