

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1995-05-10 | Period of Report: 1995-03-26
SEC Accession No. 0000892569-95-000188

(HTML Version on secdatabase.com)

FILER

FAMILY RESTAURANTS

CIK: 813856 | IRS No.: 330197361 | State of Incorporation: DE | Fiscal Year End: 1228
Type: 10-Q | Act: 34 | File No.: 033-14051 | Film No.: 95536035
SIC: 5812 Eating places

Mailing Address
18831 VON KARMAN AVE
STE 400
IRVINE CA 92715

Business Address
18831 VON KARMAN AVE
IRVINE CA 92715
7147577900

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 26, 1995 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 33-14051

Family Restaurants, Inc.

(Exact name of registrant as specified in its charter)

Delaware 33-0197361

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

18831 Von Karman Avenue, Irvine, California 92715

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (714) 757-7900

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 and (2) has been subject to such filing
requirements for the past 90 days.

Yes No
----- -----

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Section 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court.

Yes No
----- -----

Number of shares of outstanding common stock as of May 9, 1995 is 990,308.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FAMILY RESTAURANTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in thousands, except per share)

<TABLE>
<CAPTION>

	March 26, 1995	December 25, 1994
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,440	\$ 8,239
Restricted cash	0	1,850
Receivables	15,201	11,831
Inventories	11,483	12,916
Other current assets	7,458	8,179
	-----	-----
Total current assets	43,582	43,015
Property and equipment, net	452,031	445,354
Reorganization value in excess of amounts allocable to identifiable assets, net	195,792	197,581
Other assets	45,673	48,648
	-----	-----
	\$737,078	\$734,598
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt, including capitalized lease obligations	\$ 7,270	\$ 6,754
Accounts payable	43,726	41,999
Self-insurance reserves	51,572	50,692
Other accrued liabilities	82,059	96,426
Income taxes payable	3,121	2,625
	-----	-----
Total current liabilities	187,748	198,496
Other long-term liabilities	6,876	6,866
Long-term debt, including capitalized lease obligations, less current portion	567,123	536,495
Stockholders' deficit:		
Common stock - authorized 1,500,000 shares, par value \$.01 per share, 997,277 shares issued	10	10
Additional paid-in capital	159,554	159,554
Notes receivable from stockholders	(2,918)	(2,947)
Accumulated deficit	(181,315)	(163,876)
	-----	-----
Total stockholders' deficit	(24,669)	(7,259)
	-----	-----
	\$737,078	\$734,598
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

- 2 -

3

FAMILY RESTAURANTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in thousands, except per share)
(Unaudited)

<TABLE>
<CAPTION>

Predecessor

	Successor Company		Company
	Quarter Ended March 26, 1995	Two Months Ended March 27, 1994	One Month Ended January 26, 1994
<S>	<C>	<C>	<C>
Sales	\$281,133	\$189,580	\$ 64,741
Product cost	79,410	52,986	19,184
Payroll and related costs	105,775	68,385	24,780
Occupancy and other operating expenses	68,508	43,506	13,712
Depreciation and amortization	13,840	8,423	2,800
General and administrative expenses	15,418	9,045	4,071
Loss (gain) on disposition of properties, net	221	0	(12)
Total costs and expenses	283,172	182,345	64,535
Operating income (loss)	(2,039)	7,235	206
Interest expense, net	14,913	9,878	4,097
Loss before reorganization items, income tax provision and extraordinary item	(16,952)	(2,643)	(3,891)
Reorganization items:			
Professional fees	0	0	(4,250)
Payment to Grace	0	0	(15,000)
Other	0	0	(3,029)
Fresh start adjustment	0	0	501,706
Total reorganization items	0	0	479,427
Income (loss) before income tax provision and extraordinary item	(16,952)	(2,643)	475,536
Income tax provision	487	594	55
Income (loss) before extraordinary item	(17,439)	(3,237)	475,481
Extraordinary gain on extinguishment of debt	0	0	72,561
Net income (loss)	(17,439)	(3,237)	548,042
Preferred dividends	0	0	(1,698)
Net income (loss) attributable to common shares	\$ (17,439)	\$ (3,237)	\$546,344
Net loss per common share	\$ (17.49)	\$ (3.32)	
Weighted average common shares outstanding	997,277	974,725	

</TABLE>

Net loss per common share for the Predecessor Company is not meaningful due to debt discharge, the issuance of new common stock and fresh start reporting.

