

MEXICAN RESTAURANTS INC
Form 10-Q
August 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 29, 2008

OR

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

For the transition period from _____ to _____

Commission file number: 0-28234

Mexican Restaurants, Inc.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

76-0493269
(IRS Employer Identification Number)

1135 Edgebrook, Houston, Texas
(Address of Principal Executive Offices)

77034-1899
(Zip Code)

Registrant's telephone number, including area code: 713-943-7574

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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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Number of shares outstanding of each of the issuer's classes of common stock, as of August 11, 2008: 3,249,891 shares of common stock, par value \$.01.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Mexican Restaurants, Inc.
Consolidated Balance Sheets

ASSETS	(Unaudited)	
	6/29/2008	12/30/07
Current assets:		
Cash	\$ 709,195	\$ 1,154,629
Royalties receivable	69,514	61,233
Other receivables	823,440	832,790
Inventory	740,291	750,516
Income taxes receivable	352,846	372,576
Prepaid expenses and other current assets	869,082	975,195
Total current assets	3,564,368	4,146,939
Property and equipment	39,133,754	37,028,882
Less accumulated depreciation	(20,784,680)	(19,175,946)
Net property and equipment	18,349,074	17,852,936
Goodwill	11,403,805	11,403,805
Deferred tax assets	419,077	439,985
Other assets	462,059	512,261
Total Assets	\$ 34,198,383	\$ 34,355,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,945,772	\$ 2,181,873
Accrued sales and liquor taxes	163,626	130,941
Accrued payroll and taxes	1,050,946	1,135,326
Accrued expenses	1,103,517	1,461,141
Current portion of liabilities associated with leasing and exit activities	42,977	148,681
Total current liabilities	4,306,838	5,057,962
Long-term debt	6,500,000	6,400,000
Other liabilities associated with leasing and exit activities, net of current portion	548,686	577,582
Deferred gain	1,040,714	1,144,785
Other liabilities	2,000,666	1,910,270
Total liabilities	14,396,904	15,090,599

Commitments and Contingencies

Stockholders' equity:

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Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	--	--
Common stock, \$0.01 par value, 20,000,000 shares authorized, 4,732,705 shares issued	47,327	47,327
Additional paid-in capital	19,351,170	19,275,067
Retained earnings	13,542,472	13,107,896
Treasury stock of 1,482,814 and 1,485,689 common shares, at 6/29/08 and 12/30/07, respectively	(13,139,490)	(13,164,963)
Total stockholders' equity	19,801,479	19,265,327
Total Liabilities and Stockholders' Equity	\$ 34,198,383	\$ 34,355,926

See accompanying notes to consolidated financial statements.

Mexican Restaurants, Inc. and Subsidiaries

Consolidated Statements of Income
(Unaudited)

	13-Week Period Ended 6/29/2008	13-Week Period Ended 7/01/2007	26-Week Period Ended 6/29/2008	26-Week Period Ended 7/01/2007
Revenues:				
Restaurant sales	\$ 20,704,183	\$ 20,700,473	\$ 40,948,656	\$ 41,028,292
Franchise fees, royalties and other	161,306	169,716	319,887	331,960
Business interruption	121,192	-	121,192	-
	20,986,681	20,870,189	41,389,735	41,360,252
Costs and expenses:				
Cost of sales	6,070,857	5,896,176	11,860,751	11,643,175
Labor	6,827,032	6,631,254	13,258,855	13,480,073
Restaurant operating expenses	4,929,922	5,080,626	10,000,419	10,178,792
General and administrative	1,813,156	1,926,749	3,914,738	3,835,630
Depreciation and amortization	875,631	856,462	1,734,490	1,678,235
Pre-opening costs	35,664	19,993	72,548	19,993
Impairment costs	22,577	-	54,829	-
Gain on disposition of assets from Vidor fire	(149,338)	-	(275,709)	-
Loss on sale of other property and equipment	16,738	84,367	43,745	91,682
	20,442,239	20,495,627	40,664,666	40,927,580
Operating income	544,442	374,562	725,069	432,672
Other income (expense):				
Interest income	828	1,861	2,910	3,824
Interest expense	(91,689)	(123,951)	(233,212)	(223,583)
Other, net	8,545	14,300	15,877	25,503
	(82,316)	(107,790)	(214,425)	(194,256)
Income from continuing operations before income taxes	462,126	266,772	510,644	238,416
Income tax expense	103,067	82,492	116,434	75,394
Income from continuing operations	359,059	184,280	394,210	163,022
Discontinued Operations:				
Income from discontinued operations	-	24,543	-	3,090
Restaurant closure income (expense)	-	(110,529)	52,289	(169,549)
Gain on sale of assets	-	-	-	3,412
Income (loss) from discontinued operations before income taxes	-	(85,986)	52,289	(163,047)
Income tax benefit (provision)	-	31,588	(11,923)	60,363
Income (loss) from discontinued operations	-	(54,398)	40,366	(102,684)

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Net income	\$	359,059	\$	129,882	\$	434,576	\$	60,338
Basic income (loss) per share								
Income from continuing operations	\$	0.11	\$	0.06	\$	0.12	\$	0.05
Income (loss) from discontinued operations		-		(0.02)		0.01		(0.03)
Net income	\$	0.11	\$	0.04	\$	0.13	\$	0.02
Diluted income (loss) per share								