MEXICAN RESTAURANTS INC
Form 10-Q
May 10, 2004

UNITED STATES

SECURITIES & EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended MARCH 28, 2004

OR

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

For the transition period from ________ to __________

Commission file number: 0-28234

MEXICAN RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

TEXAS	76-0493269
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1135 EDGEBROOK, HOUSTON, TEXAS	77034-1899
(Address of Principal Executive Offices)	(Zip Code)

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Number of shares outstanding of each of the issuer's classes of common stock, as of May 3, 2004: 3,384,605 SHARES OF COMMON STOCK, PAR VALUE $.01.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MEXICAN RESTAURANTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) 3/28/2004	(AUDITED) 12/28/2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 842,161	$ 366,042
Royalties receivable	167,297	179,517
Other receivables	697,864	423,670
Inventory	621,267	555,064
Taxes receivable	140,499	345,006
Prepaid expenses and other current assets	842,624	717,899
Total current assets	3,311,712	2,587,198
Property, plant and equipment	27,769,572	24,484,571
Less accumulated depreciation	(12,057,957)	(11,502,668)
Net property, plant and equipment	15,711,615	12,981,903
Goodwill, net	10,462,998	7,196,265
Deferred tax assets	1,237,774	1,272,173
Property held for resale	884,118	884,118
Other assets	826,648	939,579
	$ 32,434,865	$ 25,861,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 1,000,000	$ 1,000,000
Accounts payable	1,728,979	1,516,217
Accrued sales and liquor taxes	670,963	469,817
Accrued payroll and taxes	1,562,199	976,146
Accrued expenses	847,185	1,294,486
Total current liabilities	5,809,326	5,256,666
Long-term debt, net of current portion	7,250,000	1,775,000
Other liabilities	955,001	898,115
Deferred gain	1,925,319	1,977,355
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized	-	-
Capital stock, $0.01 par value, 20,000,000 shares authorized, 4,732,705 shares issued	47,327	47,327
Additional paid-in capital	20,121,076	20,121,076
Retained earnings	8,073,610	7,542,817
Deferred compensation	(37,281)	(47,607)
Treasury stock, cost of 1,348,100 common shares	(11,709,513)	(11,709,513)

Total stockholders' equity	16,495,219	15,954,100
	$ 32,434,865	$ 25,861,236

MEXICAN RESTAURANTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	13-WEEK PERIOD ENDED 3/28/2004	13-WEEK PERIOD ENDED 3/30/03
Revenues:		
Restaurant sales	$ 19,296,936	$ 14,399,113
Franchise fees and royalties and other	191,780	295,329
	19,488,716	14,694,442
Costs and expenses:		
Cost of sales	5,394,630	3,902,446
Labor	6,331,108	4,817,870
Restaurant operating expenses	4,601,544	3,579,560
General and administrative	1,502,283	1,383,708
Depreciation and amortization	639,334	580,526
Pre-opening costs	-	1,728
Restaurant closure costs	117,398	-
	18,586,297	14,265,838
Operating income	902,419	428,604
Other income (expense):		
Interest income	7,371	6,883
Interest expense	(139,265)	(70,482)
Other, net	5,999	334,527
	(125,895)	270,928
Income before income tax expense	776,524	699,532
Income tax expense (benefit)	245,731	230,422
Net income	$ 530,793	$ 469,110
Basic income per share	$ 0.16	$ 0.14

Diluted income per share	$ 0.15	$ 0.14
Weighted average number of shares (basic)	3,384,605	3,384,605
Weighted average number of shares (diluted)	3,516,467	3,430,344

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MEXICAN RESTAURANTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	13-WEEK PERIODS ENDE	
	3/28/2004	3/30/2
Cash flows from operating activities:		
Net income	$ 530,793	$ 469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	639,334	580
Deferred gain amortization	(52,036)	(52
Asset impairments and restaurant closure costs	117,398	
Loss (gain) on sale of property, plant & equipment	17,072	(316
Deferred compensation	10,326	10
Deferred taxes	34,399	83
Changes in assets and liabilities:		
Royalties receivable	12,220	5
Other receivables	(274,194)	91
Income tax receivable/payable	204,507	165
Inventory	83,248	41
Prepaid and other current assets	(124,725)	63
Other assets	671,789	(12
Accounts payable	171,906	(169
Accrued expenses and other liabilities	254,356	(73
Other liabilities	56,886	4
Total adjustments	1,822,486	(241
Net cash provided by operating activities	2,353,279	227
Cash flows from investing activities:		
Insurance proceeds from fire loss on building	-	316
Purchase of property, plant and equipment	(348,912)	(349
Business Acquisition	(7,003,248)	
Net cash used in investing activities	(7,352,160)	(33
Cash flows from financing activities:		
Net borrowings (payments) under line of credit	2,475,000	(350
Additions to Long term Notes Payable	3,000,000	