See accompanying notes to condensed consolidated financial statements

- 3 -

4

FAMILY RESTAURANTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in thousands)
(Unaudited)

<TABLE>
<CAPTION>

Successor Company		Predecessor Company
Quarter Ended March 26, 1995	Two Months Ended March 27, 1994	One Month Ended January 26, 1994

<S>	----- <C>	----- <C>	----- <C>
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers, franchisees and licensees	\$279,573	\$187,545	\$ 65,341
Cash paid to suppliers and employees	(274,869)	(186,654)	(59,729)
Interest paid, net	(17,850)	(1,534)	(741)
Income taxes received (paid)	9	(853)	157
Charges to reserve for divestitures	0	(2,110)	(1,001)
	-----	-----	-----
Net cash provided by (used in) operating activities before reorganization items	(13,137)	(3,606)	4,027
	-----	-----	-----
Reorganization items:			
Professional fees	0	0	(4,250)
Payment to Grace	0	0	(15,000)
Other	0	0	(3,029)
	-----	-----	-----
Total reorganization items	0	0	(22,279)
	-----	-----	-----
Net cash used in operating activities	(13,137)	(3,606)	(18,252)
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from disposal of property and equipment	1,636	1,210	1,588
Acquisition of Chi-Chi's	0	0	(194,889)
Capital expenditures	(16,620)	(6,197)	(779)
Capitalized opening costs	(594)	(176)	(21)
Other	552	612	1,491
	-----	-----	-----
Net cash used in investing activities	(15,026)	(4,551)	(192,610)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of Notes	0	0	409,046
Proceeds from working capital borrowings, net	28,900	0	0
Payment of notes payable to Marriott, net	0	0	(10,969)
Payment of loan payable to Grace	0	0	(2,900)
Payment of debt issuance costs	0	0	(22,973)
Reductions of long-term debt, including capitalized lease obligations	(1,415)	(950)	(447)
Cash settlement of liabilities subject to settlement under reorganization proceedings	0	0	(279,055)
Decrease in restricted cash and collateral deposit	1,850	0	38,688
Proceeds from issuance of common stock, net	0	0	92,364
Payments of notes receivable from stockholders	29	0	0
	-----	-----	-----
Net cash provided by (used in) financing activities	29,364	(950)	223,754
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	1,201	(9,107)	12,892
Cash and cash equivalents at beginning of period	8,239	22,202	9,310
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 9,440	\$13,095	\$ 22,202
	=====	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

- 4 -

5

FAMILY RESTAURANTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(\$ in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Successor Company		Predecessor Company
	Quarter Ended March 26, 1995	Two Months Ended March 27, 1994	One Month Ended January 26, 1994
<S>	<C>	<C>	<C>
Reconciliation of net income (loss) to net cash provided by operating activities net of effects of Chi-Chi's acquisition:			
Net income (loss)	\$ (17,439)	\$ (3,237)	\$ 548,042
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	13,840	8,423	2,800
Amortization of debt issuance costs	824	507	215
Loss (gain) on disposition of properties	221	0	(12)
Fresh start adjustment	0	0	(501,706)
Extraordinary gain on extinguishment of debt	0	0	(72,561)
Accretion of interest on Discount Notes	3,210	2,183	0
Accrued interest on liabilities settled under bankruptcy proceedings	0	0	3,113
Decrease (increase) in receivables, inventories and other current assets	(1,974)	(1,685)	806
Increase (decrease) in accounts payable, self-insurance reserves, other accrued liabilities and income tax payable	(11,819)	(7,687)	2,052
Charges to the reserve for divestitures	0	(2,110)	(1,001)
Net cash used in operating activities	\$ (13,137)	\$ (3,606)	\$ (18,252)
Supplemental schedule of 1994 investing activities:			
The components of acquisition of Chi-Chi's are as follows:			
Current assets	\$ (8,316)		
Property and equipment	(155,293)		
Goodwill	(146,329)		
Other assets	(14,121)		
Current liabilities	56,843		
Other long-term liabilities	5,292		
Long-term debt assumed	4,694		
Issuance of common stock	62,341		
	\$ (194,889)		

