BJs RESTAURANTS INC
Form 10-Q
May 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended April 3, 2012

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 0-21423

BJ S RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

California	**33-0485615**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

7755 Center Avenue

Suite 300

Huntington Beach, California 92647

(714) 500-2400

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x.

As of May 7, 2012, there were 27,971,198 shares of Common Stock of the Registrant outstanding.

BJ S RESTAURANTS, INC.

Form 10-Q

For the thirteen weeks ended April 3, 2012

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BJ S RESTAURANTS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	April 3, 2012 (Unaudited)	January 3, 2012 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 22,889	$ 22,391
Marketable securities	20,099	23,005
Accounts and other receivables	16,063	14,539
Inventories	5,448	5,963
Prepaids and other current assets	6,447	7,902
Deferred income taxes	13,044	13,199
Total current assets	83,990	86,999
Property and equipment, net	399,802	390,591
Long-term marketable securities	11,892	7,739
Goodwill	4,673	4,673
Notes receivable	307	334
Other assets, net	12,629	11,743
Total assets	$ 513,293	$ 502,079
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 21,034	$ 23,757
Accrued expenses	47,946	50,411
Total current liabilities	68,980	74,168
Deferred income taxes	33,234	31,561
Deferred rent	15,809	15,219
Deferred landlord obligations	48,811	45,928
Other liabilities	3,206	2,754
Total liabilities	170,040	169,630
Commitments and contingencies (Note 10)		
Shareholders equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding		
Common stock, no par value, 125,000 shares authorized and 27,949 and 27,749 shares issued and outstanding as of April 3, 2012 and January 3, 2012, respectively	179,717	179,054
Capital surplus	34,248	32,722
Retained earnings	129,288	120,673
Total shareholders equity	343,253	332,449

Total liabilities and shareholders equity	$ 513,293	$ 502,079

See accompanying notes to unaudited consolidated financial statements.

BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For The Thirteen Weeks Ended	
	April 3, 2012	March 29, 2011
Revenues	$ 167,604	$ 144,862
Costs and expenses:		
Cost of sales	41,191	35,720
Labor and benefits	58,516	50,465
Occupancy and operating	34,762	29,316
General and administrative	10,713	9,918
Depreciation and amortization	9,526	7,947
Restaurant opening	1,079	1,001
Loss on disposal of assets	54	385
Total costs and expenses	155,841	134,752
Income from operations	11,763	10,110
Other income (expense):		
Interest income	69	32
Interest expense	(24)	(28)
Other income, net	333	238
Total other income	378	242
Income before income taxes	12,141	10,352
Income tax expense	3,526	3,157
Net income	$ 8,615	$ 7,195
Net income per share:		
Basic	$ 0.31	$ 0.26
Diluted	$ 0.30	$ 0.25
Weighted average number of shares outstanding:		
Basic	27,908	27,426
Diluted	29,010	28,837

See accompanying notes to unaudited consolidated financial statements.

BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For The Thirteen Weeks Ended April 3, 2012	For The Thirteen Weeks Ended March 29, 2011
Cash flows from operating activities:		
Net income	$ 8,615	$ 7,195
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,526	7,947
Deferred income taxes	1,828	1,473
Stock-based compensation expense	1,075	1,044
Loss on disposal of assets	54	385
Changes in assets and liabilities:		
Accounts and other receivables	1,320	1,409
Inventories	515	(347)
Prepaids and other current assets	1,455	685
Other assets, net	(893)	(486)
Accounts payable	(2,723)	(5,361)
Accrued expenses	(2,465)	(7,812)
Deferred rent	590	544
Deferred landlord obligations	2,883	884
Other liabilities	452	190
Net cash provided by operating activities	22,232	7,750
Cash flows from investing activities:		
Purchases of property and equipment	(18,732)	(15,237)
Proceeds from marketable securities sold	9,730	6,540
Purchases of marketable securities	(10,977)	(3,990)
Collection of notes receivable	27	25
Net cash used in investing activities	(19,952)	(12,662)
Cash flows from financing activities:		
Excess tax benefit from stock-based compensation	414	1,529
Taxes paid on vested stock units under employee plans	(15)	
Proceeds from exercise of stock options	663	2,126
Landlord contribution for tenant improvements, net	(2,844)	(355)
Net cash (used in) provided by financing activities	(1,782)	3,300
Net increase (decrease) in cash and cash equivalents	498	(1,612)
Cash and cash equivalents, beginning of period	22,391	31,518
Cash and cash equivalents, end of period	$ 22,889	$ 29,906
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	$	$
Cash paid for income taxes	$ 383	$ 25
Supplemental disclosure of non-cash financing activity:		

Stock-based compensation capitalized	$ 52	$ 45

See accompanying notes to unaudited consolidated financial statements.