Net cash used in financing activities	5,475,000	(350
Decrease in cash and cash equivalents	476,119	(155
Cash and cash equivalents at beginning of period	366,042	526
Cash and cash equivalents at end of period	$ 842,161	$ 370
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	$ 74,153	$ 75
Income Taxes	$ 6,825	$ 6
Non-cash investing and financing activity:		
CNL real estate transaction	$ 8,325,000	$

MEXICAN RESTAURANTS, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

In the opinion of Mexican Restaurants, Inc. (the "Company"), the accompanying consolidated financial statements contain all adjustments (consisting only of normal recurring accruals and adjustments) necessary for a fair presentation of the consolidated financial position as of March 28, 2004, and the consolidated statements of income for the 13-week period and cash flows for the 13-week period ended March 28, 2004 and March 30, 2003. The consolidated statements of income for the 13-week period ended March 28, 2004 are not necessarily indicative of the results to be expected for the full year.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also records a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company adopted SFAS No. 143 on January 1, 2003. The adoption of SFAS No. 143 did not have a material effect on the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The adoption of SFAS No. 145 did not have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The adoption of SFAS No. 146 did not have a material effect on the Company's financial statements.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, and interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

2. ACCOUNTING POLICIES

During the interim periods the Company follows the accounting policies set forth in its consolidated financial statements in its Annual Report and Form 10-K (file number 0-28234). Reference should be made to such financial statements for information on such accounting policies and further financial details.

3 NET INCOME PER COMMON SHARE

Basic income per share is based on the weighted average shares outstanding without any dilutive effects considered. Diluted income per share reflects dilution from all contingently issuable shares, including options and warrants. As of March 28, 2004 and March 30, 2003, the Company had 1,018,470 and 1,044,470 options and warrants outstanding, respectively. As of March 28, 2004 and March 30, 2003, such stock options and warrants have the effect of increasing basic weighted average shares outstanding by 131,862 and 45,739 for the 13-week period, respectively.

4. SFAS NO. 148. "ACCOUNTING FOR STOCK-BASED COMPENSATION"

The Company has adopted the disclosure-only provisions of the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123, which amends SFAS No. 123, Accounting for Stock-Based Compensation and has accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations. Accordingly, no compensation cost has been recognized for stock options or warrants. Had compensation cost for the Company's outstanding stock options and warrants been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income and net income per share would have been changed to the pro forma amounts indicated below for the 13-week periods ended March 28, 2004 and March 30, 2003:

	13 WEEKS ENDED	
	3/28/04	3/30/
Net income - as reported	$ 530,793	$ 469
Pro forma net income - pro forma for SFAS No. 123	530,793	467
Net income per share diluted - as reported	0.15	
Pro forma net income per share diluted - pro forma for SFAS No. 123.....	0.15	

5. ACQUISITION

On January 7, 2004, the Company completed its purchase of 13 restaurants and related assets from its Beaumont-based franchisee for a total consideration of approximately $13.75 million. The financing for the acquisition was provided by Fleet National Bank, CNL Franchise Network, LP ("CNL') and the sellers of Beaumont-based franchise restaurants. Fleet National Bank provided $2.5 million of the acquisition financing by amending its credit facility with Mexican Restaurants, Inc. Six of the acquired restaurants were concurrently sold to CNL for $8.325 million in a sale-leaseback transaction. The sellers accepted $3.0 million in notes from Mexican Restaurants, Inc. for the balance of the purchase price. The seller notes require the payment of interest only for five years, with $1.5 million in principal due on January 7, 2009 and $1.5 million in principal amortizing over an additional five years.

The table below presents pro forma income statement information as if the Company had purchased the Beaumont-based restaurants at the beginning of fiscal year 2003. Pro forma adjustments are to remove royalty income and expense, reflect net interest expense on the debt resulting from the acquisition and record additional income tax at an effective rate of 31.6% for the first quarter of fiscal 2004 and 32.9% for the first quarter of fiscal 2003. The first quarter ended March 30, 2003 included a gain of $316,591 for insurance proceeds received from fire damage at a restaurant. The pro forma information does not purport to be indicative of results of operations which would have occurred had the acquisition been consummated on the date indicated or future results of operations.

	13 WEEKS ENDED 3/28/04	3/30/03
Revenues	$19,952,234	$19,526,852
Net income	577,027	507,789
Diluted income per share.....	0.15	0.15

The acquisition was accounted for under SFAS 141 and results of operations are included in the accompanying financial statements from the date of acquisition. The assets acquired and liabilities assumed of the acquisition were recorded at estimated fair values using comparables, appraisals, and records.

