UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 23, 2001

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 333-62615

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

Delaware	**13-4010466**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9304 Forest Lane, Suite 200, Dallas, Texas 75243
(Address of principal executive offices)

(214) 343-7800
(Registrant's telephone number, including area code)

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_____

As of November 1, 2001, 100 shares of Common Stock, $.01 par value, were outstanding and held by Roma Restaurant Holdings, Inc.

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CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
ASSETS

	(UNAUDITED) December 23, 2001	March 25, 2001
Current Assets:		
Cash and cash equivalents	$ 2,018	$ 522
Accounts receivable, net	1,670	1,575
Inventories of food and supplies	1,955	1,078
Deferred income tax asset	1,017	984
Prepaid expenses	1,173	1,148
Income tax receivable	950	582
Other current assets	206	25
Total current assets	8,989	5,914
Facilities and equipment, net	49,579	53,858
Goodwill, net of accumulated amortization of $6,652	12,325	12,325
Deferred income tax asset	3,651	3,005
Other assets	204	208
Debt issuance costs, net of accumulated amortization of $1,201 and $911, respectively	1,530	1,821
Total assets	$ 76,278	$ 77,131

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROMACORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS - (Continued)

(Dollars in Thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)

	(UNAUDITED) December 23, 2001	March 25, 2001
Current Liabilities:		
Accounts payable	$ 3,228	$ 3,951
Accrued interest	3,486	1,832
Current portion of store closure reserve	195	100
Other accrued liabilities	8,265	7,640
Total current liabilities	15,174	13,523
Senior notes	57,000	57,000
Long-term debt	15,344	16,401
Store closure reserve	161	344
Deferred gain on sale of assets	787	835
Total liabilities	88,466	88,103
Stockholder's Equity (Deficit):		
Common stock, $.01 par value; 2,000 shares authorized; 100 shares issued and outstanding	—	—
Additional paid-in capital	66,469	66,469
Retained earnings (deficit):		
Dividend to Holdings	(75,368)	(75,368)
Other	(3,289)	(2,073)
Total	(78,657)	(77,441)
Total stockholder's equity (deficit)	(12,188)	(10,972)
Total liabilities and stockholder's equity (deficit)	$ 76,278	$ 77,131

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROMACORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands)
(UNAUDITED)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 23, 2001	December 24, 2000	December 23, 2001	December 24, 2000
Net restaurant sales	$ 26,482	$ 28,919	$ 86,796	$ 91,272
Net franchise revenue	2,761	2,504	7,586	7,277
Total revenues	29,243	31,423	94,382	98,549
Cost of sales	8,528	9,609	28,609	30,956
Direct labor	9,385	9,723	29,639	29,710
Other	8,045	8,379	25,423	25,322
General and administrative expenses	2,177	2,371	6,616	8,626
Impairment of long-lived assets	—	2,303	—	2,303
Total operating expenses	28,135	32,385	90,287	96,917
Operating income (loss)	1,108	(962)	4,095	1,632
Other income (expense):				
Interest expense	(2,057)	(2,333)	(6,313)	(6,967)
Miscellaneous income	52	41	342	91
Loss before income taxes and extraordinary item	(897)	(3,254)	(1,876)	(5,244)
Income tax benefit	(316)	(1,139)	(660)	(1,838)
Loss before extraordinary item	(581)	(2,115)	(1,216)	(3,406)
Extraordinary gain on early retirement of debt, net of tax	—	—	—	1,214
Net loss	$ (581)	$ (2,115)	$ (1,216)	$ (2,192)

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROMACORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(UNAUDITED)

	Thirty-Nine Weeks Ended	
	December 23, 2001	December 24, 2000
Operating Activities:		
Net loss	$ (1,216)	$ (2,192)
Non-cash items included in net loss:		
Depreciation and amortization	4,472	5,318
Amortization of debt issuance costs	291	273
Impairment of long-lived assets	—	2,303
Deferred income taxes	(679)	(1,049)
Amortization of deferred gain on sale of assets	(41)	(30)
Gain on disposal of assets	(154)	—
Gain on repurchase of Senior Notes	—	(1,214)
Changes in assets and liabilities:		
Accounts receivable, net	(95)	347
Inventories of food and supplies	(877)	(44)
Other current assets	(206)	(266)
Accounts payable	(723)	(953)
Accrued interest	1,654	1,421
Other accrued liabilities	530	530
Income taxes receivable	(368)	(1,651)
Other	—	12
Net cash flows provided by operating activities	2,588	2,805
Investing Activities:		
Capital expenditures, net	(1,288)	(5,841)
Proceeds from sale of assets	1,249	3,728
Changes in other assets, net	4	9
Net cash flows provided by (used in) investing activities	(35)	(2,104)
Financing Activities:		
Repayment of Senior Notes	—	(9,600)
Net borrowings (repayments) under line-of-credit agreement	(1,057)	10,233
Debt issuance costs	—	(155)
Net cash flows provided by (used in) financing activities	(1,057)	478
Net Increase in Cash and Cash Equivalents	1,496	1,179
Cash and Cash Equivalents At Beginning of Period	522	39
Cash and Cash Equivalents At End of Period	$ 2,018	$ 1,218

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROMACORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the quarter ended December 23, 2001 are not necessarily an indication of the results that may be expected for the fiscal year ending March 24, 2002. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K for Romacorp, Inc. (the "Company") for the fiscal year ended March 25, 2001. Therefore, it is suggested that the accompanying financial statements be read in conjunction with the Company's March 25, 2001 consolidated financial statements.

