

AUSTINS STEAKS & SALOON INC  
Form 10-Q/A  
June 07, 2001

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## U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### Form 10-Q/A

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

For the period ended March 31, 2001

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

Commission file number 0-25366

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## AUSTINS STEAKS & SALOON, INC.

(Exact name of small business issuer as specified in its charter)

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

**86-0723400**  
(I.R.S. Employer  
Identification No.)

**317 Kimball Avenue, NW  
Roanoke, VA 24016**

(Address of principal executive office)

**(540) 345-3195**

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

As of May 21, 2001, there were 12,079,900 shares of the issuer's common stock outstanding.

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Three Months Ended March 31, 2001

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## PART 1. FINANCIAL INFORMATION

### Item 1. Financial Statements

**AUSTINS STEAKS & SALOON, INC.**  
Consolidated Balance Sheets  
March 31, 2001 and December 31, 2000

|  | March 31, 2001 | December 31, 2000 |
|--|----------------|-------------------|
| Assets   | (Unaudited)    |                   |
| <b>Current assets:</b>   |                |                   |
| Cash and cash equivalents  | \$ 894,654     | \$ 1,467,985      |
| Trade accounts receivable, net of allowance for doubtful accounts of \$207,465 in 2001 and \$192,465 in 2000 | 1,015,149      | 1,065,496         |
| Current installments of notes receivable   | 92,959         | 88,232            |
| Other receivables  | 295,085        | 582,002           |
| Inventories  | 285,999        | 702,065           |
| Prepaid expenses   | 248,459        | 258,398           |
| Income taxes refundable  | 943,661        | 943,661           |
| Deferred income taxes  | 287,817        | 287,817           |

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| Assets   | March 31, 2001       | December 31, 2000    |
|--|----------------------|----------------------|
| Total current assets   | 4,063,783            | 5,395,656            |
| Notes receivable, less allowance for doubtful accounts of \$53,535 in 2001 and 2000, excluding current installments    | 325,567              | 92,775               |
| Property and equipment, net  | 8,138,965            | 8,618,654            |
| Franchise royalty contracts, net of accumulated amortization of \$4,567,013 in 2001 and \$4,409,439 in 2000            | 4,887,418            | 5,044,992            |
| Goodwill, net of accumulated amortization of \$2,172,411 in 2001 and \$2,058,681 in 2000                               | 4,651,391            | 4,765,121            |
| Favorable lease rights, net of accumulated amortization of \$129,418 in 2001 and \$106,150 in 2000                     | 424,415              | 447,683              |
| Financing costs, net of accumulated amortization of \$51,117 in 2001 and \$47,068 in 2000                              | 139,186              | 143,235              |
| Deferred income taxes  | 999,748              | 999,748              |
| Other assets, net  | 291,085              | 413,880              |
|  | <u>\$ 23,921,558</u> | <u>\$ 25,921,744</u> |
| <b>Liabilities and Stockholders' Equity</b>  |                      |                      |
| Current liabilities:   |                      |                      |
| Bank overdraft   | \$                   | \$ 239,155           |
| Credit line note payable to bank   | 498,000              | 494,321              |
| Current installments of long-term debt   | 2,041,129            | 931,395              |
| Accounts payable   | 3,439,901            | 4,386,819            |
| Accrued expenses and other   | 1,060,441            | 3,132,156            |
| Total current liabilities  | 7,039,471            | 9,183,846            |
| Long-term debt, excluding current installments   | 5,032,379            | 5,073,724            |
| Total liabilities  | 12,071,850           | 14,257,570           |
| Stockholders' equity:  |                      |                      |
| Common stock; \$.01 par value. Authorized 20,000,000 shares; issued and outstanding 12,079,900 shares in 2001 and 2000 | 120,799              | 120,799              |
| Additional paid-in capital   | 8,625,150            | 8,625,150            |
| Retained earnings  | 3,103,759            | 2,918,225            |
| Total stockholders' equity   | 11,849,708           | 11,664,174           |
| Commitments and contingencies  |                      |                      |
|  | <u>\$ 23,921,558</u> | <u>\$ 25,921,744</u> |

See accompanying notes to consolidated financial statements.

