MASCHMEIER STEPHANIE R
Form 4
February 04, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MASCHMEIER STEPHANIE R

(Last) (First) (Middle)

11465 JOHNS CREEK PARKWAY, SUITE 400

(Street)

JOHNS CREEK, GA 30097

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SAIA INC [SAIA]

3. Date of Earliest Transaction (Month/Day/Year)
02/02/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Options (Right to Buy)	$ 12.1	02/02/2010		A		3,720		02/02/2013	02/01/2017	Common Stock	3,720
Phantom Stock	(2)							(1)	(3)	Common Stock	3,100.926
Stock Options (Right to Buy)	$ 11.96							02/03/2012	02/02/2016	Common Stock	3,730

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MASCHMEIER STEPHANIE R 11465 JOHNS CREEK PARKWAY, SUITE 400 JOHNS CREEK, GA 30097			Controller	

Signatures

/s/ Stephanie R. Maschmeier	02/04/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Immediate

(2) The conversion rate of this derivative security on February 02, 2010 is 0.8466 resulting in 2,625.35 shares of common stock (underlying security in column 7).

(3) The shares of phantom stock become payable, in stock, upon reporting person's termination of service as an employee, in accordance with the terms of the Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (continued)

In accordance with FASB ASC Topic 820-10-50-1, we utilized a valuation model to determine the fair value of our swap agreements. As the valuation models for the swap agreements were based upon observable inputs, they are classified as Level 2 (see Note 11).

Derivative Instruments

We account for derivative instruments in accordance with FASB ASC Topic 815-10-05-4, "*Accounting for Derivative Instruments and Hedging Activities"* as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. In accordance with FASB ASC Topic 815-10-05-4, derivative instruments are recognized as assets or liabilities in the Company's consolidated balance sheets and are measured at fair value. We recognized all changes in fair value through earnings unless the derivative is determined to be an effective hedge. We currently have five derivatives which we have designated as effective hedges (See Note 11).

Income Taxes

We account for our income taxes using FASB ASC Topic 740, "*Income Taxes*", which requires the recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

We adopted the provisions regarding *Accounting for Uncertainty in Income Taxes,* which require the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We applied these changes to tax positions for our fiscal years ending September 28, 2013 and September 29, 2012. We had no material unrecognized tax benefits and no adjustments to our financial position, results of operations or cash flows were required. Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of September 28, 2013. We do not expect that unrecognized tax benefits will increase within the next twelve months. We recognize accrued interest and penalties related to uncertain tax positions as income tax expense.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

We follow FASB ASC Topic 718, "*Compensation – Stock Compensation*" to account for stock-based employee compensation, which generally requires, among other things that all employee share-based compensation be measured using a fair value method and that resulting compensation costs be recognized in the consolidated financial statements. We had no unvested stock options as of January 1, 2006 and granted no stock options subsequent thereto, including our fiscal years 2013 and 2012, so there is no compensation expense recorded in our consolidated financial statements for our fiscal years 2013 or 2012.

Long-Lived Assets

We continually evaluate whether events and circumstances have occurred that may warrant revision of the estimated life of our intangible and other long-lived assets or whether the remaining balance of our intangible and other long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that intangible or other long-lived assets should be evaluated for possible impairment, we will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest level for which there are cash flows, at the individual store level.

Earnings Per Share

We follow FASB ASC Topic 260 - "*Earnings per Share*." This section provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no 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 assumes the exercise of options granted if the weighted average market price exceeds the exercise price. Earnings per share are computed by dividing income available to common stockholders by the basic and diluted weighted average number of common shares.

Recently Adopted and Recently Issued Accounting Pronouncements

Adopted

In July 2013, the FASB issued ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.* The amendments in this Update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. This ASU is not expected to have a significant impact on our consolidated financial statements.

