MEXICAN RESTAURANTS, INC.

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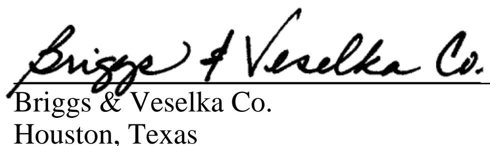
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors
Mexican Restaurants, Inc.
Houston, Texas

We have audited the accompanying consolidated financial statements of Mexican Restaurants, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 28, 2014 (Successor) and December 29, 2013 (Predecessor), and the related consolidated statements of operations and comprehensive income (loss), stockholder's equity, and cash flows for the period from March 17, 2014 to December 28, 2014 (Successor), the period from December 30, 2014 to March 16, 2014 (Predecessor), and the period from December 31, 2012 to December 29, 2013 (Predecessor). The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mexican Restaurants, Inc. and its subsidiaries at December 28, 2014 (Successor) and December 29, 2013 (Predecessor), and the consolidated results of its operations and its cash flows for the period from March 17, 2014 to December 28, 2014 (Successor), the period from December 30, 2013 to March 16, 2014 (Predecessor) and for the period from December 31, 2012 to December 29, 2013 (Predecessor) in conformity with accounting principles generally accepted in the United States of America.



Briggs & Veselka Co.
Houston, Texas

March 30, 2015

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MEXICAN RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS

	Successor	Predecessor
	Dec 28, 2014	Dec 29, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,796,387	$ 1,652,068
Royalties receivable, net	66,170	40,036
Receivables from related party	403,989	-
Other receivables, net	85,158	164,804
Inventory	557,557	497,807
Prepaid expenses and other current assets	777,795	771,039
Pre-IPO offering costs	278,569	-
Deferred tax assets	579,917	968,635
Total current assets	4,545,542	4,094,389
Property and equipment, net	10,790,326	11,927,579
Goodwill	2,629,811	-
Other intangible assets, net	5,905,853	-
Deferred tax assets	2,724,336	3,956,517
Other assets, net	128,828	230,300
Total assets	$ 26,724,696	$ 20,208,785
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 2,530,858	$ 2,376,202
Accrued sales and liquor taxes	113,916	109,862
Accrued payroll and related taxes	794,176	746,858
Accrued expenses	1,064,914	1,061,484
Income taxes payable	135,000	140,100
Current portion of long-term debt	1,537,217	23,887
Total current liabilities	6,176,081	4,458,393
Long-term debt, net of current portion	1,219,227	3,156,113
Deferred rent and other liabilities	134,063	1,374,529
Total liabilities	7,529,371	8,989,035
Commitments and contingencies	-	-
Stockholder's equity:		
Series A Convertible Preferred stock, $0.01 par value, zero and 1,200,000 shares authorized, zero and 982,987 shares issued and outstanding	-	9,830
Additional paid-in capital, preferred stock	-	1,127,082
Common stock, $0.01 par value, 20,200,000 shares authorized, 4,000,000 and 4,732,705 shares issued and outstanding	40,000	47,327
Additional paid-in capital, common stock	19,693,174	18,220,910
Accumulated other comprehensive loss	(25,460)	-
Retained earnings (deficit)	(512,389)	2,834,708
Treasury stock, at cost, zero and 1,251,106 common shares	-	(11,020,107)
Total stockholder's equity	19,195,325	11,219,750
Total liabilities and stockholder's equity	$ 26,724,696	$ 20,208,785

See accompanying notes to the consolidated financial statements.

MEXICAN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Successor		Predecessor	
	41-Week Period from Mar 17, 2014 to Dec 28, 2014		11-Week Period from Dec 30, 2013 to Mar 16, 2014	52-Week Period from Dec 31, 2012 to Dec 29, 2013
Revenues:				
Restaurant sales	$ 53,752,794		$ 14,132,037	$ 66,406,066
Royalty income	299,880		82,525	381,435
	54,052,674		14,214,562	66,787,501
Costs and expenses:				
Cost of sales	14,410,409		3,932,150	18,368,211
Labor	17,775,383		4,693,526	22,635,392
Restaurant operating expenses	13,918,725		3,528,600	17,667,240
General and administrative	5,122,692		1,009,528	4,671,610
Management fees to related party	1,343,807		-	-
Depreciation and amortization	2,180,889		448,924	2,196,707
(Gain) loss on asset disposals	63,462		(50,384)	14,257
Acquisition related costs	200,086		255,463	-
Preopening expense	-		-	21,536
Impairment expense	-		-	214,085
Restaurant closure expense	-		-	99,819
	55,015,453		13,817,807	65,888,857
Operating income (loss)	(962,779)		396,755	898,644
Other income (expense):				
Loss on extinguishment of debt	-		(97,997)	-
Interest income	8,965		2,385	12,045
Interest expense	(133,310)		(31,851)	(108,265)
Other, net	5,403		(12,049)	35,973
	(118,942)		(139,512)	(60,247)
Income (loss) before income taxes	(1,081,721)		257,243	838,397
Income tax benefit (expense)	569,332		(35,964)	(71,305)
Net income (loss)	$ (512,389)		$ 221,279	$ 767,092
Unrealized loss on cash flow hedge, net of $13,117 tax benefit	(25,460)		-	-
Comprehensive income (loss)	$ (537,849)		$ 221,279	$ 767,092
Basic and diluted income (loss) per common share	$ (0.13)			
Basic and diluted weighted average shares outstanding	4,000,000			