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|                                  | Three Months<br>Ended March 31, |                   |
|----------------------------------|---------------------------------|-------------------|
|                                  | 2001                            | 2000              |
| <b>Revenues:</b>                 |                                 |                   |
| Company-operated stores          | \$ 9,867,323                    | \$ 9,663,156      |
| Franchise operations             | 1,513,935                       | 1,334,059         |
| Other                            | 99,547                          | 126,223           |
| <b>Total revenues</b>            | <b>11,480,805</b>               | <b>11,123,438</b> |
| <b>Costs and expenses:</b>       |                                 |                   |
| Cost of company-operated stores  | 6,914,762                       | 6,616,020         |
| Cost of franchise operations     | 467,774                         | 554,226           |
| Other cost of operations         | 74,723                          | 93,699            |
| Restaurant operating expenses    | 2,342,023                       | 2,020,677         |
| General and administrative       | 534,611                         | 597,350           |
| Depreciation and amortization    | 578,665                         | 633,881           |
| <b>Total costs and expenses</b>  | <b>10,912,558</b>               | <b>10,515,853</b> |
| Income from operations           | 568,247                         | 607,585           |
| <b>Other income (expense):</b>   |                                 |                   |
| Interest expense                 | (175,235)                       | (206,658)         |
| Interest income                  | 1,675                           | 8,788             |
| Other                            | (82,103)                        | (134,254)         |
|                                  | <b>(255,663)</b>                | <b>(332,124)</b>  |
| Income before income tax expense | 312,584                         | 275,461           |
| Income tax expense               | 127,050                         | 106,670           |
| <b>Net Income</b>                | <b>\$ 185,534</b>               | <b>\$ 168,791</b> |
| <b>Earnings per share:</b>       |                                 |                   |
| Basic                            | \$ 0.02                         | \$ 0.01           |
| Diluted                          | \$ 0.02                         | \$ 0.01           |

See accompanying notes to consolidated financial statements.

**AUSTINS STEAKS & SALOON, INC.**  
 Consolidated Statement of Changes in Stockholders' Equity  
 Three Months Ended March 31, 2001  
 (Unaudited)

| Common Stock |         | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Total |
|--------------|---------|----------------------------------|----------------------|-------|
| Shares       | Dollars |                                  |                      |       |
|              |         |                                  |                      |       |

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Common Stock

|                             |            |    |         |    |           |    |           |    |            |
|-----------------------------|------------|----|---------|----|-----------|----|-----------|----|------------|
| Balances, December 31, 2000 | 12,079,900 | \$ | 120,799 | \$ | 8,625,150 | \$ | 2,918,225 | \$ | 11,664,174 |
| Net income                  |            |    |         |    |           |    | 185,534   |    | 185,534    |
| Balances, March 31, 2001    | 12,079,900 | \$ | 120,799 | \$ | 8,625,150 | \$ | 3,103,759 | \$ | 11,849,708 |

See accompanying notes to consolidated financial statements.

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**AUSTINS STEAKS & SALOON, INC.**  
 Consolidated Statements of Cash Flows  
 Three Months Ended March 31, 2001 and 2000  
 (Unaudited)

|   | March 31,   |            |
|---|-------------|------------|
|   | 2001        | 2000       |
| <b>Cash flows from operating activities:</b>  |             |            |
| Net Income  | \$ 185,534  | \$ 168,791 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |             |            |
| Depreciation and amortization of property and equipment                                     | 280,044     | 334,013    |
| Amortization of franchise royalty contracts, goodwill, and other assets                     | 298,621     | 299,868    |
| Provision for bad debts   | 15,000      |            |
| Loss on sale/disposal of property and equipment   | 1,601       |            |
| (Increase) decrease in:   |             |            |
| Trade accounts receivable   | 35,347      | (47,326)   |
| Notes receivable  | 17,725      | 22,406     |
| Other receivables   | 286,917     | 9,321      |
| Inventories   | 416,066     | (4,388)    |
| Prepaid expenses  | 9,939       | (145,486)  |
| Other assets  | 122,795     | (2,814)    |
| Increase (decrease) in:   |             |            |
| Accounts payable  | (946,918)   | (278,210)  |
| Accrued expenses  | (2,071,715) | (44,161)   |
| Net cash provided by (used in) operating activities   | (1,349,044) | 312,014    |
| <b>Cash flows from investing activities:</b>  |             |            |
| Additions to property and equipment   | (57,200)    | (117,456)  |
| Net cash used in investing activities   | (57,200)    | (117,456)  |
| <b>Cash flows from financing activities:</b>  |             |            |

