

MEXICAN RESTAURANTS INC  
Form 10-Q  
November 17, 2010

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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 October 3, 2010

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)

12000 Aerospace Ave. Suite 400, Houston,  
Texas  
(Address of Principal Executive Offices)

77034  
(Zip Code)

Registrant's telephone number, including area code: 832-300-5858

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

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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 its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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 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 November 12, 2010: 3,413,099 shares, par value \$.01.

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## PART 1 - FINANCIAL INFORMATION

## Item 1. Financial Statements

Mexican Restaurants, Inc. and Subsidiaries  
Consolidated Balance Sheets

ASSETS	(Unaudited) 10/3/2010	1/3/2010
<b>Current assets:</b>		
Cash	\$387,662	\$719,944
Royalties receivable	98,112	61,194
Other receivables	575,606	639,019
Inventory	548,835	562,682
Income taxes receivable	--	284,724
Prepaid expenses and other current assets	956,178	1,065,056
Assets related to discontinued operations	251,584	161,523
<b>Total current assets</b>	<b>2,817,977</b>	<b>3,494,142</b>
<b>Property and equipment, net</b>	<b>16,547,775</b>	<b>17,491,335</b>
<b>Goodwill</b>	<b>5,017,243</b>	<b>5,017,243</b>
Deferred tax assets	2,101,936	1,542,999
Other assets	145,311	147,667
Other assets related to discontinued operations	33,878	33,878
<b>Total Assets</b>	<b>\$26,664,120</b>	<b>\$27,727,264</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$2,482,843	\$1,929,864
Accrued sales, liquor, and payroll taxes	897,400	979,735
Accrued expenses	951,126	1,104,185
Income taxes payable	113,095	--
Current portion of long-term debt	4,400,000	--
Current liabilities related to discontinued operations	25,494	39,554
Current portion of liabilities associated with leasing and exit activities	161,899	107,381
<b>Total current liabilities</b>	<b>9,031,857</b>	<b>4,160,719</b>
<b>Long-term debt</b>	<b>--</b>	<b>5,150,000</b>
Liabilities associated with leasing and exit activities, net of current portion	643,774	611,392
Deferred gain	572,393	728,500
Deferred rent	2,062,249	2,149,313
<b>Total Liabilities</b>	<b>12,310,273</b>	<b>12,799,924</b>
<b>Commitments &amp; Contingencies</b>		

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Stockholders' equity:		
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, 3,413,099 and 3,290,041 shares outstanding at 10/3/2010 and 1/3/2010, respectively	47,327	47,327
Additional paid-in capital	18,677,513	19,390,702
Retained earnings	7,322,474	8,272,186
Treasury stock, at cost, 1,319,606 and 1,442,564 common shares at 10/3/10 and 1/3/10, respectively	(11,693,467)	(12,782,875)
Total stockholders' equity	14,353,847	14,927,340
Total Liabilities and Stockholders' Equity	\$26,664,120	\$27,727,264

See accompanying notes to consolidated financial statements.

Mexican Restaurants, Inc. and Subsidiaries  
 Consolidated Statements of Operations  
 (Unaudited)

	13-Week Period Ended 10/3/2010	13-Week Period Ended 9/27/2009	39-Week Period Ended 10/3/2010	39-Week Period Ended 9/27/2009
Revenues:				
Restaurant sales	\$16,474,078	\$17,096,233	\$50,248,295	\$54,217,484
Franchise fees, royalties and other	125,138	128,962	366,826	393,829
Business interruption	--	107,318	--	210,846
	16,599,216	17,332,513		