See accompanying notes to condensed consolidated financial statements

FAMILY RESTAURANTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. COMPANY. Family Restaurants, Inc. (formerly The Restaurant Enterprises Group, Inc.) was incorporated in Delaware in 1986 and is primarily engaged in the operation of full-service restaurants throughout the United States through its subsidiaries (Family Restaurants, Inc. together with its subsidiaries shall hereinafter be referred to as the "Company"). At March 26,

1995, the Company operated 688 restaurants in 33 states, with approximately 53% of its restaurants located in California. The Company is the licensor of 232 full-service restaurants in Japan and South Korea, the franchisor of five family restaurants and four Mexican restaurants in the United States and the franchisor of 21 Mexican restaurants outside the United States.

Reference to the "Predecessor Company" refers to The Restaurant Enterprises Group, Inc. and its consolidated subsidiaries (not including Chi-Chi's) with respect to information relating to periods prior to January 27, 1994 included herein, and reference to the "Successor Company" refers to Family Restaurants, Inc. and its consolidated subsidiaries, giving effect to the Acquisition (as defined below) and related transactions as described below, with respect to information about events occurring upon completion of or after the Acquisition.

2. FINANCIAL STATEMENTS. The Condensed Consolidated Financial Statements in this Form 10-Q have been prepared in accordance with Securities and Exchange Commission Regulation S-X. Reference is made to the Notes to the Consolidated Financial Statements for the Year Ended December 25, 1994 included in the Company's Annual Report on Form 10-K for information with respect to the Company's significant accounting and financial reporting policies as well as other pertinent information. The Company believes that all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations of the Successor Company for the quarter ended March 26, 1995 are not necessarily indicative of those for the full year.

The Predecessor Company commenced a Chapter 11 bankruptcy case on November 23, 1993, which was confirmed by the United States Bankruptcy Court for the District of Delaware on January 7, 1994. The Predecessor Company applied the provisions of the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," in the consolidated financial statements for the one month ended January 26, 1994.

The accumulated deficit of the Predecessor Company was eliminated as required by fresh start reporting; additionally, the

- 6 -

7

statement of operations for the one month ended January 26, 1994 reflects the effects of the forgiveness of debt resulting from confirmation of the plan of reorganization and the effects of the adjustments to restate assets and liabilities to reflect the reorganization value of the Successor Company. As such, the condensed consolidated balance sheets of the Company as of March 26, 1995 and December 25, 1994 and the accompanying condensed consolidated statements of operations for the quarter ended March 26, 1995 and the two months ended March 27, 1994 represent that of the Successor Company which, in effect, is a new entity with assets, liabilities and a capital structure having carrying values not comparable with prior periods. The condensed consolidated statement of operations for the one month ended January 26, 1994 represents that of the Predecessor Company.

On January 27, 1994 (the "Closing Date"), Apollo FRI Partners, L.P., Green Equity Investors, L.P. and Foodmaker, Inc. ("Foodmaker") acquired approximately 98% of the outstanding common stock of the Company (the "Acquisition"). The Acquisition involved several components, including the merger of Chi-Chi's with a subsidiary of the Company (the "Chi-Chi's Merger"), and related transactions.

3. LOSS PER COMMON SHARE. Loss per common share for the Successor Company is computed based on the weighted average number of shares actually outstanding. The impact of the "Foodmaker Warrant," which allows Foodmaker to acquire an additional 111,111 shares of common stock of the Company, and options has not been included since the impact would be antidilutive.

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

The following should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented in the Company's Annual Report on Form 10-K.

As used herein, "comparable restaurants" means restaurants operated by the Company on January 1, 1994, which continued in operation through the end of the first quarter of 1995.

LIQUIDITY AND CAPITAL RESOURCES.

A. LIQUIDITY

The Company relies primarily on internally generated funds, supplemented by working capital advances under a \$150.0 million, five-year fully revolving credit facility with a \$100.0 million sublimit for standby letters of credit (the "Credit Facility"), for its liquidity. Management believes that funds available from these sources will be sufficient to meet the Company's working capital, debt service and capital expenditure requirements for the foreseeable future.