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|   | <b>March 31,</b> |                  |
|---|------------------|------------------|
|   | <u>2001</u>      | <u>2000</u>      |
| Net decrease in bank overdraft                      | (239,155)        | (149,305)        |
| Net increase in credit line note payable            | 3,679            | 53,861           |
| Proceeds from long term debt                        | 1,410,000        |                  |
| Payments on long-term debt and capital leases       | (341,611)        | (357,883)        |
|   | <u>832,913</u>   | <u>(453,327)</u> |
| Net cash provided by (used in) financing activities | 832,913          | (453,327)        |
|   | <u>(573,331)</u> | <u>(258,769)</u> |
| Net decrease in cash and cash equivalents           | (573,331)        | (258,769)        |
| Cash and cash equivalents at beginning of period    | 1,467,985        | 510,833          |
|   | <u>894,654</u>   | <u>252,064</u>   |
| Cash and cash equivalents at end of period          | \$ 894,654       | \$ 252,064       |

See accompanying notes to consolidated financial statements.

Noncash investing activities:

During the three months ended March 31, 2001, the Company sold property and equipment in exchange for notes receivable totaling \$255,244

**AUSTINS STEAKS & SALOON, INC.**  
Notes to Consolidated Financial Statements  
March 31, 2001 and 2000  
(Unaudited)

**(1) Summary of Significant Accounting Policies**

(a)

***Basis of Presentation***

The accompanying unaudited consolidated financial statements have been prepared by Austins Steaks & Saloon, Inc. ("Austins" or the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial reporting information and the instructions to Form 10-Q/A and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all material reclassifications and adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the results of operations, financial position and cash flows for each period shown have been included. Operating results for interim periods are not necessarily indicative of the results for the full year. The unaudited consolidated financial statements and notes are presented as permitted by Form 10-Q/A and do not contain certain information included in the Company's annual consolidated financial statements and notes. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000.

(b)

***Reclassifications***

Certain reclassifications have been made to 2000 financial statement amounts to conform to the 2001 presentation. Also, certain reclassifications have been made to the amounts included in the original March 31, 2001 Form 10-Q filed by the Company.

**(2) Earnings Per Share**

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Stock options were not included in computing diluted earnings per share for the three month periods ended March 31, 2001 and 2000 because these effects are anti-dilutive.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the periods indicated:

|  | <u>Income<br/>(Numerator)</u> | <u>Weighted<br/>Average Shares<br/>(Denominator)</u> | <u>Earnings<br/>Per Share<br/>Amount</u> |
|--|-------------------------------|--|--|
| <b>Three months ended March 31, 2001</b> |                               |  |  |
| Net income basic and diluted             | \$ 185,534                    | 12,079,900   | 0.02                                     |
| <b>Three months ended March 31, 2000</b> |                               |  |  |
| Net income basic and diluted             | \$ 168,791                    | 12,103,824   | 0.01                                     |

**(3) Reportable Segments**

The Company has defined two reportable segments: Company-operated restaurants and franchising and other. The Company-operated restaurant segment consists of the operations of all Company-operated restaurants and derives its revenues from the operations of "WesterN SizzliN Steakhouse," "Great American Steak & Buffet," "WesterN SizzliN Wood Grill," "Quincy's Steakhouse" and "Austins Steaks & Saloon." The franchising and other segment consists of franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from franchisees.

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Generally, the Company evaluates performance and allocates resources based on income from operations before income taxes and eliminations. Administrative and capital costs are allocated to segments based upon predetermined rates or actual or estimated resource usage. The Company accounts for intercompany sales and transfers as if the sales or transfers were with third parties and eliminates the related profit in consolidation.

Reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. Through March 31, 2001, all revenues for each business segment were derived from business activities conducted with customers located in the United States. No single external customer accounted for 10 percent or more of the Company's consolidated revenues.

