

MEXICAN RESTAURANTS INC

FORM 8-K

(Current report filing)

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Address	1135 EDGEBROOK HOUSTON, TX 77034
Telephone	7139437574
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Industry	Restaurants
Sector	Services
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): December 1, 2006

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

TEXAS
(State or Other Jurisdiction of
Incorporation or Organization)

000-28234
(Commission File Number)

76-0493269
(I.R.S. Employer
Identification No.)

**1135 EDGEBROOK
HOUSTON, TEXAS**
(Address of Principal Executive Offices)

77034-1899
(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant number under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On December 1, 2006, Mexican Restaurants, Inc. (the “Company”) (Nasdaq SC: CASA) entered into a Separation Agreement and General Release with Curt Glowacki (the “Agreement”) in connection with his resignation as the Company’s President and Chief Executive Officer effective December 15, 2006. The Agreement is filed as Exhibit 10.1 to this Form 8-K and is hereby incorporated by reference into this Item 1.01 . A copy of the Company’s December 1, 2006 press release announcing Mr. Glowacki’s departure is attached to this Form 8-K as Exhibit 99.1 hereto.

The Agreement provides Mr. Glowacki an aggregate cash payment of \$596,764, net of applicable withholding, with respect to his stock options vested through December 4, 2006, and for such payment to be made by the Company on or before December 31, 2006. Additionally, under the Agreement Mr. Glowacki has agreed that during the twenty-four (24) month period following December 15, 2006, he will not (i) directly or indirectly, hire attempt to hire, contact or solicit any employee of the Company or (ii) seek or encourage any present or future vendor, supplier, distributor, customer or investor to terminate or alter his, her or its relationship with the Company.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

On December 1, 2006, Curt Glowacki resigned from his position as Chief Executive Officer and President of the Company, effective December 15, 2006. Mr. Glowacki’s resignation was not the result of any disagreement between Mr. Glowacki and the Company regarding any matter relating to the Company’s operations, policies or practices. Lou Neeb, age 67, the Company’s current Chairman of the Board, has been named the new Chief Executive Officer of the Company effective December 15, 2006, and Lou Porry, age 53, a director of operations for the Company since 1991, has been named the Company’s Chief Operating Officer effective December 15, 2006.

Mr. Neeb has served as Chairman of the Board of the Company since October 1995, and also served as Chief Executive Officer of the Company from April 1996 to May 2000, and as interim President from August 1997 to April 1998. Since 1982, Mr. Neeb has also served as President of Neeb Enterprises, Inc., a restaurant consulting company. From July 1991 to January 1994, Mr. Neeb served as President of Spaghetti Warehouse, Inc. From September 1989 to June 1991, Mr. Neeb served as President of Geest Foods USA. From 1982 to 1987, Mr. Neeb served as President and Chief Executive Officer of Taco Villa, Inc. and its predecessors, where he oversaw the development of the Applebee’s restaurant chain and the operation of the Del Taco restaurant chain. From 1980 to 1982, Mr. Neeb served as Chairman of the Board and Chief Executive Officer of Burger King Corporation. From 1973 to 1980, Mr. Neeb served in various positions, including President and Chief Operating Officer of Steak & Ale restaurants. During that time, Mr. Neeb directed the development of the Bennigan’s restaurant concept. Mr. Neeb serves as a director of CEC Entertainment, Inc.

Mr. Porry has been an employee of the Company and its predecessors since 1985, and for the last fifteen years has served as a director of operations for the Company’s Monterey’s, Tortugas and Casa Olé concepts.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit Number	Description
10.1	Separation Agreement and General Release
99.1	Mexican Restaurants, Inc. press release dated December 1, 2006

SIGNATURES

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 hereunto duly authorized.

Date: December 7, 2006

MEXICAN RESTAURANTS, INC.

By: /s/ ANDREW J. DENNARD

Andrew J. Dennard

Executive Vice President, Chief Financial Officer,
Treasurer and Corporate Secretary

MEXICAN RESTAURANTS, INC.
1135 Edgebrook
Houston, Texas 77034-1899

SEPARATION AGREEMENT AND GENERAL RELEASE

December 1, 2006

Mr. Curt Glowacki
5319 Blue Creek
Kingwood, TX 77345

Dear Curt,

Please know that the Board of Directors and your management team at Mexican Restaurants, Inc. (collectively, with its subsidiaries, the "Company") truly appreciate your efforts on behalf of the Company, the results of which are reflected in the Company's operating performance under your leadership. We wish you continued success in subsequent ventures.