BJ S RESTAURANTS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ s Restaurants, Inc. (referred to herein as the Company or in the first person notations we, us and our) and our wholly owned subsidiaries. The financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial condition, results of operations and cash flows for the period. Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The preparation of financial statements in accordance with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates.

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to requirements of the U.S. Securities and Exchange Commission (SEC). A description of our accounting policies and other financial information is included in our audited consolidated financial statements as filed with the SEC on Form 10-K for the year ended January 3, 2012. We believe that the disclosures included in our accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K. The accompanying consolidated balance sheet as of January 3, 2012, has been derived from our audited consolidated financial statements.

Reclassifications

Certain reclassifications of prior period s financial statement amounts have been made to conform to the current period s format.

2. MARKETABLE SECURITIES

Our investment policy restricts the investment of our excess cash balances to instruments with historically minimal volatility, such as money market funds, U.S. Treasury and direct agency obligations, municipal and bank securities, and investment-grade corporate debt securities. All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents and included with cash and cash equivalents on our Consolidated Balance Sheet. Marketable securities, which we have the intent and ability to hold until maturity, are classified as held-to-maturity securities and reported at amortized cost, which approximates fair value. Management determines the appropriate classification of its marketable securities at the time of purchase and reevaluates the held-to-maturity designation as of each balance sheet date. Marketable securities are classified as either short-term or long-term based on each instrument s underlying contractual maturity date. Marketable securities with maturities of 12 months or less are classified as short-term and marketable securities with maturities greater than 12 months are classified as long-term. Realized gains or losses are determined on the specific identification cost method and recorded as a charge to earnings, when realized.

Investments in marketable securities consist of the following (in thousands):

	April 3, 2012		**January 3, 2012**	
	Amortized Cost	**Average Maturity (1)**	**Amortized Cost**	**Average Maturity (1)**
Short-term marketable securities:				
Municipal securities, U.S. Treasury and direct agency obligations	$ 20,099	6 months	$ 22,005	8 months
Domestic corporate obligations			1,000	2 months
	$ 20,099		$ 23,005	
Long-term marketable securities:				
Municipal securities and direct agency obligations	$ 6,458	17 months	$ 5,643	17 months
Domestic corporate obligations	5,434	17 months	2,096	16 months

	$ 11,892	$ 7,739

(1) Average maturity is determined from the respective balance sheet dates as reported in the table to the lessor of the original maturity date or the expected put date for each investment type.

The domestic corporate obligations included as long-term marketable securities are issued under the Temporary Loan Guaranty Program of the U.S. Government and are fully insured by the Federal Deposit Insurance Corporation.

3. FAIR VALUE MEASUREMENT

In accordance with U.S. GAAP, a framework for using fair value to measure assets and liabilities was established by defining a three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value. These tiers include:

Level 1: Defined as observable inputs such as quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Defined as pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures.

Level 3: Defined as pricing inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management s best estimate of fair value.

For assets that are measured using quoted market prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs or, as described above, effectively Level 1. At April 3, 2012, we had approximately $54.9 million of cash and cash equivalents and marketable securities. Our marketable securities are held by institutional brokers, classified as held-to-maturity securities and reported at amortized cost, which approximates fair value. We have placed a majority of our temporary excess cash with major financial institutions and institutional brokers that, in turn, invest in instruments with historically minimal volatility, such as money market funds, U.S. Treasury and direct agency obligations, municipal and bank securities, and investment-grade corporate debt securities. Our investment policy limits the amount of exposure to any one institution or investment. We have not experienced any losses on these marketable securities to date, and we believe that we are not exposed to significant risk of loss on these marketable securities.

4. LONG-TERM DEBT

Line of Credit

On February 17, 2012, we entered into a $75 million unsecured revolving line of credit (Line of Credit) with a major financial institution. The Line of Credit expires on January 31, 2017, and may be used for working capital and other general corporate purposes. We expect to utilize the Line of Credit principally for letters of credit that are required to support certain of our self-insurance programs and for working capital and construction requirements as needed. As of April 3, 2012, there were no borrowings outstanding under the Line of Credit and there were outstanding letters of credit totaling approximately $8.9 million. The Line of Credit bears interest at either LIBOR plus a percentage not to exceed 1.50%, or at a rate ranging from the financial institution s prime rate to 0.75% below the financial institution s prime rate based on a Lease Adjusted Leverage Ratio as defined in the Line of Credit agreement. The Line of Credit agreement requires compliance with a Fixed Charge Coverage Ratio, a Lease Adjusted Leverage Ratio and certain non-financial covenants. As of April 3, 2012, we were in compliance with these covenants.