See accompanying notes to the consolidated financial statements.

MEXICAN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

Predecessor	Preferred Stock	Additional Paid-in Capital-PS	Common Stock	Additional Paid-in Capital-CS	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at Dec 30, 2012	$ 9,081	$ 1,003,628	$ 47,327	$ 18,273,317	$ 2,191,819	$ (11,086,557)	$ -	$ 10,438,615
Issuance of vested restricted stock from treasury	-	-	-	(66,450)	-	66,450	-	-
Dividends on preferred stock	749	123,454	-	-	(124,203)	-	-	-
Stock-based compensation expense	-	-	-	18,541	-	-	-	18,541
Excess tax expense stock-based compensation	-	-	-	(4,498)	-	-	-	(4,498)
Net income	-	-	-	-	767,092	-	-	767,092
Balance at Dec 29, 2013	$ 9,830	$ 1,127,082	$ 47,327	$ 18,220,910	$ 2,834,708	$ (11,020,107)	$ -	$ 11,219,750
Issuance of vested restricted stock from treasury	-	-	-	(75,310)	-	75,310	-	-
Dividends on preferred stock	202	38,279	-	-	(38,481)	-	-	-
Stock-based compensation expense	-	-	-	7,068	-	-	-	7,068
Excess tax expense stock-based compensation	-	-	-	(52,147)	-	-	-	(52,147)
Net income	-	-	-	-	221,279	-	-	221,279
Balance at March 16, 2014	$ 10,032	$ 1,165,361	$ 47,327	$ 18,100,521	$ 3,017,506	$ (10,944,797)	$ -	$ 11,395,950
Successor								
Noncash capital contribution related to the Acquisition	$ -	$ -	$ 40,000	$ 19,693,174	$ -	$ -	-	$ 19,733,174
Unrealized loss on cash flow hedge, net of $13,115 tax benefit	-	-	-	-	-	-	(25,460)	(25,460)
Net loss	-	-	-	-	(512,389)	-	-	(512,389)
Balance at Dec 28, 2014	$ -	$ -	$ 40,000	$ 19,693,174	$ (512,389)	$ -	$ (25,460)	$ 19,195,325

See accompanying notes to the consolidated financial statements.

MEXICAN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	41-Week Period from Mar 17, 2014 to Dec 28, 2014	11 -Week Period from Dec 30, 2013 to Mar 16, 2014	52-Week Period Ended Dec 29, 2013
Cash flows from operating activities:			
Net income (loss)	$ (512,389)	$ 221,279	$ 767,092
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,180,889	448,924	2,196,707
Deferred gain amortization	-	-	(93,352)
Impairment and restaurant closure expense	-	-	313,904
Stock-based compensation expense	-	7,068	18,541
Excess tax expense stock-based compensation	-	52,147	4,498
Deferred income tax expense (benefit)	(675,774)	7,406	(61,028)
Other noncash income	(13,117)	-	-
(Gain) loss on sale of property and equipment	63,462	(50,384)	14,257
Changes in operating assets and liabilities:			
Receivables from related party	(403,989)	-	-
Inventory	(26,950)	(32,800)	48,934
Prepaid expenses and other current assets	(402,426)	449,182	(30,615)
Pre-IPO offering costs	(278,569)	-	-
Other assets	(24,101)	118,574	9,021
Accounts payable	(58,256)	212,912	(140,635)
Accrued expenses	271,974	(217,172)	(100,401)
Income taxes payable	(33,658)	28,558	(9,851)
Deferred rent and other liabilities	85,596	(20,829)	(220,910)
Total adjustments	685,081	1,003,586	1,949,070
Net cash provided by operations	172,692	1,224,865	2,716,162
Cash flows from investing activities:			
Proceeds from sale of assets	-	54,784	14,851
Purchase of property and equipment	(645,856)	(186,463)	(3,377,859)
Net cash used in investing activities	(645,856)	(131,679)	(3,363,008)
Cash flows from financing activities:			
Borrowings under mortgage loan	-	-	1,280,000
Repayments of mortgage loan	(23,556)	-	-
Borrowings under line of credit	-	-	900,000
Repayments of line of credit	-	(1,900,000)	(1,000,000)
Borrowings under promissory note	-	1,500,000	-
Debt issuance costs	-	-	(125,997)
Excess tax (expense) benefit stock based compensation	-	(52,147)	(4,498)
Net cash provided by (used) in financing activities	(23,556)	(452,147)	1,049,505
Net increase (decrease) in cash and cash equivalents	(496,720)	641,039	402,659
Cash, beginning of period	2,293,107	1,652,068	1,249,409
Cash, end of period	$ 1,796,387	$ 2,293,107	$ 1,652,068
Supplemental disclosure of cash flow information:			
Cash paid during the period:			
Interest	$ 68,757	$ 44,180	$ 85,990
Income taxes	$ 183,070	$ -	$ 172,982
Supplemental disclosure of noncash activities:			
Issuance of stock dividends	$ -	$ 38,481	$ 124,203