The following table summarizes reportable segment information:

|   | <u>Three Months Ended March 31,</u> |             |
|---|-------------------------------------|-------------|
|   | <u>2001</u>                         | <u>2000</u> |
| <b>Revenues from reportable segments:</b> |                                     |             |
| Restaurants                               | \$ 9,867,323                        | 9,663,156   |
| Franchise and other                       | 1,613,482                           | 1,460,282   |
| Total revenues                            | \$ 11,480,805                       | 11,123,438  |
| <b>Depreciation and amortization:</b>     |                                     |             |
| Restaurants                               | 389,816                             | 450,393     |

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|   | Three Months Ended March 31, |                       |
|---|------------------------------|-----------------------|
|   | March 31, 2001               | March 31, 2000        |
| Franchising and other                     | 188,849                      | 183,488               |
| Total depreciation and amortization       | \$ 578,665                   | 633,881               |
| <b>Interest expense:</b>                  |                              |                       |
| Restaurants                               | 150,926                      | 167,145               |
| Franchising and other                     | 24,309                       | 39,513                |
| Total interest expense                    | \$ 175,235                   | 206,658               |
| <b>Interest income:</b>                   |                              |                       |
| Restaurants                               | 1,675                        | 6,426                 |
| Franchising and other                     |                              | 2,362                 |
| Total interest income                     | \$ 1,675                     | 8,788                 |
| <b>Income (loss) before income taxes:</b> |                              |                       |
| Restaurants                               | (332,097)                    | 59,382                |
| Franchising and other                     | 644,681                      | 216,079               |
| Total income before income taxes          | \$ 312,584                   | 275,461               |
|   | <b>March 31, 2001</b>        | <b>March 31, 2000</b> |
| <b>Gross fixed assets:</b>                |                              |                       |
| Restaurants                               | 11,150,968                   | 11,661,568            |
| Franchising and other                     | 1,393,970                    | 1,395,164             |
| Total gross fixed assets                  | \$ 12,544,938                | 13,056,732            |
| <b>Expenditures for fixed assets</b>      |                              |                       |
| Restaurants                               | 1,603                        | 98,719                |
| Franchising and other                     | 55,597                       | 18,737                |
| Total expenditures for fixed assets       | \$ 57,200                    | 117,456               |

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

The Company currently operates and franchises a total of 261 restaurants located in 24 states, including 21 company-owned and 240 franchise restaurants. The restaurants include a family steakhouse concept, a steak and buffet concept, and the casual dining steakhouse concept.



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During June 2000, the Company negotiated a short-term lease agreement with Franchise Finance Corporation of America (FFCA). The lease agreement with FFCA was entered into by Western Sizzlin Stores of Virginia (WSSVA), an entity which was formed for the sole purpose of entering into this agreement. Under the short-term lease agreement, the Company leased and operated 97 Quincy Steakhouses, owned by FFCA. The restaurants' operating results, including all revenues and expenses, were included in the Company's consolidated financial statements for the year ended December 31, 2000. In December 2000, the company closed 44 of the restaurants. Of the 53 restaurants which remained open at December 31, 2000, 43 restaurants were franchised during the first quarter of 2001, with the remaining 10 restaurants closing during the first quarter of 2001. At the end of the first quarter, no Quincy Steakhouses remained as company-owned restaurants.

From time to time, the Company may publish forward-looking statements relating to certain matters, including anticipated financial performance, business prospects, the future opening of Company-operated and franchised restaurants, anticipated capital expenditures, and other matters. All statements other than statements of historical fact contained in the Form 10-Q/A or in any other report of the Company are forward-looking statements. The Private Securities Litigation Reform Act of 1995 provided a safe harbor for forward-looking statements. In order to comply with the terms of that safe harbor, the Company notes that a variety of factors, individually or in the aggregate, could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements including, without limitation, the following: the ability of the Company or its franchisees to obtain suitable locations for restaurant development; consumer spending trends and habits; competition in the restaurant segment with respect to price, service, location, food quality and personnel resources; weather conditions in the Company's operating regions; laws and government regulations; general business and economic conditions; availability of capital; success of operating initiatives and marketing and promotional efforts; and changes in accounting policies. In addition, the Company disclaims any intent or obligation to update those forward-looking statements.

### Results of Operations

Net income for the three month period ended March 31, 2001 was \$185,534 as compared to \$168,791 for the three month period ended March 31, 2000. The increase in net income over the prior quarter is attributable to management's efforts to increase our franchise system by adding the 43 Quincys units into our system in the first quarter of 2001.