5. NET INCOME PER SHARE

Basic net income per share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if stock options issued by us to sell common stock at set prices were exercised and if restrictions on restricted stock units issued by us were to lapse. The consolidated financial statements present basic and diluted net income per share. Common share equivalents included in the diluted computation represent shares to be issued upon assumed exercises of outstanding stock options and the assumed lapsing of the restrictions on restricted stock units using the treasury stock method.

The following table presents a reconciliation of basic and diluted net income per share computations and the number of dilutive securities (stock options and restricted stock units) that were included in the dilutive net income per share computation (in thousands).

	March 29,	March 29,
	For The Thirteen Weeks Ended	
	April 3, 2012	**March 29, 2011**
Numerator:		
Net income for basic and diluted net income per share	$ 8,615	$ 7,195
Denominator:		
Weighted-average shares outstanding - basic	27,908	27,426
Effect of dilutive common stock equivalents	1,102	1,411
Weighted-average shares outstanding - diluted	29,010	28,837

For the thirteen weeks ended April 3, 2012 and March 29, 2011, there were approximately 0.1 million and 0.1 million shares of common stock equivalents, respectively, that have been excluded from the calculation of diluted net income per share because they are anti-dilutive.

6. RELATED PARTY

As of April 3, 2012, we believe that Jacmar Companies and their affiliates (collectively referred to herein as Jacmar) owned approximately 11.4% of our outstanding common stock. Jacmar, through its affiliation with Distribution Market Advantage, Inc. (DMA), a national foodservice distribution system whose shareholders are prominent regional foodservice distributors, is currently our largest supplier of food, beverage, paper products and supplies. Jacmar services our restaurants in California and Nevada, while other DMA system distributors service our restaurants in all other states. We also believe that Jacmar and its affiliates are the controlling shareholders of the Shakey s pizza parlor chain. We believe that Jacmar sells products to us at prices comparable to those offered by unrelated third parties based on our competitive bidding process that resulted in three-year agreements in July 2006 and again in July 2009. Jacmar supplied us with $18.4 million and $15.8 million of food, beverage, paper products and supplies for the thirteen weeks ended April 3, 2012 and March 29, 2011, respectively, which represents 24.2% and 24.3% of our total costs of sales and operating and occupancy costs, respectively. We had trade payables related to these products of $4.8 million and $3.1 million, at April 3, 2012 and March 29, 2011, respectively. Jacmar does not provide us with any produce, liquor, wine or beer products, all of which are provided by other vendors and included in total cost of sales.

7. STOCK-BASED COMPENSATION

We have two stock-based compensation plans the 2005 Equity Incentive Plan and the 1996 Stock Option Plan under which we may issue shares of our common stock to team members, officers, directors and consultants. Upon effectiveness of the 2005 Equity Incentive Plan (the Plan), the 1996 Stock Option Plan was closed for purposes of new grants. Both of these plans have been approved by our shareholders. Under the Plan, we have granted incentive stock options, non-qualified stock options, and restricted stock units (RSUs). On June 8, 2010, at our annual shareholder meeting, our shareholders approved an amended Plan which, among other things, (i) increased the number of shares available for issuance by 1.2 million shares, (ii) changed the fungible ratio on restricted stock awards from 2:1 to 1.5:1, (iii) extended the termination date of the Plan to 10 years following the date of approval by the shareholders, and (iv) made certain other administrative changes.

Under the Plan, we issue RSUs as a component of the annual equity grant award to officers and other team members and in connection with the BJ s Gold Standard Stock Ownership Program (the GSSOP). The GSSOP is a longer-term equity incentive program that utilizes Company RSUs or stock options and is dependent on each participant s extended service with us in their respective positions and their achievement of certain agreed-upon performance objectives during that service period (i.e., five years). Under the Plan we have approximately 475,000 RSUs outstanding as of April 3, 2012.

The fair value of the RSUs is the quoted market value of our common stock on the date of grant. The fair value of each RSU is expensed over the period during which its related restrictions are expected to lapse (i.e., generally five years). Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five, and expire 10 years from date of grant. RSUs generally vest at 20% per year for non-GSSOP RSU grantees and generally cliff vest either at 33% on the third anniversary and 67% on the fifth anniversary or at 100% after five years for GSSOP participants.

