

FLANIGANS ENTERPRISES INC

Form 10-Q

August 13, 2013

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 June 29, 2013

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 1-6836

FLANIGAN'S ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

59-0877638

(I.R.S. Employer
Identification
Number)

5059 N.E. 18th Avenue, Fort Lauderdale, Florida

(Address of principal executive offices)

33334

Zip Code

(954) 377-1961

(Registrant's telephone number, including area code)

Edgar Filing: FLANIGANS ENTERPRISES INC - Form 10-Q

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 has submitted electronically and posted on its Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

On August 13, 2013, 1,859,447 shares of Common Stock, \$0.10 par value per share, were outstanding.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. CONTROLS AND PROCEDURES

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 6. EXHIBITS

SIGNATURES

LIST XBRL DOCUMENTS

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company" and "Flanigan's" mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).

Index

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

	Thirteen Weeks Ended June 29, 2013		Thirty Nine Weeks Ended June 29, 2013	
	June 30, 2012		June 30, 2012	
REVENUES:				
Restaurant food sales	\$ 13,526	\$ 12,443	\$ 39,562	\$ 37,141
Restaurant bar sales	3,841	3,428	11,325	10,043
Package store sales	3,066	3,050	10,332	10,407
Franchise related revenues	341	245	951	756
Rental income	144	140	445	333
Owner's fee	38	38	113	120
Other operating income	56	38	152	115
	21,012	19,382	62,880	58,915
COSTS AND EXPENSES:				
Cost of merchandise sold:				
Restaurant and lounges	5,964	5,778	17,851	16,727
Package goods	2,107	2,070	7,240	7,255
Payroll and related costs	6,477	5,828	19,208	17,701
Occupancy costs	1,105	1,115	3,281	3,247
Selling, general and administrative expenses	3,730	3,622	11,530	11,243
	19,383	18,413	59,110	56,173
Income from Operations	1,629	969	3,770	2,742
OTHER INCOME (EXPENSE):				
Interest expense	(210)	(208)	(622)	(602)
Interest and other income	15	26	55	55
	(195)	(182)	(567)	(547)
Income before Provision for Income Taxes	1,434	787	3,203	2,195
Provision for Income Taxes	(315)	(293)	(752)	(609)
Net income before income attributable to noncontrolling interests	1,119	494	2,451	1,586
Less: Net income attributable to noncontrolling interests	\$ (459)	\$ (258)	\$ (695)	\$ (505)
Net income attributable to stockholders	\$ 660	\$ 236	\$ 1,756	\$ 1,081

See accompanying notes to unaudited condensed consolidated financial statements.

Index

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(Continued)

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	June 29,	June 30,	June 29,	June 30,
	2013	2012	2013	2012
Net Income Per Common Share:				
Basic and Diluted	\$0.35	\$0.13	\$0.94	\$0.58
Weighted Average Shares and Equivalent Shares Outstanding				
Basic and Diluted	1,859,257	1,860,057	1,859,500	1,860,404

See accompanying notes to unaudited condensed consolidated financial statements.

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****JUNE 29, 2013 (UNAUDITED) AND SEPTEMBER 29, 2012**

(in thousands)

ASSETS

June 29,
2013 September 29, 2012

CURRENT ASSETS:

Cash and cash equivalents	\$6,685	\$ 7,221
Due from franchisees	127	—
Other receivables	222	207
Inventories	2,925	2,516
Prepaid expenses	1,088	1,118
Deferred tax asset	392	371

Total Current Assets	11,439	11,433
----------------------	--------	--------

Property and Equipment, Net	34,768	31,595
-----------------------------	--------	--------

Investment in Limited Partnership	209	171
-----------------------------------	-----	-----

OTHER ASSETS:

Liquor licenses, net	470	470
Deferred tax asset	939	961
Leasehold purchases, net	1,077	1,177
Other	690	937

Total Other Assets	3,176	3,545
--------------------	-------	-------

Total Assets	\$49,592	\$ 46,744
--------------	----------	-----------

See accompanying notes to unaudited condensed consolidated financial statements.

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****JUNE 29, 2013 (UNAUDITED) AND SEPTEMBER 29, 2012**

(in thousands)

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 29, 2013	September 29, 2012
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$5,722	\$ 5,265
Income taxes payable	76	39
Due to franchisees	1,432	1,231
Current portion of long term debt	1,644	1,732
Deferred rent	16	16
Total Current Liabilities	8,890	8,283
Long Term Debt, Net of Current Maturities	12,408	11,686
Deferred Rent, Net of Current Portion	134	147
Commitments and Contingencies		
Equity:		
Flanigan's Enterprises, Inc. Stockholders' Equity		
Common stock, \$.10 par value, 5,000,000 shares authorized; 4,197,642 shares issued	420	420
Capital in excess of par value	6,240	6,240
Retained earnings	19,887	18,130
Treasury stock, at cost, 2,338,195 shares at June 29, 2013 and 2,337,395 shares at September 29, 2012	(6,067)	(6,061)
Total Flanigan's Enterprises, Inc. stockholders' equity	20,480	18,729
Noncontrolling interest	7,680	7,899
Total equity	28,160	26,628
Total liabilities and equity	\$49,592	\$ 46,744

See accompanying notes to unaudited condensed consolidated financial statements.