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The following table sets forth for the periods presented the percentage relationship to total revenues of certain items included in the consolidated statements of operations and certain restaurant data for the periods presented:

|                                 | Three Months Ended<br>March 31, |              |
|---------------------------------|---------------------------------|--------------|
|                                 | 2001                            | 2000         |
| <b>Revenues:</b>                |                                 |              |
| Company-operated stores         | 85.9%                           | 86.9%        |
| Franchise royalties and fees    | 13.2                            | 12.0         |
| Other sales                     | 0.9                             | 1.1          |
| <b>Total revenues</b>           | <b>100.0</b>                    | <b>100.0</b> |
| <b>Costs and expenses:</b>      |                                 |              |
| Cost of company-operated stores | 60.2                            | 59.5         |
| Cost of franchise operations    | 4.1                             | 5.0          |
| Other cost of operations        | 0.7                             | 0.8          |
| Restaurant operating expenses   | 20.4                            | 18.2         |
| General and administrative      | 4.7                             | 5.4          |
| Depreciation and amortization   | 5.0                             | 5.7          |
| <b>Total costs and expenses</b> | <b>95.1</b>                     | <b>94.6</b>  |

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|   | Three Months Ended<br>March 31, |       |
|---|---------------------------------|-------|
|   | 2001                            | 2000  |
| Income from operations                  | 4.9                             | 5.4   |
| Other income (expense)                  | (2.2)                           | (3.0) |
| Income before income tax expense        | 2.7                             | 2.4   |
| Income tax expense                      | 1.1                             | 0.9   |
| Net income                              | 1.6%                            | 1.5%  |
|   | Three Months Ended<br>March 31, |       |
|   | 2001                            | 2000  |
| <b>Restaurant Data</b>                  |                                 |       |
| Number of Company-Operated Restaurants: |                                 |       |
| Beginning of period                     | 23                              | 26    |
| Opened                                  |                                 |       |
| Closed                                  | 2                               |       |
| End of Period                           | 21                              | 26    |
| Number of Quincy-operated Restaurants:  |                                 |       |
| Beginning of period                     | 53                              |       |
| Opened                                  |                                 |       |
| Closed                                  | 10                              |       |
| Franchised                              | 43                              |       |
| End of period                           |                                 |       |
| Number of U.S. Franchised Restaurants:  |                                 |       |
| Beginning of period                     | 198                             | 210   |
| Opened                                  | 43                              |       |
| Closed                                  | 1                               | 1     |
| End of period                           | 240                             | 209   |

**Quarter Ended March 31, 2001 Compared to Quarter Ended March 31, 2000**

**Revenues**

Revenues increased 3.2 percent to \$11.5 million for the three-months ended March 31, 2001 as compared to \$11.1 million for the comparable three-month period ended March 31, 2000. The three month increase is primarily attributable to the consolidation of the Quincy operations, which had revenue of approximately

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\$1.6 million for the three months ended March 31, 2001. This increase was offset by a decrease of \$1.4 million in company-operated stores revenue attributable to five less company stores for the quarter ended March 31, 2001.

### Costs and Expenses

Cost of company-operated stores, consisting of food, beverage, and employee costs increased \$299,000 for the three months ended March 31, 2000 from \$6.6 million in 2000 to \$6.9 million in 2001 and as a percentage of total revenues from 59.5% in 2000, to 60.2% in 2001. The increase is due to the addition of the Quincy operations.

Cost of franchise operations decreased to 4.1% and \$468,000 for the three months ended March 31, 2001 from 5.0% and \$554,000 in 2000. The addition of the Quincy units did not effect these costs, but due to these units increasing sales, the percentages were impacted accordingly. The total dollar decrease in these costs is due to the company's efforts in streamlining costs, such as reassigning job duties and job reductions.

Restaurant operating expenses, which includes utilities, insurance, maintenance, rent and other such costs of the company-operated stores increased \$321,000 for the three months ended March 31, 2001. The majority of this increase is due to the operation of the Quincy stores. These expenses as a percentage of total revenues increased to 20.4% in 2001 compared to 18.2% in 2000 as the operating costs for the Quincy units were higher as a percentage of total revenue than the Company's other operated restaurants.

General and administrative expenses decreased as a percentage of total revenues from 5.4% in 2000 to 4.7% in 2001 for the three months ended March 31. This decrease is due to the fact that while revenues were added with the Quincy stores, the Company's administrative function was able to handle the additional workload without incurring additional incremental costs.