The following table presents information related to stock-based compensation (in thousands):

	For The Thirteen Weeks Ended April 3, 2012	March 29, 2011
Labor and benefits stock-based compensation	$ 303	$ 364
General and administrative stock-based compensation	$ 772	$ 680
Capitalized stock-based compensation (1)	$ 52	$ 45

(1) Capitalized stock-based compensation is included in Property and equipment, net on the Consolidated Balance Sheets.

Stock Options

The exercise price of the stock options under the Company s stock-based compensation plans shall be equal to or exceed 100% of the fair market value of the shares at the date of option grant. Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five, and expire ten years from date of grant. Stock option activity during the thirteen weeks ended April 3, 2012, was as follows:

	Options Outstanding		Options Exercisable	
	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Outstanding options at January 3, 2012	1,791	$ 18.53	1,113	$ 16.85
Granted	79	$ 45.33		
Exercised	(38)	$ 17.64		
Forfeited	(2)	$ 18.53		
Outstanding options at April 3, 2012	1,830	$ 19.71	1,116	$ 16.91

The fair value of each stock option grant issued is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Thirteen Weeks Ended April 3, 2012	March 29, 2011
Expected volatility	39.5%	39.8%

Risk free interest rate	0.9%	2.0%
Expected option life	5 years	5 years
Dividend yield	0%	0%
Fair value of options granted	$ 15.71	$ 13.29

U.S. GAAP requires us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, dividend yield and vesting percentage. These estimations and judgments are determined by us using many different variables that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility and risk free interest rate, may significantly impact the grant date fair value resulting in a significant impact to our financial results. As of April 3, 2012, total unrecognized stock based compensation expense related to non-vested stock options was $4.7 million, which is expected to be generally recognized over the next five years.

Restricted Stock Units

Restricted stock unit activity during the thirteen weeks ended April 3, 2012, was as follows:

	Shares (in thousands)	Weighted Average Fair Value
Outstanding RSUs at January 3, 2012	616	$ 20.48
Granted	23	$ 45.64
Vested or released	(135)	$ 19.25
Forfeited	(29)	$ 20.75
Outstanding RSUs at April 3, 2012	475	$ 22.25

The fair value of the RSUs is the quoted market value of our common stock on the date of grant. The fair value of each RSU is expensed over the period during which the restrictions are expected to lapse (i.e., five years). We recorded stock-based compensation expense related to RSUs of approximately $0.5 million during the thirteen weeks ended April 3, 2012. In addition, total unrecognized stock-based compensation expense related to non-vested RSUs was $6.9 million, which is expected to be generally recognized over the next five years.

8. INCOME TAXES

We utilize the liability method of accounting for income taxes. Deferred income taxes are recognized based on the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

We recognize the impact of a tax position in our consolidated financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Interest and penalties related to uncertain tax positions are included in income tax expense.

As of April 3, 2012, unrecognized tax benefits recorded was approximately $0.9 million, of which approximately $0.8 million, if reversed, would impact our effective tax rate. We anticipate a decrease of $0.6 million to our liability for unrecognized tax benefits within the next twelve-month period due to the settlement of potential outstanding liabilities. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 3, 2012	$	870
Increase based on tax positions taken during the current period		10
Balance at April 3, 2012	$	880

Our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. As of April 3, 2012, the earliest tax year still subject to examination by the Internal Revenue Service is 2008. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2007.

9. DIVIDEND POLICY AND STOCK REPURCHASES

We have not paid any dividends since our inception and have currently not allocated any funds for the payment of dividends. Rather, it is our current policy to retain earnings, if any, for expansion of our operations, remodeling and investing in our existing restaurants and other general corporate purposes. We have no plans to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our financial condition, operating results and other factors our Board of Directors deem relevant. Our credit facility contains, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay. We did not have any stock repurchases during the thirteen weeks ended April 3, 2012 and we currently do not have any plan to repurchase our common stock.