See accompanying notes to the consolidated financial statements.

MEXICAN RESTAURANTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company

General Overview

Mexican Restaurants, Inc., including its wholly-owned subsidiaries, (referred to herein as the "Company" or "we," "us," and "our") was incorporated under the name "Casa Ole Restaurants, Inc." in the state of Texas in February 1996. In May 1999, the corporate name was changed to "Mexican Restaurants, Inc." The Company functions as a holding company and conducts substantially all of its operations through its subsidiaries. The Company operates and franchises full-service Mexican-themed restaurants featuring various elements associated with the casual dining experience under the names Casa Olé®, Monterey's Little Mexico® (Monterey), Tortuga Mexican Kitchen® (Tortuga) and Crazy Jose's®. The Company also operates a burrito fast casual concept under the name Überrito™. The Casa Olé, Monterey, Tortuga and Crazy Jose's concepts have been in business for 43, 60, 21, and 28 years, respectively. The Überrito concept was formerly known as Mission Burrito prior to December 2014, and has been in business for 17 years. Today, the Company operates 46 restaurants, franchises 10 restaurants and licenses one restaurant in various communities across Texas, Louisiana and Oklahoma. The Casa Olé, Monterey and Crazy Jose's restaurants are designed to appeal to a broad range of customers, and are located primarily in small and medium-sized communities and in middle-income areas of larger markets. The Tortuga and Überrito restaurants, which are also designed to appeal to a broad range of customers, are located primarily in the Houston market. The restaurants offer fresh, quality food, affordable prices, friendly service and comfortable surroundings. The full-service menus feature a variety of traditional Mexican and Tex-Mex selections, complemented by the Company's own original Mexican-based recipes, designed to have broad appeal. The Überrito restaurants offer freshly made burritos, tacos, quesadillas, soups, salads and chips with guacamole and/or chili con queso.

The Company's primary source of revenues is the sale of food and beverages at company-owned restaurants. All except one of the company-owned restaurant sites are leased. Real estate for company-owned restaurants is typically leased under triple net leases that require the Company to pay real estate taxes and utilities, to maintain insurance with respect to the premises and in certain cases to pay contingent rent based on sales in excess of specified amounts. Generally, the non-mall locations for the company-owned restaurants have initial terms of 10 to 20 years with renewal options. Five company-owned restaurants were closed during fiscal year 2013. One new Casa Olé company-owned restaurant was opened during fiscal year 2013 in the same vicinity as two of the locations that were closed during fiscal year 2013.

The Company also derives revenues from franchise royalties. The Company currently has six Casa Olé franchisees operating a total of 10 restaurants and one licensee operating one Monterey's restaurant. One Casa Olé franchise location was closed during fiscal year 2013.

Acquisition

In March through May 2014, Williston Holding Company, Inc. (WHC) acquired 100% of Mexican Restaurants, Inc. in a series of transactions with certain controlling stockholders and the remaining public stockholders (the Acquisition). The Acquisition is discussed further in Note 3.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements as of December 28, 2014 and for the period from March 17, 2014 to December 28, 2014, include the accounts of the Company and its wholly owned subsidiaries (the Successor). The Acquisition was accounted for as a purchase in accordance with the provisions of ASC 805, *Business Combinations*, which resulted in a new valuation of the assets and

liabilities, based on their estimated fair values as of the Acquisition date. Since WHC acquired 100% of the Company's common stock, the Company was required to apply push down accounting pursuant to the provisions of SEC Staff Accounting Bulletin No. 54, *Push Down Basis of Accounting Required in Certain Limited Circumstances*.

The consolidated financial statements of the Company as of December 29, 2013, and for periods before March 17, 2014, the date of Acquisition, reflect the "pre-acquisition" financial position, results of operations and cash flows of the Company prepared on the historical basis of accounting prior to the Acquisition. As such, financial statements for these periods may not be comparable to those for periods after the Acquisition and are indicated as those of the "Predecessor".