In May 2011, the FASB issued an update to ASC Topic 820 – "*Fair Value Measurements and Disclosures*". This update provides guidance on how fair value accounting should be applied where its use is already required or permitted by other standards and does not extend the use of fair value accounting. We adopted this guidance in the first quarter of our fiscal year 2013 as required, and the adoption did not have a significant impact on our consolidated financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements (Continued)

Issued

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU is not expected to have a significant impact on our consolidated financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

	2013	2012
Furniture and equipment	$10,868,000	$10,269,000
Leasehold improvements	19,112,000	18,905,000
Land and land improvements	14,595,000	12,030,000
Building and improvements	12,305,000	10,557,000
Vehicles	776,000	751,000
	57,656,000	52,512,000
Less accumulated depreciation and amortization	23,029,000	20,917,000
	$34,627,000	$31,595,000

Depreciation and amortization expense for the fiscal years ended September 28, 2013 and September 29, 2012 was approximately $2,453,000 and $2,377,000, respectively.

NOTE 3. LEASEHOLD INTERESTS

	2013	2012
Leasehold interests, at cost	$3,024,000	$3,024,000
Less accumulated amortization	1,981,000	1,847,000
	$1,043,000	$1,177,000

Future leasehold amortization as of September 28, 2013 is as follows:

2014	$134,000
2015	128,000
2016	122,000
2017	122,000
2018	122,000
Thereafter	415,000
Total	$1,043,000

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS

We have invested with others (some of whom are affiliated with our officers and directors) in ten limited partnerships which own and operate ten South Florida based restaurants under our service mark “Flanigan’s Seafood Bar and Grill”. In addition to being a limited partner in these limited partnerships, we are the sole general partner of all of these limited partnerships and manage and control the operations of the restaurants except for the restaurant located in Fort Lauderdale, Florida where we only hold a limited partnership interest.

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Generally, the terms of the limited partnership agreements provide that until the investors' cash investment in a limited partnership (including any cash invested by us) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant, as a return of capital, up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a management fee and one-half (1/2) to the investors (including us) prorata based upon the investors' investment, as a return of capital. Once all of the investors (including us) have received, in full, amounts equal to their cash invested, an annual management fee becomes payable to us equal to one-half (½) of cash available to be distributed, with the other one half (½) of available cash distributed to the investors (including us) as a profit distribution, pro-rata based upon the investors' investment.

As of September 28, 2013, limited partnerships owning three (3) restaurants, (Surfside, Florida, Kendall, Florida and West Miami, Florida locations), have returned all cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. In addition to our receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of our "Flanigan's Seafood Bar and Grill" service mark, which use is authorized only while we act as general partner. This 3% fee is "earned" when sales are made by the limited partnerships and is paid weekly, in arrears.

Surfside, Florida

We are the sole general partner and a 45% limited partner in this limited partnership which has owned and operated a restaurant in Surfside, Florida under our "Flanigan's Seafood Bar and Grill" service mark since March 6, 1998. 34.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 4, 2000. 29.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

West Miami, Florida

We are the sole general partner and a 27% limited partner in this limited partnership which has owned and operated a restaurant in West Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 11, 2001. 34.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Weston, Florida

We are the sole general partner and a 30% limited partner in this limited partnership which has owned and operated a restaurant in Weston, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since January 20, 2003. 35.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 81.25% of their initial cash invested. During our fiscal year 2013, no distributions were made to limited partners as this limited partnership had limited positive cash flow generated by this restaurant. This entity is consolidated in the accompanying financial statements.

Wellington, Florida

We are the sole general partner and a 28% limited partner in this limited partnership which has owned and operated a restaurant in Wellington, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since May 27, 2005. 25.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 65% of their initial cash invested, increased from approximately 56% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

Pinecrest, Florida

We are the sole general partner and 40% limited partner in this limited partnership which has owned and operated a restaurant in Pinecrest, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since August 14, 2006. 15.0% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 92% of their initial cash invested, increased from approximately 80% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Pembroke Pines, Florida

We are the sole general partner and an 18% limited partner in this limited partnership which has owned and operated a restaurant in Pembroke Pines, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 29, 2007. 17.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 45.0% of their initial cash invested, increased from approximately 41.0% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

Davie, Florida

We are the sole general partner and a 48% limited partner in this limited partnership which has owned and operated a restaurant in Davie, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since July 28, 2008. 9.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 35.5% of their initial cash invested, increased from approximately 27.5% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

Miami, Florida

We are the sole general partner and a 5% limited partner in this limited partnership which has owned and operated a restaurant in Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since December 27, 2012. 24.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 6.0% of their initial cash invested. This entity is consolidated in the accompanying financial statements.

