

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

TOTAL ENTERTAINMENT RESTAURANT CORP
Form 10-Q
May 07, 2004

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended
March 23, 2004

Commission file number
000-22753

TOTAL ENTERTAINMENT RESTAURANT CORP.

(Exact Name of Registrant as Specified in its Charter)

Delaware

52-2016614

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification Number)

9300 East Central Avenue
Suite 100
Wichita, Kansas 67206

(Address of principal executive offices) (Zip code)

(316) 634-0505

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Common Stock, \$.01 par value

Outstanding at April 30, 2004
9,883,512 shares

TOTAL ENTERTAINMENT RESTAURANT CORP.

Index

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Page
Number

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements (unaudited)

Condensed Consolidated Balance Sheets at March 23, 2004 and December 30, 2003	2
Condensed Consolidated Statements of Operations for the twelve weeks ended March 23, 2004 and March 25, 2003	3
Condensed Consolidated Statements of Cash Flows for the twelve weeks ended March 23, 2004 and March 25, 2003	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Item 3. Quantitative and Qualitative Disclosures About Market Risk	9
Item 4. Procedures and Controls	10

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K	10
--	----

-1-

TOTAL ENTERTAINMENT RESTAURANT CORP.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	March 23, 2004	December 30, 2003
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 817	\$ 813
Inventories	2,106	2,096
Prepaid income taxes	--	997
Deferred income taxes	242	281
Other current assets	2,016	1,538
	-----	-----
Total current assets	5,181	5,725

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Property and equipment:		
Land	600	600
Buildings	703	703
Leasehold improvements	46,624	45,092
Equipment	26,107	25,107
Furniture and fixtures	7,737	7,514
	-----	-----
	81,771	79,016
Less accumulated depreciation and amortization	24,108	22,615
	-----	-----
	57,663	56,401
Other assets:		
Goodwill, net of accumulated amortization	3,661	3,661
Advances to developer	842	842
Other assets	941	983
	-----	-----
Total other assets	5,444	5,486
	-----	-----
Total assets	\$ 68,288	\$ 67,612
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,098	\$ 5,510
Sales tax payable	978	1,187
Accrued payroll	1,692	1,674
Accrued payroll taxes	953	824
Accrued income taxes	20	--
Other accrued liabilities	2,454	2,391
	-----	-----
Total current liabilities	9,195	11,586
Notes payable	3,335	3,635
Deferred taxes	2,800	2,503
Deferred revenue	14	21
Accrued rent	603	547
Stockholders' equity:		
Preferred stock	--	--
Common stock	99	98
Additional paid-in capital	28,899	28,553
Retained earnings	23,343	20,669
	-----	-----
Total stockholders' equity	52,341	49,320
	-----	-----
Total liabilities and stockholders' equity	\$ 68,288	\$ 67,612
	=====	=====

See accompanying notes.

- 2 -

TOTAL ENTERTAINMENT RESTAURANT CORP.
Condensed Consolidated Statements of Operations
(in thousands, except per share information)
(Unaudited)

Twelve Weeks	Twelve weeks
ended	ended
March 23, 2004	March 25, 2003

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Sales:	-----	-----
Food and beverage	\$ 31,421	\$ 24,866
Entertainment and other	2,426	2,175
	-----	-----
Total net sales	33,847	27,041
Costs and expenses:		
Costs of sales	9,116	6,949
Restaurant operating expenses	16,972	13,515
Depreciation and amortization	1,504	1,355
Preopening costs	432	287
	-----	-----
Restaurant costs and expenses	28,024	22,106
	-----	-----
Restaurant operating income	5,823	4,935
General and administrative expenses	1,745	1,367
	-----	-----
Income from operations	4,078	3,568
Other income (expense):		
Other income	3	--
Interest expense	(35)	(25)
	-----	-----
Income before income taxes	4,046	3,543
Provision for income taxes	1,372	1,275
	-----	-----
Net income	\$ 2,674	\$ 2,268
	=====	=====
Basic earnings per share	\$ 0.27	\$ 0.23
	=====	=====
Diluted earnings per share	\$ 0.26	\$ 0.22
	=====	=====

See accompanying notes.