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated. These financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented in accordance with generally accepted accounting principles in the United States of America (GAAP).

Fiscal Year

The Company maintains its accounting records on a 52/53 week fiscal year ending on the Sunday nearest December 31.

Segment Reporting

Each restaurant is an operating segment because operating results and cash flow can be determined for each restaurant which is regularly reviewed by the chief operating decision maker. The Company has three reportable segments: Company-owned full service restaurants, Company-owned fast casual restaurants, and franchise operations. Company-owned full service restaurants are aggregated into a single segment because each possesses similar production methods, distribution methods, and economic characteristics, resulting in similar long-term expected financial performance. The fast casual segment includes Überrito™ which is defined by differing economic characteristics and expected future growth rates. None of our segments meet quantitative thresholds for separate reporting.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, the estimates used in calculating depreciation and amortization, the estimates used when evaluating long-lived assets for impairment, the determination of valuation allowances related to income taxes, and the utilization of net operating loss and FICA tip credit carry-forwards in future periods. Because of the inherent uncertainties in these estimates, it is at least reasonably possible that the estimates used will change in the near term.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, as reflected in the consolidated balance sheets, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of long-term debt was determined by discounting future cash flows using rates currently available to the Company for debt with similar terms and remaining maturities. The Company calculated that the estimated fair value of the long-term debt is not significantly different than the carrying value of the debt. The fair value of the interest rate swap agreement discussed in Note 10 was determined using an industry standard swap valuation model with market based inputs for swaps having similar characteristics, a Level 2 measurement.

Cash and Cash Equivalents

The cash account includes restricted funds that are segregated from operating funds. The restricted funds are used at the discretion of the Company's employees and management for community relation purposes. The restricted fund balance was approximately $216,000 and $195,000 as of December 28, 2014 and December 29, 2013, respectively. Cash equivalents include credit card receivables because they are typically converted to cash within three to five days of the sales transaction.

Receivables

Receivables are stated at face value less an allowance for doubtful accounts. Company management evaluates the collectability of receivables and establishes an allowance for doubtful accounts based primarily upon collection history and the obligor's financial condition. All changes in the net carrying amount of the Company's contracts are recorded as adjustments to bad debt expense. Uncollectible contracts are written off when it is determined that there is minimal chance of any kind of recovery, such as bankruptcy or other condition that severely impacts an obligor's ability to repay amounts owed. As of December 28, 2014 and December 29, 2013, the Company had $3,683 and $21,394, respectively, recorded within royalties receivable and $4,886 and $174,971, respectively, recorded within other receivables as an allowance for doubtful accounts on the consolidated balance sheets.

Inventory

Inventory, which is mainly comprised of food and beverages, is stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Miscellaneous restaurant supplies are included in inventory and valued on a specific identification basis.

Pre-IPO Offering Costs

The Company has deferred incremental costs attributable to the proposed offering of its securities in process at year-end. These costs will be charged against the gross proceeds of a completed offering or expensed should the offering be postponed or aborted.

Property and Equipment

Property and equipment are stated at cost. Depreciation on equipment and vehicles is calculated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term plus renewal options reasonably assured or the estimated useful life of the assets. The depreciable lives are as follows:

Leasehold improvements	2 - 16 years
Buildings and improvements	39 years
Vehicles	2 years
Equipment and smallwares	3 - 10 years

Accumulated depreciation as of the date of the Acquisition is not carried forward.

Significant expenditures are capitalized if they extend the utility or useful life of the asset. All other maintenance and repair costs are charged to current operations. The cost and related accumulated depreciation of assets replaced, retired or otherwise disposed of are eliminated from the property accounts and any gain or loss is reflected in costs and expenses.

Goodwill

Goodwill represents the excess of cost over fair value of net identified assets acquired in the Acquisition.

The Company does not amortize its goodwill but instead performs an impairment test annually at its fiscal year end, or more frequently if impairment indicators arise. The Company reviews goodwill for impairment utilizing either a qualitative assessment or a two-step process. If the Company decides that it is appropriate to perform a qualitative assessment and concludes that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary. If the Company performs the two-step process, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit.

The assumptions used in the estimate of fair value are generally consistent with the past performance of the Company’s reporting unit and are also consistent with the projections and assumptions that are used in current operating plans. These assumptions are subject to change as a result of changing economic and competitive conditions.

Upon the sale or closure of a restaurant, goodwill is decremented. The amount of goodwill written-off is determined based on the relative fair value of the reporting unit disposed of as a percentage of the fair value of the reporting unit retained.

Deferred Rent

Lease rentals that have escalating rents are recorded as expense on a straight-line basis over the life of each lease. Several of these lease agreements require minimum annual rent payments plus contingent rent payments based on a percentage of restaurant sales which exceed the minimum base rent. Contingent rent payments, to the extent they exceed minimum payments, are accrued during the periods in which the liability is incurred. Incentive allowances provided by landlords under leasing arrangements are deferred as a liability and amortized to income as an adjustment to rent expense over the life of the lease.