Fort Lauderdale, Florida

A corporation, owned by a member of our Board of Directors, acts as sole general partner of a limited partnership which has owned and operated a restaurant in Fort Lauderdale, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since April 1, 1997. We have a 25% limited partnership interest in this limited partnership. 60.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. We have a franchise arrangement with this limited partnership. For accounting purposes, we do not consolidate the operations of this limited partnership into our operations. This entity is reported using the equity method in the accompanying consolidated financial statements. The following is a summary of condensed unaudited financial information pertaining to our limited partnership investment in Fort Lauderdale, Florida:

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Fort Lauderdale, Florida (Continued)

Financial Position:	2013	2012
Current assets	$453,000	$277,000
Non-current assets	418,000	439,000
Current liabilities	114,000	141,000
Operating Results:		
Revenues	2,777,000	2,641,000
Gross profit	1,847,000	1,751,000
Net income	242,000	181,000

NOTE 5. INVESTMENT IN REAL PROPERTY FINANCED BY DEBT

N. Miami, Florida

During the first quarter of our fiscal year 2013, we closed on the purchase of two parcels of real property (the “Two Mortgaged Parcels”), one of which (the “Near Parcel”) is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and the other of which is contiguous to the Near Parcel (the “Other Parcel”). We previously leased the Near Parcel for non-exclusive parking. Each of the Mortgaged Parcels contains a building of approximately 2,600 square feet, but we intend to demolish the building on the Near Parcel to provide for a larger parking lot to be used by our customers. We intend to offer the building on the Other Parcel for lease. We paid $2,900,000 for the Two Mortgaged Parcels, $1,950,000 of which was financed by the seller pursuant to a purchase money mortgage (the “$1.95M Mortgage Loan”). Our repayment obligations under the $1.95M Mortgage Loan are secured by a first mortgage on the Two Mortgaged Parcels. The $1.95M Mortgage Loan bears interest at the rate of 7.5% annually and is amortized over twenty (20) years, with our monthly payment of principal and interest totaling $15,700. The entire principal balance, in the approximate amount of $1,331,000 and all accrued but unpaid interest under the $1.95M Mortgage Loan is due on December 31, 2022. The balance outstanding under the loan was approximately $1,921,000 as of September 28, 2013.

NOTE 6. RE-FINANCING OF EXISTING DEBT; LINE OF CREDIT

Re-Financing of Existing Mortgage

During the second quarter of our fiscal year 2013, in order to refinance our third party debt secured by our real property located at 4 N. Federal Highway, Hallandale, Florida where our combination package liquor store and restaurant (Store #31) operates, we (i) re-financed with a non-affiliated third party lender, the mortgage loan encumbering the property which mortgage loan was held by another non-affiliated third party lender (the "$1.405M Loan"); and (ii) borrowed $1,595,000 from a non-affiliated third party lender, (the "$1.595M Term Loan"). The $1.405M Loan bears interest at a variable rate equal to the BBA LIBOR – 1 Month plus 2.25%, (2.43% September 28, 2013). We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the $1.405M Loan at 4.35% per annum throughout its term. The $1.405M Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest totaling $8,415, with the entire principal balance and all accrued but unpaid interest due January 31, 2023. The $1.595M Term Loan bears interest at a variable interest rate equal to the BBA LIBOR – 1 Month plus 3.25% (3.43% as of September 28, 2013). We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the $1.595M Term Loan at 4.00% per annum throughout its term. The $1.595M Term Loan is fully amortized over forty two (42) months, with our monthly payment of principal and interest, totaling $41,000. We granted our lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the $1.595M Term Loan. As a part of the refinancing, we prepaid the outstanding balance, ($325,000), on an existing term loan with the lender, including a $1,600 pre-payment penalty.