- 3 -

TOTAL ENTERTAINMENT RESTAURANT CORP.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Twelve Weeks ended March 23, 2004	Twelve weeks ended March 25, 2003
	-----	-----
Cash flows from operating activities:		
Net income	2,674	2,268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,525	1,373
Deferred income taxes	336	92
Net change in operating assets and liabilities:		
Change in operating assets	646	(1,475)

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Change in operating liabilities	(1,959)	(243)
	-----	-----
Net cash provided by operating activities	3,222	2,015
Cash flows from investing activities:		
Purchases of property and equipment	(3,137)	(2,436)
Advances to developer	--	(532)
	-----	-----
Net cash used in investing activities	(3,137)	(2,968)
Cash flows from financing activities:		
Proceeds from revolving note payable to bank	8,315	7,935
Payments of revolving note payable to bank	(8,615)	(7,015)
Proceeds from exercise of stock options	219	37
Purchase of common stock	--	(328)
	-----	-----
Net cash (used in) provided by financing activities	(81)	629
	-----	-----
Net increase (decrease) in cash and cash equivalents	4	(324)
Cash and cash equivalents at beginning of period	813	1,116
	-----	-----
Cash and cash equivalents at end of period	817	792
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	40	25
Cash paid for income taxes, net of refunds received	(109)	1,264
Supplemental disclosure of non cash activity:		
Net change to property and equipment in accounts payable	(383)	1,396
Tax benefit related to stock options exercised	128	--

See accompanying notes.

- 4 -

TOTAL ENTERTAINMENT RESTAURANT CORP. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Description of Business

The unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally presented in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the Company's audited consolidated financial statements in its 2003 Form 10-K. The results of the twelve weeks ended March 23, 2004 are not necessarily indicative of the results to be expected for the full year ending December 28, 2004.

2. Accounting for Stock-Based Compensation

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

In accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's policy is to grant stock options with grant prices equal to the fair value of the Company's common stock at the date of grant. Proceeds from the exercise of common stock options issued to officers, directors and key employees under the Company's stock option plans are credited to common stock to the extent of par value and to additional paid-in capital for the excess.

Pro forma information regarding net income and earnings per share is required by Statement No. 123, which also requires the information be determined as if the Company has accounted for its employee stock options granted under the fair value of that Statement. The fair value method for these options were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate ranging from 2.9% to 5.3%; no dividend yields; volatility factor ranging from 0.281 to 0.853; and a weighted-average expected life of the option of 5 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. The Company's pro forma information is as follows:

	12 weeks ended March 23, 2004 -----	12 weeks ended March 25, 2003 -----
Net income, as reported	\$ 2,674,663	\$ 2,267,585
Pro forma stock-based employee compensation cost, net of tax	163,139 -----	89,858 -----
Pro forma net income	2,511,524 =====	\$ 2,177,727 =====
Earnings per share:		
Basic, as reported	\$ 0.27	\$ 0.23
Basic, pro forma	\$ 0.25	\$ 0.22
Diluted, as reported	\$ 0.26	\$ 0.22
Diluted, pro forma	\$ 0.24	\$ 0.21
Weighted average fair value of options granted during the quarter	\$ 4.90	\$ 5.66

-5-

3. Stock Options

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

During the twelve week period ended March 23, 2004, the Company granted to certain key employees stock options for 90,000 shares of Common Stock at a weighted-average exercise price of \$12.08 per share and options to purchase 48,654 shares were exercised at a weighted-average exercise price of \$4.50 per share pursuant to its 1997 Incentive and Nonqualified Stock Option Plan.

4. Earnings Per Share

Basic earnings per share amounts are computed based on the weighted average number of shares actually outstanding. The number of weighted averaged shares outstanding for the twelve week periods ended March 23, 2004 and March 25, 2003 were 9,850,512 and 9,864,658, respectively.

Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and the proceeds from such exercises were used to acquire common shares at an average price during the reporting period. The number of shares resulting from this computation of diluted earnings per share for the twelve weeks ended March 23, 2004 and March 25, 2003 were 10,442,063 and 10,247,682, respectively.

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

General

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto included elsewhere in this Form 10-Q.

As of March 23, 2004, the Company owned and operated 66 restaurants under the Fox and Hound Smokehouse & Tavern, Fox and Hound English Pub & Grille, and Fox and Hound Pub & Grille ("Fox and Hound"), Bailey's Smokehouse & Tavern, Bailey's Sports Grille and Bailey's Pub & Grille ("Bailey's") brand names. The Company's restaurants offer a broad menu of mid-priced appetizers, entrees, and desserts served in generous portions. In addition, each location features a full-service bar and offers a wide selection of major domestic, imported and specialty beers. Each restaurant emphasizes a high energy environment with multiple billiard tables and satellite and cable coverage of a variety of sporting events and music videos. In addition to our food, the Company believes that customers are attracted to the elegant yet comfortable atmosphere of dark wood interiors, polished brass, embroidered chairs and booths, and etched glass. The Fox and Hound and Bailey's restaurants share identical design and operational principles and menus. As of March 23, 2004, the Company owned and operated 50 Fox and Hound restaurants and 16 Bailey's restaurants located in Alabama, Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Louisiana, Michigan, Missouri, Nebraska, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. As of March 25, 2003, the Company owned and operated 42 Fox and Hound restaurants and 14 Bailey's restaurants.