The accumulated deferred rent liability as of the date of Acquisition is not carried forward. The Company has recorded deferred rent starting from the Acquisition date based on the remaining terms of the existing leases.

Sales Taxes

Sales taxes collected from customers are excluded from revenues. The obligation is included in current liabilities until the taxes are remitted to the appropriate taxing authorities.

Revenue Recognition

Revenue from the sale of food, soft beverages and alcoholic beverages are recognized as products are sold. Franchise fee revenue from an individual franchise sale is recognized when all services relating to the sale have been performed and the restaurant has commenced operations. Initial franchise fees relating to area franchise sales are recognized ratably in proportion to services that are required to be performed pursuant to the area franchise or development agreements and proportionately as the restaurants within the area are opened. The Company’s current standard franchise agreement also provides for a royalty payment which is a percentage of gross sales. Royalty income is recognized when it is earned.

Revenues from gift card sales are recognized upon redemption. Prior to redemption, the outstanding balances of all gift cards are included in accounts payable in the consolidated balance sheets. Breakage is recognized on unredeemed gift cards based upon historical redemption patterns when the Company determines the likelihood of redemption of the gift card by the customer is remote. Any gift card breakage was immaterial for all periods presented.

Pre-opening Expenses

Pre-opening expenses primarily consist of hiring and training employees associated with the opening of a new restaurant and are expensed as incurred. Pre-opening expenses of $21,536 were incurred during fiscal year 2013 related to the opening of a new Casa Ole location.

Impairment and Restaurant Closure Expense

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation of other intangible assets with indefinite lives is made annually by comparing the carrying amount of these assets to their

estimated fair value. If the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. Impairment expense of $214,085 during fiscal year 2013 primarily related to asset impairments for two underperforming operating restaurants.

Restaurant closure expense of $99,819 during fiscal year 2013 primarily related to lease obligations related to the closure of an underperforming restaurant during 2013.

Advertising Expense

Each year, management prepares a budget for advertising expenses to promote each restaurant brand. Prepaid advertising is deferred and amortized to expense based on estimates of usage. The Company recorded advertising expense in continuing operations of approximately $105,000 and $1,121,000 during the Predecessor periods presented for 2014 and 2013, respectively. During the Successor period from March 17, 2014 to December 28, 2014, the Company recognized approximately $719,000 in advertising expense. Advertising expense is reported within restaurant operating expenses on the consolidated statements of operations.

Income Taxes

Income taxes are provided based on the liability method for financial reporting purposes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company files income tax returns in the U.S. federal jurisdiction, and three state jurisdictions. The Company's periodic tax returns filed in 2010 and, thereafter, are subject to examination by taxing authorities in accordance with the normal statutes of limitations in the applicable jurisdictions.

Stock-based Compensation

The Company accounts for share-based awards through the measurement and recognition of compensation expense for all share-based payment awards to employees, officers, directors, and consultants based on estimated fair values. All pre-Acquisition stock-based compensation awards were fully settled in the Acquisition. The Company has not made any awards post-Acquisition.

Earnings per Share

Basic loss per share is based on the weighted average shares outstanding without any dilutive effects considered. Diluted income (loss) per share assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. The Company has no dilutive or antidilutive instruments outstanding.

Recent Accounting Pronouncements

In July 2012, the FASB issued Accounting Standards Update ("ASU") 2012-02, *Intangibles—Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets for Impairment*. This ASU simplifies the guidance for impairment testing of indefinite-lived intangible assets other than goodwill and gives companies the option to assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Companies electing to perform a qualitative assessment are no longer required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired.. All provisions of the update were effective for the Company in fiscal 2013 and its adoption did not have a significant impact on its consolidated financial statements.

In April 2014, the FASB issued ASU, 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This ASU raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This update is effective in fiscal periods beginning after December 15, 2014. The adoption of this new guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model, which requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This update is effective in fiscal periods beginning after December 15, 2016. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

3. Acquisition

On March 17, 2014, WHC acquired 79% of the Company in a series of private transactions with certain controlling stockholders of the Company. As part of the transaction, the Company's outstanding revolving credit facility totaling $1,500,000 was repaid in full by one of the selling stockholders in exchange for a note obligation to the stockholder in the same amount. In separate transactions in April and May 2014, WHC acquired the remainder of the Company's stock. The total consideration paid in connection with the Acquisition was approximately $22.5 million, including the assumption of outstanding debt.

The allocation of consideration to the net tangible and intangible assets acquired and liabilities assumed in the Acquisition reflects fair value estimates based on management analysis, including work performed by third-party valuation specialists.