Line of Credit

During the second quarter of our fiscal year 2013, we obtained a $500,000 line of credit from a non affiliated third party lender, (the "Line of Credit"). The Line of Credit earned interest at the floating rate of prime plus 1.5%. The entire principal balance and all accrued but unpaid interest under the Line of Credit was due April 30, 2013. We granted the lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the Line of Credit. No amounts were drawn on the line of credit by us, so there were no amounts outstanding under the Line of Credit when it terminated during the third quarter of our fiscal year 2013.

NOTE 7. LIQUOR LICENSES

Liquor licenses, which are indefinite lived assets, are tested for impairment in September of each of our fiscal years. The fair value of liquor licenses at September 28, 2013, exceeded the carrying amount; therefore, we recognized no impairment loss. The fair value of the liquor licenses was evaluated by comparing the carrying value to recent sales for similar liquor licenses in the County issued. At September 28, 2013 and September 29, 2012, the total carrying amount of our liquor licenses were $630,000 and $470,000, respectively. We acquired one (1) liquor license from a franchisee in our fiscal year 2013 and no liquor licenses in our fiscal year 2012.

NOTE 8. INCOME TAXES

The components of our provision for income taxes for our fiscal years 2013 and 2012 are as follows:

	2013	2012
Current:	$803,000	$660,000
Federal	218,000	175,000
State	1,021,000	835,000
Deferred:	(96,000)	(63,000)
Federal	(10,000)	(7,000)
State	(106,000)	(70,000)
	$915,000	$765,000

A reconciliation of income tax computed at the statutory federal rate to income tax expense is as follows:

	2013	2012
Tax provision at the statutory rate of 34%	$983,000	$741,000
State income taxes, net of federal income tax	121,000	94,000
FICA tip credit	(241,000)	(227,000)
True up adjustment	22,000	110,000
Other permanent items	30,000	47,000
	$915,000	$765,000

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NOTE 8. INCOME TAXES (Continued)

We have deferred tax assets which arise primarily due to depreciation recorded at different rates for tax and book purposes offset by cost basis differences in depreciable assets due to the deferral of the recognition of insurance recoveries on casualty losses for tax purposes, investments in and management fees paid by limited partnerships, accruals for potential uninsured claims, bonuses accrued for book purposes but not paid within two and a half months for tax purposes, the capitalization of certain inventory costs for tax purposes not recognized for financial reporting purposes, the recognition of revenue from gift cards not redeemed within twelve months of issuance, allowances for uncollectable receivables, unfunded limited retirement commitments and tax credit carryforwards generated as a result of the application of alternative minimum taxes.

The components of our deferred tax assets at September 28, 2013 and September 29, 2012 were as follows:

	2013	2012
Current:		
Reversal of aged payables	$27,000	$27,000
Capitalized inventory costs	26,000	25,000
Accrued bonuses	222,000	188,000
Accruals for potential uninsured claims	57,000	30,000
Gift cards	108,000	72,000
Limited partnership management fees	27,000	29,000
	$467,000	$371,000
Long-Term:		
Book/tax differences in property and equipment	$632,000	$540,000
Limited partnership investments	299,000	386,000
Accrued limited retirement	40,000	35,000
	$971,000	$961,000

NOTE 9. DEBT

Long-Term Debt

	2013	2012
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.43% at September 28, 2013), but with $3,750,000 of the principal amount fixed at 4.51% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $23,700, and our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, ($750,000), is payable at BBA LIBOR – 1 Month + 2.25% interest rate, (2.43% as of September 28, 2013). The entire principal balance and all accrued but unpaid interest	$4,106,000	$4,331,000

is due on December 1, 2019.