Please permit this letter to evidence our agreements with you concerning the termination of your employment relationship with the Company. The severance compensation described below is made available to you by the Company with respect to the termination of your employment, provided you agree to the terms of this Separation Agreement and General Release (this "Agreement").

I. This Agreement is made between the Company and Curt Glowacki ("Employee", "You" or "I"). Unless the Company and You enter into this Separation Agreement and General Release, You do not have a right to any of the extra severance benefits described in this document. However, in consideration for You agreeing to these terms, as described below, the Company will provide You with the following:

Separation Compensation :

1. All accrued salary through the termination date, less standard withholding.
2. An aggregate cash payment of \$596,764 with respect to Employee's stock options as vested through December 15, 2006, which the parties to this letter agree are conclusively set forth on Exhibit "A", less standard withholding, calculated based upon the difference between \$10.50 per share and the per share exercise prices of such vested stock options. Such payment shall be made by the Company on or before December 31, 2006.
3. Conversion or continuation of insurance coverage shall be in accordance with the provisions of the applicable insurance plans and law. COBRA notification will be provided separately. You will be eligible for continuation of health coverage (medical and dental) under COBRA.

II. In return for the benefits listed in this Agreement, the undersigned Employee agrees to the following:

I agree, on behalf of myself and all of my heirs or personal representatives, to release the Company, its predecessors and successors, all affiliates, and all of their present or former directors, officers, agents, partners, employees, employee benefit programs, and the trustees, administrators, fiduciaries and insurers of such programs, (collectively hereafter, the “MRI Group”) from any and all claims for relief of any kind, whether known to me or unknown, and concerning events occurring at any time up to the date of this agreement, including, but not limited to those that in any way arise out of or relate to my employment or the termination of my employment with the Company, any and all claims of discrimination of any kind, including, but not limited to claims of discrimination due to sex, age, race, ethnicity, color, religion, national origin, disability, marital status, sexual orientation or political affiliation, and any contractual, tort or other common law claims. This settlement and waiver includes all such claims, whether under any applicable federal laws, including, but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 U.S.C. § 1981, the Americans with Disabilities Act, the Fair Labor Standards Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act of 1974 (“ERISA”), the Family and Medical Leave Act, the Sarbanes-Oxley Act of 2002, each as amended, or under any other applicable federal, state or local laws or ordinances or any other legal restrictions on the Company’s rights, including but not limited to the Texas Commission on Human Rights Act. I further agree not to file a suit of any kind against the MRI Group relating to my employment or to participate voluntarily in any employment-related claim brought by any other party against the MRI Group. I understand that this Agreement effectively waives any right I might have to sue the MRI Group for any claim arising out of my employment or the termination thereof. This Agreement shall not be construed as releasing or affecting any claim I may have for benefits vested under any ERISA or pension plan. Nothing in this Agreement is meant to waive any right I may have for unemployment benefits from the State of Texas or to elect COBRA continuation coverage.

I expressly agree and acknowledge that this Release is intended to include in its effect, without limitation, all claims relating in any manner to my employment or the termination of my employment with the Company that I do not know or suspect to exist in my favor at this time.

III. In consideration for the Company’s agreements set forth above, I agree that I shall not do any of the following, during the twenty-four (24) -month period following December 15, 2006, whether directly or indirectly, personally or through others:

- a. Hire, attempt to hire, contact or solicit with respect to hiring on behalf of any person or entity any employee (as defined below) of the Company;
- b. Seek or encourage any present or future vendor, supplier, distributor, customer or investor to terminate or otherwise alter his, her or its relationship with the MRI Group;
- c. Disparage the MRI Group, its officers, directors, employees or former officers, directors and employees.

For purposes of this Article III, the term “employee” shall mean any individual employed by the Company at or after the execution of this Agreement or within six (6) months prior to such contact, solicitation, recruitment or hiring.

IV. I acknowledge the receipt from the Company of confidential, proprietary and restricted information, and recognize that it is critically important to the Company that such information be protected from disclosure or use by any person or entity without the Company’s express permission. While I understand that I have had such an obligation since I began my employment with the Company, I confirm in this Agreement that I shall not disclose any confidential, proprietary or restricted information of the Company, and shall not make use of such confidential, proprietary or restricted information in any manner at any time. I further agree to make myself reasonably available to the MRI Group or its attorneys for consultation and information regarding any Company legal matters or investigations that may arise, and to provide only truthful information.