- 7 -

8

Operating Cash Flow. During the first quarter of 1995, the Company reported EBITDA (defined as earnings (loss) before gain (loss) on disposition of properties, interest, taxes, depreciation and amortization) of \$12.0 million. If Chi-Chi's had been included for the one month ended January 26, 1994, pro forma combined EBITDA for the first quarter of 1994 would have been reported as \$20.3 million. The Company has included information concerning EBITDA herein because it understands that such information is used by certain investors as one measure of an issuer's historical ability to service debt. EBITDA should not be considered as an alternative to, or more meaningful than, operating income (loss) as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity.

Working Capital Deficiency. The Company can operate with a substantial working capital deficiency because (i) restaurant operations are conducted primarily on a cash (and cash equivalent) basis with a low level of accounts receivable, (ii) rapid turnover allows a limited investment in inventories and (iii) cash from sales is usually received before related accounts payable for food, beverages and supplies become due. The Company had a working capital deficiency of \$144.2 million on March 26, 1995.

Credit Facility. On the Closing Date, the Company, FRI-M Corporation, a wholly-owned subsidiary of the Company, and certain subsidiaries of FRI-M Corporation entered into the Credit Facility. The entire outstanding balance of \$88.5 million at March 26, 1995 has been classified as long-term debt in the accompanying condensed consolidated balance sheet since the borrowings are not due for payment until January 27, 1999, and there are no current plans to pay down the outstanding balance. Borrowings in the amount of \$88.0 million were outstanding under the Credit Facility as of May 9, 1995. Standby letters of credit are issued primarily to provide security for future amounts payable by the Company under its workers' compensation insurance program (\$40.2 million of such letters of credit were outstanding as of May 9, 1995).

B. CAPITAL EXPENDITURES

As noted in the Condensed Consolidated Statements of Cash Flows, net cash used in investing activities was \$15.0 million for the first quarter of 1995 versus \$192.6 million for the one month ended January 26, 1994 and \$4.6 million for the two months ended March 27, 1994. Included in investing activities for 1994 is the acquisition of Chi-Chi's which represented \$194.9 million and the conversion of certain Bob's Big Boy restaurants to the Company's concepts which represented \$1.2 million.

The Company embarked in 1994 on a comprehensive capital investment program. The Company expected to spend an aggregate of approximately \$100 million to \$130 million of discretionary funds under

9

such capital investment program, in addition to the annual capital expenditures of approximately \$16 million to \$19 million devoted to normal maintenance of the Company's restaurants. Subsequent to the Acquisition, the Company has remodeled 91 family restaurants and 76 Mexican restaurants at an aggregate cost of approximately \$30.1 million. Subject to changes in market conditions, the Company currently plans on completing its capital reinvestment program in the Family Restaurant Division (as defined below) by the end of 1996. In addition, the Company plans to add 15 to 20 new family restaurants in 1995. However, as a result of the continuing decline in Mexican Restaurant Division (as defined below) sales, the Company has sharply curtailed its remodel program for all restaurants for the remainder of 1995 and has no current plans to open new Mexican restaurants.

RESULTS OF OPERATIONS.

As a result of the impact of the Acquisition on the Company's capital structure, the Company's adoption of fresh start reporting and the acquisition of Chi-Chi's, the results of operations for the first quarter of 1995 are not comparable to those for the first quarter of 1994 which includes two months of the Successor Company's operations and one month of the Predecessor Company's operations. For certain key operating elements of the statement of operations, however, the following analysis of a comparison of the Successor Company's operations for the first quarter of 1995 to the operations (two months of the Successor Company plus one month of the Predecessor Company) for the first quarter of 1994 is provided. Because of the lack of comparability of results, depreciation and amortization and interest expense, net are not discussed.

The Company's total sales for the first quarter of 1995 increased 10.5% (\$26,812,000) as compared to total sales for the same period in 1994. This increase was due to sales from Chi-Chi's restaurants for January 1995 for which there were no comparable sales in 1994 due to the timing of the Chi-Chi's Merger on January 27, 1994, sales for 32 restaurants previously identified for divestment which are included in the Company's operating results for 1995 but were not included in the Company's operating results in 1994, the impact of additional sales of certain Bob's Big Boy restaurants converted to Coco's and Carrows during 1994 and the additional sales of new restaurants opened during 1994 and 1995. These sales increases were offset, in part, by decreases related to restaurants divested or closed and a decrease in sales of comparable restaurants for the first quarter. The breakdown of the increase in sales for the first quarter of 1995 is set forth below:

10

<TABLE>

	First Quarter 1995 Sales Increase ----- (\$ in thousands)
<S>	<C>
Chi-Chi's Sales for January 1995	\$ 28,891
Sales of Restaurants Previously Identified for Divestment	10,861
Increase in Sales of New Restaurants (1)	3,037
Increase in Sales of Bob's Big Boy Restaurants (2)	1,952
Decrease in Sales of Restaurants Sold or Closed	(6,946)
Decrease in Sales of Comparable Restaurants	(10,983)

Total	\$ 26,812 =====

</TABLE>

(1) Reflects the Company's opening of nine new restaurants in 1994 and one new restaurant in 1995. Sales of new Chi-Chi's restaurants are only included for February and March 1995.

(2) Reflects increased sales for the Bob's Big Boy restaurants converted to Coco's or Carrows in 1994.

Comparable restaurants as utilized in this calculation exclude restaurants previously identified for divestment and Chi-Chi's operations for January 1995. Sales for comparable restaurants decreased 4.7% (\$10,983,000) for the first quarter of 1995 as compared to the same period in 1994. This comparable sales decrease reflects decreases in both the Family Restaurant Division and the Mexican Restaurant Division. The comparable sales decrease is due to an increasingly competitive operating environment for restaurants, particularly effective promotional activities during the comparable period in the prior year and, in the case of the Family Restaurant Division, new California smoking legislation effective on January 1, 1995. The comparable sales decrease in the Mexican Restaurant Division was entirely due to Chi-Chi's.

Product cost increased by \$7,240,000 or 10.0% in the first quarter of 1995 as compared to the same period in 1994. This increase reflects Chi-Chi's product cost for January 1995 for which there was no comparable cost in 1994 due to the timing of the Chi-Chi's Merger on January 27, 1994. As a percentage of sales, product cost decreased from 28.4% in the first quarter of 1994 to 28.2% in 1995.

Payroll and related costs increased by \$12,610,000 or 13.5% in the first quarter of 1995 as compared to the same period in 1994. This increase reflects the impact of Chi-Chi's January 1995 costs as discussed above and costs related to 32 restaurants previously identified for divestment which were not included in the Company's results for 1994 but are included in the Company's operating

- 10 -

11 results in 1995. As a percentage of sales, payroll and related costs increased from 36.6% in the first quarter of 1994 to 37.6% in the first quarter of 1995 due to the inclusion of the 32 restaurants previously identified for divestment which generally have poorer margins as a result of lower sales volumes and the impact of declining comparable restaurant sales which puts pressure on operating margins.

Occupancy and other operating expenses increased by \$11,290,000 or 19.7% in the first quarter of 1995 as compared to the same period in 1994. This increase reflects the impact of the same factors affecting payroll and related costs discussed above. As a percentage of sales, occupancy and other operating expenses increased from 22.5% in the first quarter of 1994 to 24.4% in the first quarter of 1995 due to the factors discussed with respect to payroll and related costs and the impact of increased media spending.

General and administrative expenses increased by 17.6% (\$2,302,000) in the first quarter of 1995 as compared to the same period in 1994, primarily due to the inclusion of Chi-Chi's general and administrative expenses for January 1995, which were not included for the same period in 1994, and severance and related costs of approximately \$603,000 resulting from a corporate staff reduction of 45 employees in the first quarter of 1995. As a percentage of sales, general and administrative expenses increased from 5.2% in the first quarter of 1994 to 5.5% in the same period of 1995.

SELECTED DIVISION OPERATING DATA.

The Company operates restaurant chains serving two principal market segments: full-service family restaurants (the "Family Restaurant Division") and full-service Mexican restaurants (the "Mexican Restaurant Division"). At March 26, 1995, the Company's Family Restaurant Division included 347 moderately-priced family-oriented restaurants operated primarily under the Carrows and Coco's names, and the Company's Mexican Restaurant Division operated 315 full-service restaurants primarily under the El Torito, Chi-Chi's

and Casa Gallardo names. The Company also operated 26 additional restaurants under other formats.

The following table sets forth certain information regarding the Company, the Family Restaurant Division and the Mexican Restaurant Division. The table includes information with respect to total operations of the Company, the Family Restaurant Division and the Mexican Restaurant Division (1994 information excludes restaurants previously identified for divestment). Chi-Chi's data has been included in the Mexican Restaurant Division on a pro forma basis as if the Acquisition had occurred as of the beginning of fiscal 1994.