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NOTE 9. DEBT (Continued)

Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at 7½%, payable in monthly installments of principal and interest of \$28,600, with a balloon payment of approximately \$2,833,000 in October, 2013. This loan was paid off early in January, 2013.	—	2,958,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 7½%, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$15,700, with a balloon payment of approximately \$1,331,000 in December, 2022.	1,921,000	—
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.43% at September 28, 2013), but with the principal amount fixed at 4.35% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$8,415, with a balloon payment of approximately \$858,000 on January 31, 2023.	1,375,000	—
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 3.25%, (3.43% at September 28, 2013), but fixed at 4.00% pursuant to a swap agreement, payable in forty two (42) monthly installments of principal and interest of approximately \$41,000, with the final payment due July 24, 2016.	1,307,000	—
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 2.25%, (2.43% at September 28, 2013), but fixed at 3.43%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately \$38,000, payable interest only for 3 months and then fully amortized over 45 months, with the final payment due December 1, 2015.	960,000	1,387,000
Term loan payable to lender, secured by a blanket lien on all Company assets and a second mortgage on a building, bearing interest at BBA LIBOR +3.25%, but fixed at 4.55%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately \$50,000, fully amortized over 36 months, with the final payment due August, 2013.	—	508,000

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NOTE 9. DEBT (Continued)

Mortgage payable to a related third party, secured by first mortgage on real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $10,800, with a balloon payment of approximately $658,000 due in September, 2018.	902,000	939,000
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR +2.25%, (2.43% at September 28, 2013), but fixed at 5.11% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $4,600, with a balloon payment of approximately $720,000 due in August, 2017.	849,000	879,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 8½%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $8,400, with a balloon payment of approximately $537,000 in November, 2017.	723,000	760,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 10.0%; amortized over 30 years, payable in monthly installments of principal and interest of approximately $4,000, with a balloon payment of approximately $413,000 in May, 2017.	429,000	433,000
Financed insurance premiums, secured by all insurance policies, bearing interest between 2.99% and 4.89%, payable in monthly installments of principal and interest in the aggregate amount of $24,000 a month through October 1, 2013.	116,000	333,000
Mortgage payable to related third party, secured by first mortgage on real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $9,100, with a balloon payment of approximately $555,000 due in January, 2019.	775,000	806,000
Other	83,000	84,000
	13,546,000	13,418,000
Less current portion	1,477,000	1,732,000
	$12,069,000	$11,686,000

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NOTE 9. DEBT (Continued)

Long-Term Debt (continued)

Long-term debt at September 28, 2013 matures as follows:

2014	1,477,000
2015	1,361,000
2016	1,054,000
2017	2,179,000
2018	1,086,000
Thereafter	6,389,000
	$13,546,000

As of September 28, 2013, we are in compliance with the covenants of all loans with our lender.

NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Legal Matters

We are a party to various claims, legal actions and complaints arising in the ordinary course of our business. It is our opinion that all such matters are without merit or involve such amounts that an unfavorable disposition would not have a material adverse effect on our financial position or results of operations.

Leases

We lease a substantial portion of the land and buildings used in our operations under leases with initial terms expiring between 2014 and 2027. Renewal options are available on many of our leases. Most of our leases are fixed rent agreements. For one Company-owned restaurant/package liquor store combination unit, lease rental is subject to sales overrides ranging from 3% to 4% of annual sales in excess of established amounts. For another Company-owned restaurant, lease rental is subject to sales overrides of 7.3% of annual sales in excess of the base rent paid. For five limited partnership restaurants, lease rentals are subject to sales overrides ranging from 2% to 5.5% of annual sales in excess of the base rent paid. We recognize rent expense on a straight line basis over the term of the lease and percentage rent as incurred.

We have a ground lease for an out parcel in Hollywood, Florida where we constructed a 4,120 square foot stand-alone building, one-half (1/2) of which is used by us for the operation of our Company-owned package liquor store and the other one-half (1/2) of which is subleased to an unrelated third party as retail space. Rent for the retail space commenced January 1, 2005, and we generated approximately $49,000 and $54,000 of revenue from this source during our fiscal years ended September 28, 2013 and September 29, 2012, respectively. Total future minimum sublease payments under the non-cancelable sublease are $77,000, including Florida sales tax (currently 6%).