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

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain information included in this Form 10-Q and other materials filed or to be filed by us with the SEC (as well as information included in oral or written statements made by us or on our behalf) may contain forward-looking statements about our current and expected performance trends, growth plans, business goals and other matters. These statements may be contained in our filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers. Words or phrases such as believe, plan, will likely result, expect, intend, will continue, is anticipated, estimate, could, would, should, and similar expressions are intended to identify forward-looking statements. These statements, and any other statements that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time (the Act). The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-Q.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward-looking statements that involve known and unknown risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The risks described in this Form 10-Q, as well as the risks identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2012, are not the only risks we face. These statements reflect our current perspectives and outlook with respect to BJ s future expansion plans, key business initiatives, expected operating conditions and other factors. Moreover, we operate in a very competitive and rapidly changing environment, and new risk factors emerge from time to time. Additional risks and uncertainties that we are currently unaware of, or that we currently deem immaterial, also may become important factors that affect us. It is not possible for us to predict the impact of all of these factors on our business, financial condition or results of operation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given the volatility of the operating environment and its associated risks and uncertainties, investors should not rely on forward-looking statements as any prediction or guarantee of actual results.

These forward-looking statements include, among others, statements concerning:

- our restaurant concept, its competitive advantages and our strategies for its continued evolution and expansion;
- the rate and scope of our planned future restaurant development;
- anticipated dates on which we will commence or complete the development and opening of new restaurants;
- expectations as to the timing and success of the planned expansion of our contract brewing strategy for our proprietary handcrafted beers and sodas;
- expectations for consumer spending on casual dining restaurant occasions in general;

expectations as to the availability and costs of key commodities used in our restaurants and brewing operations;

expectations as to our menu price increases and their effect, if any, on revenue and results of operations;

- expectations as to the effectiveness of our planned operational, menu, marketing and capital expenditure initiatives;

- expectations as to our capital requirements and actual or available borrowings on our line of credit;

- expectations as to our future revenues, operating costs and expenses; and

- other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

These forward-looking statements are subject to risks and uncertainties, including financial, regulatory, consumer behavior, demographic, industry growth and trend projections, that could cause actual events or results to differ materially from those expressed or implied by the statements. Significant factors that could prevent us from achieving our stated goals include, but are not limited to:

- Our success depends substantially on the favorable image, credibility and value of the BJ s brand and our reputation for offering guests a higher quality, more differentiated total dining experience at a good value.

- Any deterioration in general economic conditions may affect consumer spending and may adversely affect our revenues, operating results and liquidity.

- If we do not successfully expand our restaurant operations, our growth rate and results of operations would be adversely affected.

- Our ability to open new restaurants on schedule in accordance with our targeted capacity growth rate may be adversely affected by delays or problems associated with securing suitable restaurant locations and leases, recruiting and training qualified managers and hourly team members to correctly operate our new restaurants and by other factors, some of which are beyond our control and the timing of which is difficult to forecast accurately.

- Access to sources of capital and our ability to raise capital in the future may be limited, which could adversely affect our business and our expansion plans.

- Any deterioration in general economic conditions could also have a material adverse impact on our landlords or on businesses neighboring our locations, which could adversely affect our revenues and results of operations.

- Any failure of our existing or new restaurants to achieve expected results could have a negative impact on our consolidated revenues and financial results, including a potential impairment of the long-lived assets of certain restaurants.

- Our growth may strain our infrastructure and resources, which could slow our development of new restaurants and adversely affect our ability to manage our existing restaurants.

- Any decision to either reduce or accelerate the pace of openings may positively or adversely affect our comparative financial performance.

Our future operating results may fluctuate significantly due to our relatively small number of existing restaurants and the expenses required to open new restaurants.

A significant number of our restaurants are concentrated in California, Texas and other Western states, which make us particularly sensitive to economic, regulatory, weather and other risk factors and conditions that are more prevalent in those states.

Our operations are susceptible to changes in our food, labor and related employee benefits (including, but not limited to, group health insurance coverage for our team members), energy and supply costs which could adversely affect our profitability.

Our costs to construct new restaurants are susceptible to both material and labor cost fluctuations which could adversely affect our return on investment results for new restaurants.

Our increasing dependence on contract brewers could have an adverse effect on our operations if they cease to supply us with our proprietary handcrafted beer and sodas.

Government laws and regulations affecting the operation of our restaurants, including (but not limited to) those that apply to the acquisition and maintenance of our brewing and retail liquor licenses, minimum wages, consumer health and safety, group health insurance coverage, nutritional disclosures, and employment-related documentation requirements could increase our operating costs, cause unexpected disruptions to our operations and restrict our growth.

Our internal brewing, contract brewing and beer distribution arrangements are subject to periodic reviews and audits by various federal, state and local governmental and regulatory agencies and could be adversely affected either as a result of different interpretations of the laws and regulations that govern such arrangements or by new laws and regulations enacted or promulgated by such governments or agencies.