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THIRTY-NINE WEEKS ENDED JUNE 29, 2013 AND JUNE 30, 2012**

(in thousands)

	June 29, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,451	\$ 1,586
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,846	1,778
Amortization of leasehold purchases	100	117
Loss on abandonment of property and equipment	49	15
Deferred income tax	1	62
Deferred rent	(12)	(13)
Income from unconsolidated limited partnership	(50)	(36)
Changes in operating assets and liabilities:		
(increase) decrease in		
Due from franchisees	(127)	(47)
Other receivables	(15)	144
Prepaid income taxes	—	110
Inventories	(409)	(397)
Prepaid expenses	522	234
Other assets	(26)	157
Increase (decrease) in:		
Accounts payable and accrued expenses	458	545
Income taxes payable	37	—
Due to franchisees	201	332
Net cash and cash equivalents provided by operating activities:	5,026	4,587
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,754)	(1,371)
Deposit on property and equipment	(96)	(78)
Proceeds from the sale of fixed assets	48	43
Distributions from unconsolidated limited partnerships	12	10
Purchase of leasehold interest	—	(95)
Net cash and cash equivalents used in investing activities:	(2,790)	(1,491)

See accompanying notes to unaudited condensed consolidated financial statements.

Index**FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THIRTY-NINE WEEKS ENDED JUNE 29, 2013 AND JUNE 30, 2012**

(in thousands)

(Continued)

	June 29, 2013	June 30, 2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long term debt	(4,852)	(1,293)
Proceeds from debt	3,000	—
Purchase of treasury stock	(6)	(6)
Distributions to limited partnership minority partners	(909)	(974)
Contributions from limited partnership minority partners	—	1,895
Purchase of non-controlling interest	(5)	—
Net cash and cash equivalents used in financing activities:	(2,772)	(378)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (536)	 2,718
 Beginning of Period	 7,221	 4,264
 End of Period	 \$ 6,685	 \$ 6,982
Supplemental Disclosure for Cash Flow Information:		
Cash paid during period for:		
Interest	\$ 622	\$ 602
Income taxes	\$ 714	\$ 437
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Financing of insurance contracts	\$ 282	\$ 421
Purchase deposits transferred to property and equipment	\$ 292	\$ 30
Purchase of property in exchange for debt	\$ 1,950	\$ 6,100
Purchase of vehicle in exchange for debt	\$ 43	—

See accompanying notes to unaudited condensed consolidated financial statements.

Index

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 29, 2013

(1) BASIS OF PRESENTATION:

The accompanying condensed consolidated financial information for the periods ended June 29, 2013 and June 30, 2012 are unaudited. Financial information as of September 29, 2012 has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 29, 2012. Operating results for interim periods are not necessarily indicative of results to be expected for a full year.

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of the nine limited partnerships in which we act as general partner and have controlling interests. All intercompany balances and transactions have been eliminated. Non-controlling interest represents the limited partners' proportionate share of the net assets and results of operations of the nine limited partnerships.

These condensed consolidated financial statements include estimates relating to performance based officers' bonuses. The estimates are reviewed periodically and the effects of any revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may take in the future, they may ultimately differ from actual results.

(2) EARNINGS PER SHARE:

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 260 - "*Earnings per Share*". This section provides for the calculation of basic and diluted earnings per share. The data on Page 2 shows the amounts used in computing earnings per share and the effects on income and the weighted average number of shares of potentially dilutive common stock equivalents. As of June 29, 2013 and June 30, 2012, no stock options were outstanding.

(3) RECENT ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Adopted

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.

Index

Issued

There were no recently issued accounting pronouncements during the third quarter of our fiscal year 2013 that we believe will have a material impact on our consolidated financial statements.

(4) 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 Two 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.

(5) DEBT:

Re-Financing of 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 is in the original principal amount of \$1,405,000 and bears interest at a variable rate equal to the BBA LIBOR – 1 Month plus 2.25%. 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 is in the principal amount of \$1,595,000 and bears interest at a variable interest rate equal to the BBA LIBOR – 1 Month plus 3.25%. 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.

Index

(6) INCOME TAXES:

We account for our income taxes using FASB ASC Topic 740, “*Income Taxes*”, which requires among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax basis of assets and liabilities and to tax net operating loss carryforwards and tax credits to the extent that realization of said tax benefits is more likely than not.