- 11 -

12

<TABLE>
<CAPTION>

	Quarters Ended	
	March 26, 1995	March 27, 1994
	----- (\$ in thousands, except average check amount) -----	
<S>	<C>	<C>
Family Restaurant Division -----		
Restaurants Open at End of Period:		
Owned/operated	347	344
Franchised and Licensed	233	212
Sales	\$117,596	\$120,965
Divisional EBITDA (a)	10,942	10,946
Percentage increase (decrease) in comparable restaurant sales	(4.7)%	0.9%
Average Check	\$ 6.25	\$ 5.85
Mexican Restaurant Division -----		
Restaurants Open at End of Period:		
Owned/operated	315	307
Franchised and Licensed	29	25
Sales	\$149,680	\$155,764
Divisional EBITDA (a)	2,132	9,673
Percentage increase (decrease) in comparable restaurant sales	(6.2)%	(2.7)%
Average Check	\$ 8.31	\$ 8.05
Total Company -----		
Restaurants Open at End of Period:		
Owned/operated	688	664
Franchised and Licensed	262	237
Sales	\$281,133	\$284,761
EBITDA (b)	12,022	20,311
Percentage increase (decrease) in comparable restaurant sales	(5.2)%	(1.3)%

</TABLE>

(a) Divisional EBITDA with respect to any operating division is defined as earnings (loss) before gain (loss) on disposition of properties, unallocated corporate overhead, interest, taxes, depreciation and amortization.

(b) EBITDA is defined as earnings (loss) before gain (loss) on disposition of properties, interest, taxes, depreciation and amortization. The Company has included information concerning EBITDA herein because it understands that such information is used by certain investors as one

measure of an issuer's historical ability to service debt. EBITDA should not be considered as an alternative to, or more meaningful than, operating income (loss) as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity.

- 12 -

13

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is involved in various litigation matters incidental to its business. The Company does not believe that any of the existing claims or actions will have a material adverse effect upon the consolidated financial position and results of operations of the Company.

Item 2. CHANGES IN SECURITIES

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

On February 23, 1995, the Company reported that it had begun a search to identify and hire a new chief executive officer. The search is continuing. In addition, the Company reported that it had replaced the president of the Mexican Restaurant Division with another senior executive. On March 31, 1995, Jackson W. Goodall, Jr. resigned as Chairman of the Board of Directors and Chief Executive Officer of the Company but remains on the Company's Board of Directors. On April 27, 1995, the Board of Directors named Barry E. Krantz and Kevin S. Relyea as Co-Presidents and Co-Chief Operating Officers.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule.

(b) Reports on Form 8-K.

On February 23, 1995, a report on Form 8-K was filed with the Securities and Exchange Commission reporting that the Company had begun a search to identify and hire a new chief executive officer. In addition, the Company reported that it had replaced the president of the Mexican Restaurant Division with another senior executive.

- 13 -

14

SIGNATURE

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

Family Restaurants, Inc.
(Registrant)

By: /S/ Martin M. Casey

Martin M. Casey
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 1995

- 14 -

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE QUARTER ENDED MARCH 26, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FOR THE QUARTER ENDED MARCH 26, 1995.

</LEGEND>

<MULTIPLIER> 1000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-START>	DEC-26-1994
<PERIOD-END>	MAR-26-1995
<CASH>	9,440
<SECURITIES>	0
<RECEIVABLES>	15,201
<ALLOWANCES>	0
<INVENTORY>	11,483
<CURRENT-ASSETS>	43,582
<PP&E>	496,005
<DEPRECIATION>	43,974
<TOTAL-ASSETS>	737,078
<CURRENT-LIABILITIES>	187,748
<BONDS>	428,057
<COMMON>	10
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	(24,679)
<TOTAL-LIABILITY-AND-EQUITY>	737,078
<SALES>	281,133
<TOTAL-REVENUES>	281,133
<CGS>	79,410
<TOTAL-COSTS>	267,533
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	14,913
<INCOME-PRETAX>	(16,952)
<INCOME-TAX>	487
<INCOME-CONTINUING>	(17,439)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(17,439)
<EPS-PRIMARY>	(17.49)
<EPS-DILUTED>	(17.49)

</TABLE>