The condensed consolidated financial statements of the Company and its subsidiaries include the Company's operation of its owned restaurants and franchise revenue from franchisees' use of trademarks and other proprietary information in the operation of Tony Roma's restaurants. The Company maintains its corporate office in Dallas, Texas, and, through its subsidiaries, provides menu development, training, marketing and other administrative services related to the operation of the Tony Roma's restaurant concept. All inter-company transactions between the Company and its subsidiaries have been eliminated.

Certain items have been reclassified in the accompanying condensed consolidated financial statements for prior periods in order to be comparable with the classification adopted for the current period. Such reclassifications had no effect on previously reported results of operations.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Recapitalization

The Company (then the former Romacorp, Inc.) was acquired in June 1993 by NPC International, Inc. ("NPC"). On April 24, 1998, a recapitalization agreement (the "Recapitalization") effective June 28, 1998, was executed, pursuant to which the former Romacorp, Inc. was renamed Roma Restaurant Holdings, Inc. ("Holdings") and the assets, liabilities and operations of Holdings were contributed to its newly-created, wholly-owned subsidiary, Romacorp, Inc. In the Recapitalization, which was executed by Holdings, NPC and Sentinel Capital Partners, L.P. ("Sentinel"), Holdings redeemed stock held by NPC and NPC forgave and contributed to the capital of the Company a payable to NPC in the amount of $33,731,000. After the Recapitalization, NPC held 20% and Sentinel, through certain affiliates, held 80% of the equity of Holdings. In conjunction with this transaction, $75,000,000 of 12% Senior Notes due July 1, 2006 (the "Senior Notes") were issued by the Company. The Company paid Holdings a dividend of $75,351,000, consisting primarily of the proceeds from the Senior Notes, which was used by Holdings, along with Sentinel's equity contribution, to effect the Recapitalization. This transaction was accounted for as a leveraged recapitalization with the assets and liabilities of the Company retaining their historical value.

Note 3 - Senior Notes

In conjunction with the Recapitalization, on June 28, 1998, the Company issued the Senior Notes. Interest on the Senior Notes accrues from the date of issuance and is payable in arrears on January 1 and July 1 of each year, commencing January 1, 1999. As of both December 23, 2001 and March 25, 2001, the principal amount of Senior Notes outstanding was $57.0 million.

During April 2000, the Company increased its borrowing capacity under its revolving credit facility (the "Revolving Credit Facility") and repurchased $12.0 million face value of its Senior Notes at an average price of $800 per $1,000 principal amount. The repurchase of the Senior Notes resulted in an extraordinary gain, net of the write-off of associated debt issuance costs and the effect of income taxes, of $1.2 million. See Note 4 for a discussion of the Revolving Credit Facility.

Note 4 - Long-term Debt

The Company's long-term debt consists of a note payable to a bank under the Revolving Credit Facility, which is secured by substantially all of the assets of the Company. Prior to April 2000, the Revolving Credit Facility bore interest, at the Company's option, of the prime rate or up to the six-month LIBOR plus 2.25%. The maximum credit available under the Revolving Credit Facility was $15.0 million.

In April 2000, the Company executed the First Amendment to Credit Agreement (the "Amended Credit Agreement"), which modified the terms of the Revolving Credit Facility. The Amended Credit Agreement provides for borrowings in an aggregate principal amount of up to $25.0 million until April 2001; $24.0 million until April 2002; $22.5 million until April 2003; and $20.5 million until June 2003, at which time the maximum borrowing is reduced to $5.5 million. The Amended Credit Agreement expires in April 2005. The terms of the Amended Credit Agreement provide for interest rates ranging from the prime rate to prime plus 1.0% or the six-month LIBOR plus 2.25% to LIBOR plus 3.25%. Both rates are subject to maintaining certain financial covenants, and interest is payable upon maturity for LIBOR advances or monthly for prime rate advances. In addition, a commitment fee based on an annual rate of .375% is payable monthly on all unused commitments. Subsequent to executing the Amended Credit Agreement, the Company utilized $9.6 million to repurchase Senior Notes with a face value of $12.0 million.