A summary of the assets acquired and liabilities assumed in the acquisition follow:

Estimated fair value of assets acquired:

Current assets	184,601
Property and equipment	2,946,365
Other assets	640,699
Goodwill	3,266,733
Total assets	7,038,398
Less: Cash acquired	(35,150)
Net assets acquired	7,003,248

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: growth strategy; dependence on executive officers; geographic concentration; increasing susceptibility to adverse conditions in the region; changes in consumer tastes and eating habits; national, regional or local economic and real estate conditions; demographic trends; inclement weather; traffic patterns; the type, number and location of competing restaurants; inflation; increased food, labor and benefit costs; the availability of experienced management and hourly employees; seasonality and the timing of new restaurant openings; changes in governmental regulations; dram shop exposure; and other factors not yet experienced by the Company. The use of words such as "believes", "anticipates", "expects", "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in the Company's Annual Report and Form 10-K for the fiscal year ended December 28, 2003, that attempt to advise interested parties of the risks and factors that may affect the Company's business.

RESULTS OF OPERATIONS

Revenues. The Company's revenues for the first quarter of fiscal 2004 were up $4.8 million or 32.6% to $19.5 million compared with the same quarter one year ago. Restaurant sales for the first quarter of fiscal 2004 were up $4.9 million or 34.0% compared with the same quarter one year ago, to $19.3 million. The increase reflects the acquisition of 13 restaurants and related assets from the Company's Beaumont-based franchisee. The acquisition closed on January 7, 2004. Franchise fees and royalties decreased $103,376 or 35.5%, reflecting lost royalty income from the Beaumont-based franchise restaurants. Total system sales at restaurants operating in both fiscal quarters ("same-stores") increased 2.5%, Company-owned same-store sales for the quarter increased 2.3% and franchise-owned same-store sales for the quarter increased 3.1% from the same quarter in fiscal 2003.

Costs and Expenses. Cost of sales, consisting primarily of food and beverage costs, but also including paper and supplies, increased 90 basis points as a percentage of restaurant sales in the first

quarter of fiscal 2004 to 28.0% from 27.1% for the same quarter in fiscal 2003. The increase reflects higher cheese and meat commodity prices.

Labor and other related expenses decreased as a percentage of restaurant sales 70 basis points to 32.8% compared with 33.5% for the same quarter in fiscal 2003. The improvement reflects labor efficiencies gained from positive same-store sales.

Restaurant operating expenses, which primarily includes rent, property taxes, utilities, repair and maintenance, liquor taxes and advertising, as a percentage of restaurant sales decreased 110 basis points to 23.8% in the first quarter of fiscal 2004 from 24.9% in the same quarter in fiscal 2003. The decrease reflects advertising efficiencies gained with the acquisition of the Beaumont-based franchise restaurants, lower liquor taxes due to lower liquor sales volume in the Beaumont-based restaurants, as partially offset by higher utility expenses.

General and administrative expenses consist of expenses associated with corporate and administrative functions that support restaurant operations. General and administrative expense decreased as a percentage of total sales 170 basis points to 7.7% in the first quarter of fiscal 2004 compared with 9.4% the same quarter one year ago. The improvement reflects efficiencies gained with the acquisition of the Beaumont-based restaurants.

Depreciation and amortization expense as a percentage of total sales decreased 70 basis points to 3.3% in the first quarter of fiscal 2004 from 4.0% for the same quarter in fiscal 2003. The improvement reflects efficiencies gained with the acquisition of the Beaumont-based restaurants.

The Company did not open new restaurants in the first quarter of fiscal 2004.

Restaurant closure costs relate to two restaurants that were impaired in the fourth quarter of fiscal 2003 but not closed until the first quarter of fiscal 2004.

Other Income (Expense). Other income, net increased from income the first quarter of fiscal 2003 to an expense in the first quarter of fiscal 2004 by $396,823. Interest expense increased $68,783 to $139,265 the first quarter of fiscal 2004 compared with the same quarter one year ago, reflecting the increase in outstanding debt incurred for the acquisition of the Beaumont-based restaurants. The first quarter of fiscal 2003 reflected a partial gain of $316,591 for insurance proceeds received from fire damage at the Humble, Texas restaurant location. There were no gains recorded in the first quarter of fiscal 2004; however, the Company did incur approximately $17,000 in loss from the disposition of assets.