In the Successor period from March 17, 2014 to December 28, 2014, the Company incurred approximately $200,000 of Acquisition-related costs, consisting mostly of professional fees. These amounts are separately reflected in Acquisition-related costs in the accompanying consolidated statement of operations.

In the Predecessor period from December 30, 2013 to March 16, 2014, the Company incurred approximately $255,000 of Acquisition-related costs for professional fees. These amounts are separately reflected in Acquisition-related costs in the accompanying consolidated statement of operations for the

Predecessor period. The Company also recorded a loss from the extinguishment of debt in the Predecessor period presented of approximately $98,000 for unamortized prepaid loan costs related to the debt that was extinguished upon closing as a result of the change in control.

The purchase transaction was accounted for under the acquisition method of accounting which requires, among other items, that assets and liabilities assumed be recognized on the consolidated balance sheet at their fair values as of the Acquisition date. The consolidated balance sheet for the period after the Acquisition includes the following purchase price allocation based on estimates of fair values and costs.

Current assets	$	3,800,451
Property and equipment, net		12,190,062
Other assets, net		104,727
Current liabilities		(4,923,240)
Debt		(2,780,000)
Deferred tax assets		5,003,060
Deferred tax liabilities		(2,387,697)
Casa Ole trade name		3,417,000
Monterey's Little Mexico trade name		1,459,000
Franchise contracts		1,220,000
Goodwill		2,629,811
Total purchase price	$	19,733,174

The trade names represent respected brands with positive customer loyalty; the Company intends to cultivate and protect the use of the trade names. The franchise agreements, after considering renewal periods, have an estimated accounting life of twelve years from the date of Acquisition and will be amortized over this period of time.

The Company recorded goodwill in the amount of $2,629,811and is not deductible for U.S. tax purposes.

The unaudited pro forma information below for the 52-week periods ended December 28, 2014 and December 29, 2013 has been derived from the historical consolidated financial statements and has been prepared as though the Acquisition occurred on December 31, 2012, the first day of fiscal year 2013. The unaudited pro forma information does not purport to represent what the Company's results of operations would have been if the Acquisition had occurred on such date.

	52-Week Period Ended			
	Dec 28, 2014		Dec 29, 2013	
	(in thousands except for share amounts)			
Revenue	$	68,268	$	66,787
Net income	$	311	$	377
Pro forma basic and diluted earnings (loss)	$	0.01	$	0.02

The most significant of the pro forma adjustments were to reflect the impact of Acquisition-related costs, amortization of intangible assets and depreciation of property and equipment, interest expense associated with debt and the monthly management fee payable to WHC.

4. Other Intangible Assets, Net

Intangible assets include trade names and franchise contracts acquired on March 17, 2014 (discussed in Note 3 above) and consisted of the following on December 28, 2014:

Casa Ole trade name	$	3,417,000
Monterey's Little Mexico trade name		1,459,000
Franchise contracts		1,220,000
Total acquired intangibles		6,096,000
Less: accumulated amortization		(190,147)
Other intangible assets, net	$	5,905,853

The identifiable intangible trade names acquired represent the Company's trade names "Casa Ole" and "Monterey’s Little Mexico," both of which have indefinite lives and, accordingly, are not subject to amortization. However, the trade names are subject to annual impairment testing. The trade names are used in the advertising and marketing of the restaurants and are widely recognized and accepted by consumers in their respective markets for providing its customers an enjoyable dining experience.

The franchise contracts, after considering renewal periods, have an estimated accounting life of twelve years from the date of Acquisition and will be amortized over this period of time. Since the value of these assets will be amortized using an accelerated method, the annual amortization will be approximately $190,000 in 2014, $217,000 in 2015, $176,000 in 2017 and $637,000 in future years through year 2026.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

		Dec 28, 2014		Dec 29, 2013
Prepaid rent	$	437,073	$	437,908
Property insurance		124,762		171,286
Licenses		64,186		124,324
Other		151,774		37,521

Total	$	777,795	$	771,039

6. Property and Equipment

Property and equipment consists of the following:

		Dec 28, 2014		Dec 29, 2013
Land	$	622,098	$	622,098
Construction in process		41,081		-
Building and improvements		982,503		984,912
Vehicles		4,605		21,852
Equipment and smallwares		5,495,514		19,490,418
Leasehold improvements		5,418,674		16,708,627
		12,564,475		37,827,907
Less: accumulated depreciation and amortization		(1,774,149)		(25,900,328)
Property and equipment, net	$	10,790,326	$	11,927,579

7. Other Assets, Net

Other assets consist of the following:

		Dec 28, 2014		Dec 29, 2013
Security deposits	$	100,662	$	100,662
Loan origination fees		7,102		104,997
Other		21,064		24,641
Total	$	128,828	$	230,300

8. Income Taxes

Income tax (expense) benefit consisted of the following:

		Dec 28, 2014		Mar 16, 2014		Dec 29, 2013
Current:						
Federal	$	-	$	-	$	7,951
State and local		(106,442)		(28,558)		(140,284)
Subtotal current		(106,442)		(28,558)		(132,333)
Deferred		675,774		(7,406)		61,028
Total	$	569,332	$	(35,964)	$	(71,305)

Income tax benefit (expense) differed from amounts computed by applying the federal statutory rate to income (loss) before income taxes as follows:

	Dec 28, 2014	Mar 16, 2014	Dec 29, 2013
Expected tax benefit (expense)	$ 367,785	$ (87,463)	$ (285,055)
State tax expense	(70,252)	(18,848)	(92,650)
Tax credits	277,407	66,317	314,412
Other	(5,608)	4,030	(8,012)
Income tax benefit (expense)	$ 569,332	$ (35,964)	$ (71,305)

Deferred tax assets consisted of the following:

	Dec 28, 2014	Dec 29, 2013
FICA tip tax credits	$ 3,773,909	$ 3,253,114
Goodwill amortization differences	404,767	497,691
Asset impairments	-	214,085
Depreciation differences	1,232,164	781,842
Net operating losses (NOL's)	324,532	474,324
Other	136,871	24,603
Stock compensation differences	-	55,184
Capital losses	-	146,760
Bad debt expense	-	78,763
Accrued expenses	-	105,546
	5,872,243	5,631,912
Valuation allowance	(560,000)	(706,760)
Net deferred tax assets	$ 5,312,243	$ 4,925,152

Deferred tax liabilities consisted of the following:

	Dec 28, 2014	Dec 29, 2013
Casa Ole trade name	$ 1,161,780	$ -
Monterey's trade name	496,060	-
Franchise contracts	350,150	-
Total	$ 2,007,990	$ -

At December 28, 2014, the Company had federal FICA tip tax credit carryforwards of approximately $3.7 million and federal NOL carryforwards of approximately $1.0 million, all of which expire in years through 2033. Of these amounts, $3,363,282 of the FICA tip tax credit carryforwards and $324,589 of the NOL carryforwards were attributable to periods before the Acquisition. The utilization of these carryforwards is limited under Internal Revenue Code Section 382 to $651,635 annually. A valuation allowance has been recognized for deferred tax assets associated with the portion of these carryforwards that may not be realized. FICA tip credit carryforwards may be deducted in the year of

their expiration which would cause their nature to become NOL carryforwards subject to an extended 20 year carryforward period under current tax regulation.

9. Accrued Expenses

Accrued expenses consist of the following:

		Dec 28, 2014		Dec 29, 2013
Property taxes	$	386,115	$	407,862
Group insurance		253,181		195,412
Contingent lease rent		126,689		119,403
Restricted fund liability		203,159		187,874
Other		95,770		150,933
Total	$	1,064,914	$	1,061,484

10. Debt

Prior to the Acquisition, the Company had a revolving credit facility of up to $3,000,000 and a development credit facility of up to $1,500,000. These facilities were fully repaid and cancelled at the Acquisition date.

As part of the Acquisition, the Company entered into a term note with a selling stockholder for $1,500,000. Principal and interest at 5% per annum under the note, as amended, is payable in full on January 15, 2015. The Company paid the note in full during January 2015, as discussed in Note 15 below. The term note was secured by all Company assets excluding the new Casa Olé restaurant location discussed in the following paragraph.

On October 31, 2012, the Company secured financing of up to $1,280,000 from a financial institution to build a new Casa Olé restaurant in Pasadena, TX. The subordinated promissory note allowed for draws during the construction process with interest only payments during the first twelve months at LIBOR plus 3.50%. The loan then converted to fixed monthly payments at 5.50% annual interest over a 20-year period with a balloon payment due in six years. The promissory note includes financial covenants requiring fixed charge coverage ratios and leverage ratios, and is secured by the land, building, furniture, fixtures and equipment of the new Casa Ole restaurant. The carrying amount of the loan collateral was approximately $1.7 million as of December 28, 2014. The Company was in compliance with all financial covenants at December 28, 2014.

Long-term debt consisted of the following at December 28, 2014 and December 29, 2013:

		Dec 28, 2014		Dec 29, 2013
Revolving credit facility	$	-	$	1,900,000
Term note		1,500,000		-
Subordinated promissory note		1,256,444		1,280,000
Total debt		2,756,444		3,180,000
Less current portion		(1,537,217)		(23,887)
Total long-term debt, net	$	1,219,227	$	3,156,113

Maturities of long-term debt are as follows:

Fiscal year ending:		Dec 28, 2014
2016	$	39,153
2017		41,586
2018		43,965
2019		46,480
2020		1,048,043
Total	$	1,219,227

The Company entered into an interest rate swap agreement commencing May 2014, maturing April 2020, with a floating rate equal to the one month LIBOR plus 3.50%, to manage interest costs and cash flows associated with the above promissory note. The swap provides for declining notional amounts corresponding to the scheduled payment terms of the promissory note and converts the promissory note from a floating rate to a fixed rate of 5.5%. As of December 28, 2014, the swap had a fair value of $38,575 in a liability position and is included in other liabilities.