V. I acknowledge that this Agreement and General Release does not constitute an admission of any kind by the Company, but is simply an accommodation that offers certain extra benefits to which I would not otherwise be entitled in return for my agreeing to and signing this document.

I understand and agree that if I violate this Agreement and General Release, I am subject to forfeiture or repayment of these extra benefits, and any damages incurred by the Company.

To the extent I have not already done so, I agree to immediately return to Mexican Restaurants, Inc. (Attention: Chief Financial Officer) any and all Company documents and other property of the Company regardless of media form.

I understand that I may have up to twenty-one (21) days from the date of this letter to consider this Agreement and have been encouraged and am again hereby advised by the Company to consult with an attorney prior to its execution. I understand that if I sign this Agreement and Release, I will then have seven days to cancel it if I so choose. I acknowledge that I may cancel this Agreement by delivering a timely written notice of cancellation to Andrew J. Dennard, Chief Financial Officer of the Company. However, if I elect to cancel this Agreement, I understand I will not be entitled to any of the extra severance benefits. I realize this Agreement is not effective or enforceable until the seven-day period expires without revocation.

I am entering into this Agreement freely and voluntarily, and I am satisfied that I have been given sufficient opportunity to consider it and consult with legal counsel. I have carefully read and understand all of the provisions of this Agreement. I understand that it sets forth the entire Agreement between the Company and me, and I represent that no other statements, promises, or commitments of any kind, written or oral, have been made to me by the Company to cause me to accept it. I acknowledge acceptance of this Agreement by my signature below.

(Signature page follows)

12/1/06

Date

/s/ Curt Glowacki

Curt Glowacki

Agreed to and accepted on behalf of Mexican Restaurants, Inc.:

12/1/06

Date

By: /s/ Louis P. Neeb

Printed Louis P. Neeb

Name:

Title: Chairman

EXHIBIT "A"

Stock Option Summary

<u>Options</u>	<u>Cash Payment*</u>
Vested stock options for 36,000 shares exercisable for \$8.625 per share	\$ 50,859
Vested stock options for 28,000 shares exercisable for \$4.313 per share	\$ 173,236
Vested stock options for 90,000 shares exercisable for \$2.70 per share	\$ 372,668
Total	<u><u>\$ 596,764</u></u>

*Based on the difference between the per share exercise price and \$10.50 per share multiplied by the number of vested options. Such cash payment shall be made net of standard withholding.

FOR IMMEDIATE RELEASE

Contact: Mexican Restaurants, Inc.

Dennis D. Vegas

713-943-7574

**Mexican Restaurants, Inc. CEO Curt Glowacki Resigns;
Board Appoints Lou Neeb CEO; Lou Porry to Expand Role
(NASDAQ:CASA)**

December 1, 2006 (Houston, Texas) - Mexican Restaurants, Inc. ("MRI") (NASDAQ:CASA) Board of Directors announced today that Curt Glowacki has stepped down as President and Chief Executive Officer effective December 15, 2006 to accept a senior position with another company. Lou Neeb, MRI Chairman of the Board, has been named Chief Executive Officer. Lou Porry, an MRI director of operations for the last 15 years, has been named Chief Operating Officer effective immediately.

"Curt has been a major contributor to MRI for over 20 years and we thank him for his years of valuable service," stated Mr. Neeb. "His passionate leadership will leave an indelible impact on the Company long after he's gone. His disciplined approach to people, service and profits has enabled the Company to grow and build a strong foundation for future growth. We wish him well in his future endeavors," said Neeb, on behalf of the Board.

"It was a difficult decision to leave this great Company, but after significant consideration, my family and I have decided it was time to pursue other interests," said Mr. Glowacki. "I continue to believe in MRI's people and plans for the fast casual and casual dining segments. I leave knowing that MRI is in great hands and well positioned to deliver upon their strategic goals."

Mr. Porry, a 37 year veteran of the restaurant industry, will join Mr. Neeb, Andrew Dennard, Executive Vice President and Chief Financial Officer, Dennis Vegas, Senior Vice President and Chief Marketing Officer and Nancy Cross, Vice President Human Resources on MRI's Executive Committee.

Mexican Restaurants, Inc. operates and franchises 81 Mexican restaurants. The current system includes 62 company-operated restaurants, 18 franchise operated restaurants and one licensed restaurant. For more information, visit www.mexicanrestaurantsinc.com.

Special Note Regarding Forward-Looking Statements

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