For a more detailed description of these risk factors and other considerations, see Part II, Item 1A Risk Factors of this Form 10-Q and the risk factors identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2012.

GENERAL

As of May 7, 2012, we owned and operated 119 restaurants located in the states of California, Texas, Florida, Arizona, Nevada, Colorado, Ohio, Oregon, Oklahoma, Washington, Kentucky, Indiana and Louisiana. Our restaurants operate under the BJ s Restaurant & Brewery®, BJ s Restaurant & Brewhouse®, BJ s Pizza & Grill®, or BJ s Grill names. Our menu features our BJ s® award-winning, signature deep-dish pizza, our proprietary handcrafted beers and other beers, as well as a wide selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts, including our Pizookie® dessert. Our BJ s Restaurant & Brewery® restaurants feature on-premise brewing facilities where BJ s proprietary handcrafted beers are produced for some of our restaurants. Currently, only three of our restaurants have active brewing operations on-premise. The remainder of our proprietary beer requirements is provided by third-party craft brewers (contract brewers) using our proprietary recipes. Our seven BJ s Pizza & Grill® restaurants reflect the original format of the BJ s restaurant concept that was first introduced in 1978, one of which has an operating brewery. BJ s Pizza & Grill® restaurants are a smaller format, full-service restaurant when compared to our larger-format BJ s Restaurant and Brewhouse® locations, which currently represent our primary expansion vehicle. In October 2011, we opened our first BJ s Grill location in Anaheim Hills, California. BJ s Grill is a smaller footprint restaurant that is currently intended to serve as a live research and development restaurant, where certain food, beverage, facility, technological and operational enhancements will be tested for potential application to our larger restaurants. We have no current intention to open additional BJ s Grill locations during fiscal 2012; however, we may consider opening such locations in the future.

Our revenues are comprised of food and beverage sales at our restaurants. Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Revenues from our gift cards are recognized upon redemption in our restaurants. Gift card breakage is recognized as other income on our Consolidated Statements of Income. Gift card breakage is recorded when the likelihood of the redemption of the gift cards becomes remote, which is typically after 24 months from original gift card issuance.

Cost of sales is comprised of food and beverage costs. The components of cost of sales are variable and typically fluctuate directly with sales volumes. Labor and benefit costs include direct hourly and management wages, bonuses and payroll taxes and fringe benefits for restaurant employees, including stock-based compensation that is directly related to restaurant level team members.

Occupancy and operating expenses include restaurant supplies, credit card fees, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related restaurant costs.

General and administrative costs include all corporate, field supervision and administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include corporate management, field supervision and corporate hourly staff salaries and related employee benefits (including stock-based compensation expense), travel and relocation costs, information systems, the cost to recruit and train new restaurant management employees, corporate rent, and legal, professional and consulting fees.

Depreciation and amortization principally include depreciation on capital expenditures for restaurants.

Restaurant opening expenses, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stocking of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

While we currently expect to pursue the renewal of substantially all of our expiring restaurant leases, no guarantee can be given that such leases will be renewed or, if renewed, that rents will not increase substantially. We currently have a lease for one of our smaller format BJ s Pizza & Grill® restaurants scheduled to expire during the next nine months. Our plan is to close and relocate this smaller format restaurant to another location in the same general trade area that can accommodate a large format BJ s Restaurant & Brewhouse® restaurant during fiscal year 2012.

In calculating comparable company-owned restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months. Guest traffic for our restaurants is estimated based on values assigned to certain menu items or individual guest tickets.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our unaudited Consolidated Statements of Income expressed as percentages of total revenues. The results of operations for the thirteen weeks ended April 3, 2012 and March 29, 2011, are not necessarily indicative of the results to be expected for the full fiscal year.

	For The Thirteen Weeks Ended	
	April 3, 2012	**March 29, 2011**
Revenues	100.0%	100.0%
Costs and expenses:		
Cost of sales	24.6	24.7
Labor and benefits	34.9	34.8
Occupancy and operating	20.7	20.2
General and administrative	6.4	6.8
Depreciation and amortization	5.7	5.5
Restaurant opening	0.6	0.7
Loss on disposal of fixed assets		0.3
Legal settlements		
Total costs and expenses	92.9	93.0
Income from operations	7.1	7.0
Other income (expense):		
Interest income		
Interest expense		
Gain on investment settlement		
Other income, net	0.2	0.2
Total other income	0.2	0.2
Income before income taxes	7.3	7.2
Income tax expense	2.1	