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NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Leases (Continued)

Future minimum lease payments, including Florida sales tax (currently 6% to 7%) under our non-cancelable operating leases as of September 28, 2013 are as follows:

2014	$2,675,000
2015	2,396,000
2016	1,985,000
2017	1,670,000
2018	1,183,000
Thereafter	3,289,000
Total	$13,198,000

Total rent expense for all of our operating leases was approximately $2,979,000 and $2,922,000 in our fiscal years 2013 and 2012, respectively, and is included in "Occupancy Costs" in our accompanying consolidated statements of income. This total rent expense is comprised of the following:

	2013	2012
Minimum Base Rent	$2,461,000	$2,451,000
Contingent Percentage Rent	518,000	471,000
Total	$2,979,000	$2,922,000

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants during calendar year 2014, on October 22, 2013, we entered into a purchase agreement with our rib supplier, whereby we agreed to purchase approximately $4,260,000 of baby back ribs from this vendor at a fixed cost. We contract for the purchase of baby back ribs on an annual basis to fix the cost and ensure adequate supply for the calendar year. We anticipate purchasing all of our rib supply from this vendor, but we believe that several other alternative vendors are available, if necessary.

Franchise Program

At September 28, 2013 and September 29, 2012, we were the franchisor of five units under franchise agreements. Of the five franchised stores, three are combination restaurant/package liquor stores and two are restaurants (one of which we operate). During the fourth quarter of our fiscal year ended 2012, a franchised package liquor store located in Deerfield Beach, Florida, franchised to members of the family of our Chairman of the Board, officers and/or directors, with our consent, ceased operations in order to permit expanded operations of the jointly operated restaurant at the location. Three franchised stores are owned and operated by related parties. Under the franchise agreements, we provide guidance, advice and management assistance to the franchisees. In addition and for an additional annual fee of approximately $25,000, we also act as fiscal agent for the

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NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Franchise Program (Continued)

franchisees whereby we collect all revenues and pay all expenses and distributions. We also, from time to time, advance funds on behalf of the franchisees for the cost of renovations. The resulting amounts receivable from and payable to these franchisees are reflected in the accompanying consolidated balance sheet as either an asset or a liability. We also agree to sponsor and manage cooperative buying groups on behalf of the franchisees for the purchase of inventory. The franchise agreements provide for royalties to us of approximately 3% of gross restaurant sales and 1% of gross package liquor sales. We are not currently offering or accepting new franchises.

Employment Agreement/Bonuses

As of September 28, 2013 and September 29, 2012, we had no employment agreements.

Our Board of Directors approved an annual performance bonus, with 14% of the corporate pre-tax net income, plus or minus non-recurring items, but before depreciation and amortization in excess of $650,000 paid to the Chief Executive Officer and 6% paid to other members of management. Bonuses for our fiscal years 2013 and 2012 amounted to approximately $920,000 and $739,000, respectively.

Our Board of Directors also approved an annual performance bonus, with 5% of the pre-tax net income before depreciation and amortization from our restaurants in excess of $1,875,000 and our share of the pre-tax net income before depreciation and amortization from the restaurants owned by the limited partnerships paid to the Chief Operating Officer and 5% paid to the Chief Financial Officer. Bonuses for our fiscal years 2013 and 2012 amounted to approximately $550,000 and $460,000, respectively.

Our Board of Directors approved an annual performance bonus, with 3% of the pre-tax net income before depreciation and amortization from the package liquor stores paid to the Vice President of Package Operations. Bonuses for our fiscal years 2013 and 2012 amounted to approximately $34,000 and $33,000, respectively.

Management Agreements

Atlanta, Georgia

We own, but do not operate, an adult entertainment nightclub located in Atlanta, Georgia which operates under the name “Mardi Gras”. We have a management agreement with an unaffiliated third party to manage the club. Under our management agreement, the unaffiliated third party management firm is obligated to pay us an annual amount, paid monthly, equal to the greater of $150,000 or ten (10%) percent of gross sales from the club, offset by one-half (1/2) of any rental increases, provided our fees will never be less than $150,000 per year. For our fiscal years ended September 28, 2013 and September 29, 2012, we generated $150,000 and $157,000 of revenue, respectively, from the operation of the club.