The Company designated and accounts for the swap as a cash flow hedge. Changes in its fair value are recorded in accumulated other comprehensive income (loss) (“AOCI”), net of taxes. During the period from its commencement in May 2014 through December 28, 2014, no amount was reclassified from AOCI to interest expense for the effects of the hedge, since the hedge was fully effective. The Company is not required to maintain collateral with the counterparty.

11. Commitments and Contingencies

Leases

Restaurant operating space and equipment are leased by the Company under non-cancelable operating leases which expire at various dates through January 31, 2024. The restaurant operating space base agreements typically provide for a minimum lease rent plus common area maintenance, insurance, and real estate taxes, plus additional percentage rent based upon revenues of the restaurant (generally 2% to 7%) and may be renewed for periods ranging from one to twenty-five years.

Future minimum lease payments under non-cancelable operating leases as of December 28, 2014 are as follows:

Fiscal year ending:		
2015	$	4,128,173
2016		3,839,300
2017		3,555,502
2018		2,660,736
2019		2,088,010
Thereafter		6,053,439
Total	$	22,325,160

Total rent expense for restaurant operating space and equipment amounted to $5,188,520 and $5,509,940 for fiscal years 2014 and 2013, respectively, and is included with restaurant operating expenses in the consolidated statements of operations.

Litigation

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

12. Related Party Transactions

In conjunction with the Acquisition, the Company entered into a management fee agreement where it pays a monthly fee of 2.50% of total revenue to WHC. The management fee is reported in management fees to related party in the consolidated statement of operations and totaled approximately $1,344,000 for the period from March 17, 2014 to December 28, 2014. At December 28, 2014, unpaid management fees totaled approximately $160,000. After December 28, 2014, management fees payable to WHC are limited to $500,000 per fiscal year under the terms of the $2,000,000 promissory note discussed in Note 15 below.

The Company loaned $400,000 to WHC under the terms of a promissory note dated November 12, 2014. The principal and accrued interest, at 7% per annum simple interest, was due on March 1, 2015. Prior to the payment deadline, the note was amended to remove the maturity date and make the note payable on demand of MRI. Additionally, the interest rate was reduced to 2% per annum effective March 1, 2015. The books and records of WHC include a corresponding payable to MRI.

13. Employee Benefit Plan

Beginning in fiscal year 1998, the Company established a defined contribution 401(k) plan that covers substantially all full-time employees meeting certain age and service requirements. Participating employees may elect to defer a percentage of their qualifying compensation as voluntary employee contributions. The Company may contribute additional amounts at the discretion of management. The Company did not make any contributions to the plan in fiscal years 2014 and 2013.

14. Stockholder’s Equity

All shares of the Company’s common stock outstanding at December 28, 2014 are owned by WHC as a result of the Acquisition. The previously outstanding preferred stock, warrants and stock-based compensation awards were all settled and cancelled in the Acquisition. Stock-based compensation expense and the associated tax benefit for its deductibility was recognized in the Predecessor periods as the awards were earned and for accelerated vesting due to the Acquisition.

Management intends to retain earnings of the Company to support operations and pay down debt, and does not intend to pay cash dividends on its common stock for the foreseeable future. Any payment of cash dividends in the future will be at the discretion of the Board of Directors and will depend upon such factors as earnings, capital requirements, the Company’s financial condition, and the ability to do so under then-existing credit agreements.

15. Subsequent Events

The Company entered into a promissory note with a financial institution on January 14, 2015 for $2,000,000. Proceeds from the loan were used for working capital and to pay off the $1,500,000 term note discussed in Note 10 above. The note is payable in monthly installments of principal and interest for a seven year term at a rate derived from the London InterBank Offered Rate (LIBOR) plus 4%. The note includes financial covenants requiring fixed charge coverage ratios and leverage ratios, and is secured by all of the Company's land, buildings, furniture, fixtures and equipment except for those assets related to the Casa Ole in Pasadena, TX which are collateral for the subordinated note discussed in Note 10 above.

The Company loaned $400,000 to WHC under the terms of a promissory note dated November 12, 2014. The principal and accrued interest, at 7% per annum simple interest, was due on March 1, 2015. Prior to the payment deadline, the note was amended to remove the maturity date and make the note payable on demand of MRI. Additionally, the interest rate was reduced to 2% per annum effective March 1, 2015. The books and records of WHC include a corresponding payable to MRI.

Management has evaluated subsequent events through March 30, 2015, the date which the financial statements were issued.