(7) STOCK OPTION PLANS:

We have one stock option plan under which qualified stock options may be granted to our officers and other employees. Under this plan, the exercise price for the qualified stock options must be no less than 100% of the fair market value of the Company’s Common Stock on the date the options are granted. In general, options granted under our stock option plan expire after a five (5) year period and generally vest no later than one (1) year from the date of grant. As of June 29, 2013, no options to acquire shares were outstanding. Under this plan, options to acquire an aggregate of 45,000 shares are available for grant.

No stock options were granted during the thirty nine weeks ended June 29, 2013, nor were stock options granted during the thirty nine weeks ended June 30, 2012.

No stock options were exercised during the thirty nine weeks ended June 29, 2013, nor were stock options exercised during the thirty nine weeks ended June 30, 2012.

There was no stock option activity during the thirty nine weeks ended June 29, 2013, nor was there stock option activity during the thirty nine weeks ended June 30, 2012.

(8) ACQUISITIONS:

Purchase of Company Common Stock

Pursuant to a discretionary plan approved by the Board of Directors at its meeting on May 17, 2007, during the thirteen weeks ended June 29, 2013, we did not purchase any shares of our common stock. During the thirty nine

weeks ended June 29, 2013, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for an aggregate purchase price of \$6,200. During the thirteen weeks ended June 30, 2012, we did not purchase any shares of our common stock. During the thirty nine weeks ended June 30, 2012, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for an aggregate purchase price of \$6,200.

(9) COMMITMENTS AND CONTINGENCIES:

Litigation

From time to time, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws governing access to public accommodations, employment-related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of this litigation, some of which is covered by insurance, has had a material effect on us.

Index

During the 3rd quarter of our fiscal year 2011, suit was filed against us alleging that we charge employees for required uniforms in violation of the Florida Minimum Wage Act. The Plaintiff is attempting to certify the suit as a class action and we are both defending vigorously against the class certification as well as the allegations contained in the lawsuit. This lawsuit is uninsured and an adverse decision could have a material effect on us.

(10) SUBSEQUENT EVENTS:

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

(11) 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 the thirteen weeks and thirty nine weeks ended June 29, 2013 and June 30, 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 expenses 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. For the thirteen and thirty nine weeks ended June 29, 2013, we generated revenue of \$144,000 and \$445,000 from our leasing to unaffiliated third parties of retail space.

	Thirteen Weeks Ending June 29, 2013	Thirteen Weeks Ending June 30, 2012
Operating Revenues:		
Restaurants	\$17,367	\$15,871
Package stores	3,066	3,050
Other revenues	579	461
Total operating revenues	\$21,012	\$19,382
Operating Income Reconciled to Income Before Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	\$1,846	\$1,319
Package stores	233	213

Edgar Filing: FLANIGANS ENTERPRISES INC - Form 10-Q

	2,079	1,532
Corporate expenses, net of other revenues	(450)	(563)
Operating income	1,629	969
Other income (expense)	(195)	(182)
Operating Income Reconciled to Income Before Income Taxes and Net Income Attributable to Noncontrolling Interests	\$1,434	\$787

Depreciation and Amortization:

Restaurants	\$448	\$463
Package stores	96	54
	544	517
Corporate	109	109
Total Depreciation and Amortization	\$653	\$626

Capital Expenditures:

Restaurants	\$245	\$389
Package stores	22	31
	267	420
Corporate	104	9
Total Capital Expenditures	\$371	\$429

Index

Thirty	Thirty
Nine	Nine
Weeks	Weeks
Ending	Ending
June 29,	June 30,
2013	2012

Operating Revenues:

Restaurants	\$50,887	\$47,184
Package stores	10,332	10,407
Other revenues	1,661	1,324
Total operating revenues	\$62,880	\$58,915

Operating Income Reconciled to Income Before Income Taxes
and Net Income Attributable to Noncontrolling Interests

Restaurants	\$4,680	\$4,013
Package stores	832	705
	5,512	4,718
Corporate expenses, net of other revenues	(1,742)	(1,976)
Operating income	3,770	2,742
Other income (expense)	(567)	(547)
Income Before Income Taxes and Net Income Attributable to Noncontrolling Interests	\$3,203	\$2,195

Depreciation and Amortization:

Restaurants	\$1,317	\$1,421
Package stores	289	170
	1,606	1,591
Corporate	340	304
Total Depreciation and Amortization	\$1,946	\$1,895

Capital Expenditures:

Restaurants	\$2,186	\$2,226
Package stores	67	80
	2,253	2,306
Corporate	2,786	5,197
Total Capital Expenditures	\$5,039	\$7,503

Index

	June 29, 2013	September 29, 2012
Identifiable Assets:		
Restaurants	\$27,082	\$ 22,133
Package store	5,315	4,952
	32,397	27,085
Corporate	17,195	19,659
Consolidated Totals	\$49,592	\$ 46,744