Income Tax Expense. For the first quarter of fiscal 2004, the Company's effective tax rate was 31.6% as compared with 32.9% in the same quarter in fiscal 2003. The effective tax rate is a function of year-to-date annualizing, the effects of permanent and temporary differences, the alternative minimum tax and the utilization of tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The Company met its capital requirements for the 13-weeks ended March 28, 2004 with cash generated by operations. As of March 28, 2004, the Company's operations generated approximately $2.4 million in cash, as compared with $227,288 in the same quarter one year ago. As of March 28, 2004, the Company had a working capital deficit of approximately $2.5 million, of which $1.0 million reflects the current portion of principal ($250,000 per quarter) due to Fleet National Bank under the terms of its credit agreement. A working capital deficit is common in the restaurant industry, since restaurant companies do not typically require a significant investment in either accounts receivable or inventory.

The Company's principal capital requirements are the funding of routine capital expenditures, new restaurant development or acquisitions and remodeling of older units. During the first 13 weeks of fiscal 2004, capital expenditures on property, plant and equipment were approximately $348,912 as compared to $349,776 for the first 13 weeks of fiscal 2003. The capital expenditures were for

necessary replacement of equipment and leasehold improvements in various older units. The Company estimates its capital expenditures for the remainder of the fiscal year will be approximately $2.2 million.

On January 7, 2004, the Company completed its purchase of 13 restaurants and related assets from its Beaumont-based franchisee for a total consideration of approximately $13.75 million. The financing for the acquisition was provided by Fleet National Bank, CNL Franchise Network, LP ("CNL') and the sellers of Beaumont-based restaurants. Fleet National Bank provided $2.5 million of the acquisition financing by amending its credit facility with Mexican Restaurants, Inc. Six of the acquired restaurants were concurrently sold to CNL for $8.325 million in a sale-leaseback transaction. The sellers accepted $3.0 million in notes from the Company for the balance of the purchase price. The seller notes require the payment of interest only for five years, with $1.5 million in principal due on January 7, 2009 and $1.5 million in principal amortizing over an additional five years.

On January 7, 2004, Fleet National Bank amended its credit facility to accommodate the acquisition of the Beaumont-based restaurants. The amended credit facility consists of a $5.0 million term note that requires quarterly principal payments of $250,000 and matures on December 31, 2008. The credit facility also includes a $5.0 million revolving line of credit that matures on January 7, 2007. The interest rate is either the prime rate or LIBOR plus a stipulated percentage. Accordingly, the Company is impacted by changes in the prime rate and LIBOR. The Company is subject to a non-use fee of 0.5% on the unused portion of the revolver from the date of the credit agreement. As of March 28, 2004, the Company had $4.75 million outstanding on its term note and $500,000 outstanding on its revolving line of credit. The Company paid down $600,000 of indebtedness during the first quarter of fiscal 2004. As of March 28, 2004, the Company was in compliance with all debt covenants. The Company expects to be in compliance with the covenants in the credit facility for the next twelve months.

The Company's management believes that with its operating cash flow and the Company's revolving line of credit with Fleet National Bank, funds will be sufficient to meet operating requirements and to finance routine capital expenditures and remodels through the end of the 2004 fiscal year. Unless the Company violates an important debt covenant, the Company's credit facility with Fleet National Bank is not subject to triggering events that would cause the credit facility to become due sooner than the maturity dates described above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not have or participate in transactions involving derivative, financial and commodity instruments. The Company's long-term debt bears interest at floating market rates. Based on the amount outstanding at March 28, 2004, a 1% change in interest rates would change interest expense by $13,125.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer together with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934. Based upon the evaluation, the Company's President and Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

(b) Change in Internal Control over Financial Reporting

No change in the Company's control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS

Exhibit Number	Document Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) REPORTS ON FORM 8-K

. There were three reports on Form 8-K filed during the Company's fiscal quarter ended March 28, 2004. One filing was made on January 9, 2004 reporting, under item 2 thereto, the Company's acquisition of 13 restaurants and related assets from its Beaumont-based franchisee. Another filing was made on March 19, 2004 amending item 7 of the January 9, 2004 filing to include financial statements and pro forma information. The third filing was made on March 23, 2004 reporting, under item 7 and 12 thereto, the filing of a press release to announce the Company's earnings for the fiscal year ended December 28, 2003.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEXICAN RESTAURANTS, INC.

Dated: May 10, 2004 By: /s/ Curt Glowacki
Curt Glowacki
Chief Executive Officer
(Principal Executive Officer)

Dated: May 10, 2004 By: /s/ Andrew J. Dennard
Andrew J. Dennard
Senior Vice President, Chief Financial Officer & Treasurer
(Principal Financial Officer and
(Principal Accounting Officer)

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EXHIBIT INDEX

(a) EXHIBITS

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