The components of the Company's net sales are food and non-alcoholic beverages, alcoholic beverages, and entertainment and other (principally billiard table rental fees). For the twelve weeks ended March 23, 2004, food and non-alcoholic beverages were 33.8% of total sales, alcoholic beverages were 59.0% of total sales and entertainment and other were 7.2% of total sales. For the twelve weeks ended March 25, 2003, food and non-alcoholic beverages were 32.4% of total sales, alcoholic beverages were 59.6% of total sales and entertainment and other were 8.0% of total sales.

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

The components of the Company's cost of sales primarily include direct costs of food, non-alcoholic beverages and alcoholic beverages. These costs are generally variable and will fluctuate with changes in sales volume and sales mix.

Components of restaurant operating expenses include operating payroll and fringe benefits, and occupancy, maintenance and utilities. All but one of the Company's locations are leased and provide for a minimum annual rent, with some leases calling for additional rent based on sales volume at the particular location in excess of specified minimum sales levels.

-6-

Depreciation and amortization costs primarily include depreciation and amortization of capital expenditures for restaurants.

Preopening costs include labor costs, costs of hiring and training personnel and certain other costs relating to opening new restaurants.

General and administrative expenses include all corporate and administrative functions that support existing operations and provide an infrastructure to support future growth. Management, supervisory and staff salaries, employee benefits, travel, information systems, training, rent and office supplies as well as accounting services fees are major items of costs in this category.

In calculating comparable restaurant sales, the Company includes a restaurant in the comparable restaurant base after it has been in operation for 18 full months. As of March 23, 2004, there were 52 restaurants in the comparable restaurant base. Annualized average weekly sales are computed by dividing net sales during the period by the number of store operating weeks and multiplying the result by 52.

Results of Operations

The following table sets forth for the periods indicated (i) the percentages which certain items included in the Condensed Consolidated Statement of Operations bear to net sales, and (ii) other selected operating data. The Company operates on a 52 or 53 week fiscal year ending the last Tuesday in December. Fiscal years 2004 and 2003 consist of 52 weeks. Fiscal quarters consist of three accounting periods of 12 weeks each and a final period of 16 or 17 weeks.

	Twelve Weeks Ended	
	March 23, 2004	March 25, 2003
Operating Statement Data:		
Net sales	100.0%	100.0%
Costs and expenses:		
Costs of sales	26.9	25.7
Restaurant operating expenses	50.1	50.0
Depreciation and amortization	4.4	5.0
Preopening costs	1.3	1.1
	82.7	81.8
Restaurant costs and expenses	82.7	81.8

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Restaurant operating income	17.3	18.2
General and administrative expenses	5.2	5.0
	-----	-----
Income from operations	12.1	13.2
Interest expense	0.1	0.1
	-----	-----
Income before income taxes	12.0	13.1
Provision for income taxes	4.1	4.7
	-----	-----
Net income	7.9%	8.4%

Restaurant Operating Data (dollars in thousands):

Annualized average weekly sales per location	\$ 2,260	\$ 2,137
Number of restaurants at end of the period	66	56

Twelve Weeks Ended March 23, 2004 Compared to Twelve Weeks Ended March 25, 2003

Net sales increased \$6,806,000 (25.2%) for the twelve weeks ended March 23, 2004 to \$33,847,000 from \$27,041,000 for the twelve weeks ended March 25, 2003. This increase was due to a 18.4% increase in store weeks (779 versus 658) as a result of ten restaurants opening since March 25, 2003 and a 5.7% increase in annualized average weekly sales for units open during the entire period primarily as a result of increased customer traffic. Comparable restaurant sales increased 1.8% for the quarter ended March 23, 2004.

Costs of sales increased \$2,167,000 (31.2%) for the twelve weeks ended March 23, 2004 to \$9,116,000 from \$6,949,000 in the twelve weeks ended March 25, 2003, and increased as a percentage of sales to 26.9% from 25.7%. This increase is principally attributable to an increase in the cost of certain raw products and increased promotional activities.