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NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Management Agreements (Continued)

Deerfield Beach, Florida

Since January 2006, we have managed "The Whale's Rib", a casual dining restaurant located in Deerfield Beach, Florida, pursuant to a management agreement. We paid $500,000 in exchange for our rights to manage this restaurant. The management agreement is being amortized on a straight line basis over the life of the initial term of the agreement, ten (10) years. As of September 28, 2013 and September 29, 2012, the balance of our management agreement of $112,000 and $162,000 was included in other assets in the accompanying consolidated balance sheet. The restaurant is owned by a third party unaffiliated with us. In exchange for providing management, bookkeeping and related services, we receive one-half (½) of the net profit, if any, from the operation of the restaurant. During the third quarter of our fiscal year 2011, the term of the management agreement was extended through January 9, 2036. For our fiscal years ended September 28, 2013 and September 29, 2012, we generated $385,000 and $320,000 of revenue, respectively, from providing these management services. As of September 28, 2013, we have generated revenue in excess of the purchase price of the management agreement.

NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

As of September 28, 2013, we have fully adopted FASB (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. Topic 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance. Topic 820 establishes a fair market hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs -- Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to evaluation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

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NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

- Level 3 Inputs -- One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

Interest Rate Swap Agreements

At September 28, 2013, we had five variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we converted the amount outstanding on our line of credit ($1,586,000) to a term loan (the “Term Loan”) and we also re-financed the mortgage loan encumbering our corporate offices (the “Refinanced Mortgage Loan”). In November, 2011, we financed our purchase of the real property and two building shopping center in Miami, Florida, with a $4,500,000 mortgage loan (the “$4.5M Mortgage Loan”), and received a $1,600,000 term loan (the “$1.6M Term Loan”) the proceeds of which were ultimately used to purchase the shopping center, while permitting us to retain our working capital and cash reserves. In January, 2013, we re-financed the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the “$1.405M Loan”) and borrowed $1,595,000 from a non affiliated third party lender, (the “$1.595M Term Loan”), and used all of the net proceeds of this loan to re-finance the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates.

As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following five (5) interest rate swap agreements, having pre-paid one existing variable rate debt instrument that was impacted by changes in interest rates during the second quarter of our fiscal year 2013:

(i) One (1) interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the “Mortgage Loan Swap”). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of $935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at September 28, 2013, we determined that based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender, the fair value of the Mortgage Loan Swap was not material; and

(ii) The second interest rate swap agreement entered into in November, 2011 by our wholly owned subsidiary, Flanigan’s Calusa Center, LLC, relates to the $4.5 Mortgage Loan (the “$4.5M Mortgage Loan Swap”). The $4.5M Mortgage Loan Swap requires us to pay interest for an eight (8) year period at a fixed rate of 4.51% on an initial amortizing notional principal amount of $3,750,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

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NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(iii) The third interest rate swap agreement entered into in November, 2011 relates to the $1.6M Term Loan (the "$1.6M Term Loan Swap"). The $1.6M Term Loan Swap requires us to pay interest for a four (4) year period at a fixed rate of 3.43% on an initial amortizing notional principal amount of $1,600,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(iv) The fourth interest rate swap agreement entered into in January, 2013 relates to the $1.405M Loan (the "$1.405M Term Loan Swap"). The $1.405M Term Loan Swap requires us to pay interest for a twenty (20) year period at a fixed rate of 4.35% on an initial amortizing notional principal amount of $1,405,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(v) The fifth interest rate swap agreement entered into in January, 2013 relates to the $1.595M Term Loan (the "$1.595M Term Loan Swap"). The $1.595M Term Loan Swap requires us to pay interest for a forty two (42) month period at a fixed rate of 4.00% on an initial amortizing notional principal amount of $1,595,000, while receiving interest for the same period at LIBOR – 1 Month, plus 3.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material.