Depreciation and amortization expense decreased 9% for the three months ended March 31, 2001 compared to March 31, 2000 due primarily to closings of under performing company-operated restaurants and retirement of their related long-lived assets which were recorded as of December 31, 2000.

### Other Income (Expense)

Interest expense decreased for the three-month period ended March 31, 2001 as compared to 2000 due to a lower average outstanding principal balance comparing these respective periods. Interest income fluctuates according to the levels of available and investable cash balances. The Company employs a cash management system whereby available balances are invested on an overnight basis.

The Company's effective tax rate of approximately 40.6 percent in 2001 is comparable to the rate of 38.8 percent for 2000.

### Liquidity and Capital Resources

As is customary in the restaurant industry, the Company has operated with negative working capital. Historically, the Company has leased the majority of its restaurants and through a strategy of controlled growth has financed expansions from operating cash flow, proceeds from the sale of common stock, the utilization of the Company's line of credit and long-term debt provided by various lenders.

Cash flows of \$833,000 from financing activities and a reduction in cash and cash equivalents of \$573,000 were the primary sources of cash used to support operating activities. The Company utilizes its existing line of credit to provide additional short-term funding. Management is actively reviewing available financing alternatives to provide cash for future expansion, restructure existing debt, and provide additional working capital; however, no final agreements have been reached.

### Impact of Inflation

The impact of inflation on the costs of food and beverage products, labor and real estate can affect the Company's operations. Over the past few years, inflation has had a lesser impact on the Company's operations due to the lower rates of inflation in the nation's economy and economic conditions in the Company's market areas.

Management believes the Company has historically been able to pass on increased costs through certain selected menu price increases and has offset increased costs by increased productivity and purchasing efficiencies, but there can be no assurance that the Company will be able to do so in the future. Management

anticipates that the average cost of restaurant real estate leases and construction cost could increase in the future which could affect the Company's ability to expand. In addition, mandated health care or additional increases in the federal or state minimum wages could significantly increase the Company's costs of doing business.

### Item 3. *Quantitative and Qualitative Disclosure about Market Risk*

The Company does not engage in derivative financial instruments or derivative commodity instruments. As of March 31, 2001, the Company's financial instruments are not exposed to significant market risk due to foreign currency exchange risk or commodity price risk. However, the Company is exposed to market risk related to interest rates.

The table below provides information about the Company's debt obligations that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates.

Debt obligations held for other than trading purposes at March 31, 2001 (dollars in thousands):

#### EXPECTED MATURITY DATE

|                          | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>Thereafter</u> | <u>Total</u> | <u>Estimated<br/>Fair Value</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|---------------------------------|
| Credit Line Note Payable |             |             |             |             |             |                   |              |                                 |
| Variable Rate            | \$ 498      |             |             |             |             |                   | \$ 498       | \$ 498                          |
| Average Interest Rate    | 9.00%       |             |             |             |             |                   | 9.00%        |                                 |
| Long-term debt           |             |             |             |             |             |                   |              |                                 |
| Fixed Rate               | \$ 823      | \$ 521      | \$ 521      | \$ 538      | \$ 505      | \$ 3,007          | \$ 5,915     | \$ 5,948                        |
| Average Interest Rate    | 10.67%      | 10.11%      | 9.94%       | 9.94%       | 9.94%       | 10.04%            | 10.11%       |                                 |
| Variable Rate            | \$ 1,159    |             |             |             |             |                   | \$ 1,159     | \$ 1,159                        |
| Average Interest Rate    | 9.00%       |             |             |             |             |                   | 9.00%        |                                 |

## PART II. OTHER INFORMATION

Item 1. *Legal Proceedings* N/A

Item 2. *Change in Securities and Use of Proceeds* N/A

Item 3. *Defaults Upon Senior Securities* N/A

Item 4. *Submission of Matters to a Vote of Security Holders* N/A

Item 5. *Other Information* Registrant, in an effort to make a timely filing, filed the original Form 10-Q without review by any independent public accountants. This was not disclosed in the original filing. KPMG LLP has subsequently been engaged and has completed a review of the Registrant's interim financial statements for the three months ended March 31, 2001 in accordance with Statement on Auditing Standard No. 71. This amendment reflects any changes from the original filing. The changes did not affect reported earnings in the previous filing.

Item 6. *Exhibits and Reports on form 8-K:*

(a) Exhibits:

None

(b) Reports on Form 8-K