Restaurant operating expenses increased \$3,457,000 (25.6%) for the twelve weeks ended March 23, 2004 to \$16,972,000 from \$13,515,000 in the twelve weeks ended March 25, 2003, and increased as a percentage of net sales to 50.1% from

-7-

50.0%. This increase as a percentage of sales is principally attributable to higher occupancy costs on new units and higher liability insurance and claims expense.

Depreciation and amortization increased \$149,000 (11.0%) for the twelve weeks ended March 23, 2004 to \$1,504,000 from \$1,355,000 in the twelve weeks ended March 25, 2003, and decreased as a percentage of sales to 4.4% from 5.0%. This increase in expense is due to additional depreciation on ten restaurants opened net of older restaurants with fully depreciated equipment during the year.

Preopening costs increased \$145,000 (50.5%) for the twelve weeks ended March 23, 2004 to \$432,000 from \$287,000 in the twelve weeks ended March 25, 2003. These costs are attributable to two units that opened during the twelve weeks ended March 23, 2004 and partial preopening expenses for five restaurants which have yet to open. Two restaurants were opened in the twelve weeks ended March 25, 2003.

General and administrative expenses increased \$378,000 (27.7%) for the twelve weeks ended March 23, 2004 to \$1,745,000 from \$1,367,000 in the twelve weeks ended March 25, 2003, and increased as a percentage of net sales to 5.2% from 5.0%, due to an increase in corporate infrastructure to support our

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

expansion.

Interest expense was \$35,000 for the twelve weeks ended March 23, 2004 and \$25,000 for the twelve weeks ended March 25, 2003. This increase is due to a higher average balance which was partially offset by a lower average interest rate applicable to the revolving note payable in the current fiscal year compared with the prior fiscal year.

The effective income tax rate was 33.9% for the twelve weeks ended March 23, 2004 and 36.0% for the twelve weeks ended March 25, 2003. The decrease is primarily due to the impact of the credit for social security taxes paid on tips in excess of minimum wage relative to the amount of income before income taxes and a decrease in the effective state tax rate.

Quarterly Fluctuations, Seasonality and Inflation

The timing of new unit openings will result in significant fluctuations in quarterly results. The Company expects seasonality to be a factor in the results of its business in the future due to expected lower second and third quarter revenues due to the summer season. The primary inflationary factors affecting the Company's operations include food, liquor and labor costs. A large number of the Company's restaurant personnel are tipped employees who are paid at the federal subminimum wage level; therefore, future subminimum wage changes will have a significant effect on labor costs. As costs of food and labor have increased, the Company has historically been able to offset these increases through economies of scale, improved operating procedures and menu price changes; however, short-term fluctuations in raw product pricing may have an impact on the Company's costs of food. To date, inflation has not had a material impact on operating margins.

Liquidity and Capital Resources

As is customary in the restaurant industry, the Company operates with negative working capital. Negative working capital decreased \$1,847,000 to \$4,014,000 as of March 23, 2004 from \$5,861,000 as of December 30, 2003. This decrease is attributable primarily to cash provided by operations in excess of payments on the line of credit and cost of purchases of property and equipment. Cash increased \$4,000 to \$817,000 at March 23, 2004 compared to the balance of \$813,000 at December 30, 2003. The Company does not have significant receivables or inventory and receives trade credit based upon negotiated terms in purchasing food and supplies. Because funds available from cash sales are not needed immediately to pay for food and supplies, or to finance inventory, they may be considered as a source of financing for noncurrent capital expenditures.

On September 1, 1998 the Company entered into a loan agreement with Intrust Bank, N.A. (the "Line of Credit") which provides for a line of credit of \$20,000,000 subject to certain limitations based on earnings before interest, taxes, depreciation and amortization of the past fifty-two weeks and the amount of capital lease obligations on personal property. The Line of Credit is secured by substantially all of the Company's assets. The Line of Credit requires monthly payments of interest only until November 1, 2006, at which time equal monthly installments of principal and interest are required as necessary to fully amortize the outstanding indebtedness plus future interest over a period of four years. Interest is accrued at 1/2% below the prime rate as published in The Wall Street Journal. Proceeds from the Line of Credit are being used for restaurant development. As of March 23, 2004 the Company had borrowed \$3,335,000 under the Line of Credit. The Company is in compliance with all debt covenants.