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

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as “anticipates, appears, expects, trends, intends, hopes, plans, believes, seeks, estimates, may, will,” and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to customer demand and competitive conditions. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the Annual Report on our Form 10-K for the fiscal year ended September 29, 2012 and in this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

OVERVIEW

At June 29, 2013, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package stores and combination restaurants/package stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants, (one restaurant of which we operate), and three combination restaurants/package stores. The table below provides information concerning the type (i.e. restaurant, package store or combination restaurant/package liquor store) and ownership of the units (i.e. whether (i) we own 100% of the unit; (ii) the unit is owned by a limited partnership of which we are the sole general partner and/or have invested in; or (iii) the unit is franchised by us), as of June 29, 2013 and as compared to June 30, 2012 and September 29, 2012. With the exception of “The Whale’s Rib”, a restaurant we operate but do not own, all of the restaurants operate under our service mark “Flanigan’s Seafood Bar and Grill” and all of the package liquor stores operate under our service mark “Big Daddy’s Liquors”.

Types of Units

June 29, 2013 September 29, 2012 June 30, 2012

Company Owned:

Combination package and restaurant	4	4	4
------------------------------------	---	---	---

Edgar Filing: FLANIGANS ENTERPRISES INC - Form 10-Q

Restaurant only	5	5	5	
Package store only	5	5	5	
Company Operated Restaurants Only:				
Limited Partnerships	9	8	8	(1)
Franchise	1	1	1	
Unrelated Third Party	1	1	1	
Company Owned Club:	1	1	1	
Total Company Owned/Operated Units	26	25	25	
Franchised Units	5	5	5	(2)

Index

Notes:

(1) Includes a limited partnership owned restaurant located in Miami, Florida which opened for business on December 27, 2012 (the "New Restaurant").

(2) We operate a restaurant for one (1) franchisee. This unit is included in the table both as a franchised restaurant, as well as a restaurant operated by us.

Franchise Financial Arrangement: In exchange for our providing management and related services to our franchisees and granting them the right to use our service marks "Flanigan's Seafood Bar and Grill" and "Big Daddy's Liquors", our franchisees (four of which are franchised to members of the family of our Chairman of the Board, officers and/or directors), are required to (i) pay to us a royalty equal to 1% of gross package sales and 3% of gross restaurant sales; and (ii) make advertising expenditures equal to between 1.5% to 3% of all gross sales based upon our actual advertising costs allocated between stores, pro-rata, based upon gross sales.

Limited Partnership Financial Arrangement: We manage and control the operations of all restaurants owned by limited partnerships, except the Fort Lauderdale, Florida restaurant which is owned and managed by a related franchisee. Accordingly, the results of operations of all limited partnership owned restaurants, except the Fort Lauderdale, Florida restaurant are consolidated into our operations for accounting purposes. The results of operations of the Fort Lauderdale, Florida restaurant are accounted for by us utilizing the equity method. In general, until the investors' cash investment in a limited partnership (including any cash invested by us and our affiliates) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant 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 (1/2) to us as a management fee, with the balance distributed to the investors. Once the investors in the limited partnership have received, in full, amounts equal to their cash invested, an annual management fee is payable to us equal to one-half (1/2) of available cash to the limited partnership, with the other one half (1/2) of available cash distributed to the investors (including us and our affiliates). As of June 29, 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 (1/2) of the cash available for distribution by the limited partnership. In addition to its receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of the service mark "Flanigan's Seafood Bar and Grill".

Index**RESULTS OF OPERATIONS**

-----Thirteen Weeks Ended-----				
	June 29, 2013		June 30, 2012	
	Amount		Amount	
	(In		(In	
	thousands)	Percent	thousands)	Percent
Restaurant food sales	\$ 13,526	66.20	\$ 12,443	65.76
Restaurant bar sales	3,841	18.80	3,428	18.12
Package store sales	3,066	15.00	3,050	16.12
 Total Sales	 \$ 20,433	 100.00	 \$ 18,921	 100.00
 Franchise related revenues	 341		 245	
Rental income	144		140	
Owner's fee	38		38	
Other operating income	56		38	
 Total Revenue	 \$ 21,012		 \$ 19,382	

-----Thirty-Nine Weeks Ended-----				
	June 29, 2013		June 30, 2012	
	Amount		Amount	
	(In thousands)		(In thousands)	
		Percent		Percent
Restaurant food sales	\$ 39,562	64.49	\$ 37,141	64.37
Restaurant bar sales	11,325	17.44	10,043	16.53
Package store sales	10,332	18.07	10,407	19.10
 Total Sales	 \$ 61,219	 100.00	 \$ 57,591	 100.00
 Franchise related revenues	 951		 756	
Rental income	445		333	
Owner's fee	113		120	
Other operating income	152		115	