NOTE 12. COMMON STOCK

Treasury Stock

Purchase of Common Shares

Pursuant to a discretionary plan approved by the Board of Directors, during our fiscal year 2013, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for a purchase price of $6,000. During our fiscal year 2012, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for a purchase price of $6,000.

Sale of Common Shares

During our fiscal years 2013 and 2012, we did not sell any shares of our common stock.

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NOTE 12. COMMON STOCK (Continued)

Stock Options

We granted no options during our fiscal years 2013 and 2012. We have no options outstanding at September 28, 2013.

NOTE 13. BUSINESS SEGMENTS

We operate principally in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. Information concerning the revenues and operating income for our fiscal years ended 2013 and 2012, and identifiable assets for the two reportable segments in which we operate, are shown in the following table. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expense and income taxes. Identifiable assets by segment are those assets that are used in our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material.

Operating Revenues:	2013	2012
Restaurants	$67,441,000	$62,198,000
Package stores	13,192,000	13,214,000
Other revenues	2,165,000	1,923,000
Total operating revenues	$82,798,000	$77,335,000
Income from Operations Reconciled to Income before Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	$6,124,000	$5,269,000
Package stores	923,000	874,000
	7,047,000	6,143,000
Corporate expenses, net of other revenues	(2,410,000)	(2,572,000)
Income from Operations	4,637,000	3,571,000
Interest and Other Income	28,000	73,000
Net Income Attributable to Noncontrolling Interests	(955,000)	(660,000)
Interest expense	(818,000)	(806,000)
Income Before Income Taxes	$2,892,000	$2,178,000
Identifiable Assets:		
Restaurants	$27,460,000	$22,133,000
Package store	4,490,000	4,952,000

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NOTE 13. BUSINESS SEGMENTS (Continued)

	31,950,000	27,085,000
Corporate	17,674,000	19,659,000
Consolidated Totals	$49,624,000	$46,744,000
Capital Expenditures:		
Restaurants	$5,093,000	$1,144,000
Package stores	206,000	101,000
	5,299,000	1,245,000
Corporate	403,000	6,555,000
Total Capital Expenditures	$5,702,000	$7,800,000
Depreciation and Amortization:		
Restaurants	$1,916,000	$1,704,000
Package stores	218,000	388,000
	2,134,000	2,092,000
Corporate	453,000	436,000
Total Depreciation and Amortization	$2,587,000	$2,528,000

NOTE 14. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the quarters in our fiscal years 2013 and 2012.

	Quarter Ended			
	Dec. 29, 2012	March 30, 2013	June 29, 2013	Sept. 28, 2013
Revenues	$19,613,000	$22,255,000	$21,012,000	$19,918,000
Income from operations	636,000	1,405,000	1,629,000	967,000
Net income attributable to stockholders	345,000	750,000	660,000	222,000
Net income per share – basic and diluted	0.19	0.40	0.35	0.12
Weighted average common stock outstanding – basic and diluted	1,859,987	1,859,257	1,859,257	1,859,257

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NOTE 14. QUARTERLY INFORMATION (UNAUDITED (Continued)

	Quarter Ended Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 29, 2012
Revenues	$18,952,000	$20,618,000	$19,382,000	$18,383,000
Income from operations	660,000	1,113,000	969,000	829,000
Net income attributable to stockholders	336,000	509,000	236,000	332,000
Net income per share – basic and diluted	0.18	0.27	0.13	0.18
Weighted average common stock outstanding – basic and diluted	1,860,752	1,860,057	1,860,057	1,860,057

Quarterly operating results are not necessarily representative of our operations for a full year for various reasons including the seasonal nature of both the restaurant and package store segments.

NOTE 15. 401(k) PLAN

Effective July 2004, we began sponsoring a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. Employees may contribute elective deferrals to the plan up to amounts allowed under the Internal Revenue Code. We are not required to contribute to the plan but may make discretionary profit sharing and matching contributions. During our fiscal years 2013 and 2012, we made discretionary contributions of $24,000 and $23,000, respectively.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these consolidated financial statements were issued. No events required disclosure.