Cash flows from operations were \$3,222,000 in the 12 weeks ended March 23, 2004 compared to \$2,015,000 in the 12 weeks ended March 25, 2003. Purchases of property and equipment were \$3,137,000 in the 12 weeks ended March 23, 2004

compared to \$2,436,000 in the 12 weeks ended March 25, 2003. Advances made to the developer for two build-to-suit locations were \$532,000 in the 12 weeks ended March 25, 2003. Net payments on the revolving note payable to bank were \$300,000 for the 12 week period ending March 23, 2004 compared to net proceeds of \$920,000 for the 12 weeks ending March 25, 2003. At March 23, 2004, the Company had \$817,000 in cash and cash equivalents.

The Company intends to open twelve to fifteen new locations in fiscal year 2004 and twelve to fifteen new locations in fiscal year 2005. At March 23, 2004, two units had been opened in fiscal 2004, four units were under construction, contracts had been executed on seven additional sites, and contract negotiations had begun on four additional sites. The Company is currently evaluating locations in markets familiar to its management team. However, the number of locations actually opened and the timing thereof may vary depending upon the ability of the Company to locate suitable sites and negotiate favorable leases. The Company expects to expend approximately \$20.0 to \$25.0 million to open new locations over the next twelve months.

The Company believes the funds available from the Line of Credit and its cash flow from operations will be sufficient to satisfy its working capital and capital expenditure requirements for at least the next twelve months. There can be no assurance, however, that changes in the Company's operating plans, the acceleration or modification of the Company's expansion plans, lower than anticipated revenues, increased expenses, stock repurchases, potential acquisitions or other events will not cause the Company to seek additional financing sooner than anticipated, prevent the Company from achieving the goals of its expansion strategy or prevent any newly opened locations from operating profitably. There can be no assurance that additional financing will be available on terms acceptable to the Company or at all.

Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. Our actual results may differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ from the results discussed in the forward-looking statements include, but are not limited to, potential increases in food, alcohol, labor, and other operating costs, changes in competition, the inability to find suitable new locations, changes in consumer preferences or spending patterns, changes in demographic trends, the effectiveness of our operating and growth initiatives and promotional efforts, and changes in government regulation. Further information about the factors that might affect the Company's financial and other results are included in the Company's 10-K, filed with the Securities and Exchange Commission. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

The Company's Line of Credit has a variable rate which is directly affected by changes in U.S. interest rates. The average interest rate of the Facility was 3.50% for the twelve weeks ended March 23, 2004. The interest rate at March 23, 2004 was 3.50%. The following table presents the quantitative interest rate risks at March 23, 2004:

Principal Amount by Expected Maturity							
(In thousands)							
(dollars in thousands)	2004	2005	2006	2007	2008	There- after	Total
Variable rate debt	\$ --	\$ --	\$ 130	\$ 795	\$ 823	\$ 1,587	\$ 3,333
Average Interest Rate-							
1/2% below prime	--	3.50%	3.50%	3.50%	3.50%	3.50%	

-9-

Item 4. Procedures and Controls

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 Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit 31.1 - Certification by Steven M. Johnson pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 - Certification by James K. Zielke pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 - Certification by Steven M. Johnson pursuant to Rule 13a-14(b) and 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 - Certification by James K. Zielke pursuant to Rule 13a-14(b) and 15d-14(b) 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Edgar Filing: TOTAL ENTERTAINMENT RESTAURANT CORP - Form 10-Q

Reports on Form 8-K

A Current Report on Form 8-K (Item 5) dated February 4, 2004, reporting the filing of Exhibit 99.1-Press release of Total Entertainment Restaurant Corp.

A Current Report on Form 8-K (Item 5) dated February 9, 2004, reporting the filing of Exhibit 99.1-Press release of Total Entertainment Restaurant Corp.

A Current Report on Form 8-K (Item 5) dated February 12, 2004, reporting the filing of Exhibit 99.1-Press release of Total Entertainment Restaurant Corp.

A Current Report on Form 8-K (Item 5) dated March 12, 2004, reporting the filing of Exhibit 99.1-Press release of Total Entertainment Restaurant Corp.

-10-

TOTAL ENTERTAINMENT RESTAURANT CORP.

SIGNATURES

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

Total Entertainment Restaurant Corp.
(Registrant)

Date May 6, 2004

/s/ JAMES K. ZIELKE

James K. Zielke
Chief Financial Officer,
Secretary and Treasurer
(Duly Authorized Officer)

-11-