In January 2001, the Company received a waiver of the Amended Credit Agreement loan covenants for the quarter ended December 24, 2000. In addition, the Company has executed the Second Amendment to Credit Agreement, the terms of which reduced the Company's required consolidated EBITDA (as defined in the Amended Credit Agreement) from $15.0 million to $13.0 million and reduced the required interest coverage ratio from 1.7 to 1.5. These amended terms will remain in effect until the fiscal quarter ending December 2001, and will be reinstated to the previous levels for the quarter ending March 2002. The Company was in compliance with the amended covenants as of December 23, 2001. However, due to reductions in EBITDA that occurred during the quarter ended December 23, 2001, the Company does not anticipate it will achieve consolidated EBITDA of $15 million and an interest coverage ratio of 1.7 for the quarter ending March 2002. Therefore, prior to March 2002 the Company will seek to further amend the terms to provide additional time to return to previous performance levels.

Note 5 - Recently Issued Accounting Pronouncements

Effective March 26, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," issued by the Financial Accounting Standards Board (the "FASB"). SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, establishes accounting and reporting standards for derivative instruments and hedging activities. The Company is currently not involved in derivative instruments or hedging activities, and therefore, will measure the impact of this statement as it becomes necessary.

Effective March 26, 2001, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," which was issued by the FASB in July 2001. SFAS No. 142 requires that an intangible asset that is acquired shall be initially recognized and measured based on its fair value. SFAS No. 142 also provides that goodwill should not be amortized, but shall be tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Company did not record a charge related to the impairment test that is required with the adoption of this new standard. Amortization of goodwill during the fiscal year ended March 25, 2001 was $734,000. The adoption of SFAS No. 142 resulted in a decrease in amortization expense of $550,000 during the 39 weeks ended December 23, 2001, as compared to the same period of the prior fiscal year.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," which requires using the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The new standard is not expected to have a significant impact on the Company's financial statements.

Note 6 - Summarized Financial Information

Summarized financial information for the Company and its wholly-owned subsidiaries is as follows (in thousands):

Condensed Consolidating Balance Sheet
December 23, 2001
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Assets				
Current assets	$ 4,578	$ 4,411	$ —	$ 8,989
Due from affiliates	—	30,629	(30,629)	—
Facilities and equipment, net	44,781	4,798	—	49,579
Investment in subsidiaries	50,055	—	(50,055)	—
Goodwill, net	882	11,443	—	12,325
Other assets	1,087	4,298	—	5,385
Total assets	$ 101,383	$ 55,579	$ (80,684)	$ 76,278
Liabilities and Equity (Deficit)				
Current liabilities	$ 9,650	$ 5,524	$ —	$ 15,174
Due to affiliates	30,629	—	(30,629)	—
Senior notes	57,000	—	—	57,000
Long-term debt	15,344	—	—	15,344
Other long-term liabilities	948	—	—	948
Total liabilities	113,571	5,524	(30,629)	88,466
Equity (deficit)	(12,188)	50,055	(50,055)	(12,188)
Total liabilities and equity (deficit)	$ 101,383	$ 55,579	$ (80,684)	$ 76,278

Condensed Consolidating Balance Sheet
March 25, 2001
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Assets				
Current assets	$ 3,619	$ 2,295	$ —	$ 5,914
Due from affiliates	—	28,196	(28,196)	—
Facilities and equipment, net	48,907	4,951	—	53,858
Investment in subsidiaries	42,819	—	(42,819)	—
Goodwill, net	882	11,443	—	12,325
Other assets	2,169	2,865	—	5,034
Total assets	$ 98,396	$ 49,750	$ (71,015)	$ 77,131
Liabilities and Equity (Deficit)				
Current liabilities	$ 6,592	$ 6,931	$ —	$ 13,523
Due to affiliates	28,196	—	(28,196)	—
Senior notes	57,000	—	—	57,000
Long-term debt	16,401	—	—	16,401
Other long-term liabilities	1,179	—	—	1,179
Total liabilities	109,368	6,931	(28,196)	88,103
Equity (deficit)	(10,972)	42,819	(42,819)	(10,972)
Total liabilities and equity (deficit)	$ 98,396	$ 49,750	$ (71,015)	$ 77,131

Condensed Consolidating Statement of Operations
For the Thirteen Weeks Ended December 23, 2001
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Total revenues	$ 24,942	$ 5,359	$ (1,058)	$ 29,243
Total operating expenses	27,146	2,047	(1,058)	28,135
Operating income (loss)	(2,204)	3,312	—	1,108
Other income (expense)	(2,515)	510	—	(2,005)
Income from subsidiaries	3,822	—	(3,822)	—
Income (loss) before income taxes	(897)	3,822	(3,822)	(897)
Provision (benefit) for income taxes	(316)	1,336	(1,336)	(316)
Net income (loss)	$ (581)	$ 2,486	$ (2,486)	$ (581)

Condensed Consolidating Statement of Operations
For the Thirteen Weeks Ended December 24, 2000
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Total revenues	$ 27,619	$ 4,964	$ (1,160)	$ 31,423
Total operating expenses	31,589	1,956	(1,160)	32,385
Operating income (loss)	(3,970)	3,008	—	(962)
Other income (expense)	(2,365)	73	—	(2,292)
Income from subsidiaries	3,081	—	(3,081)	—
Income (loss) before income taxes	(3,254)	3,081	(3,081)	(3,254)
Provision (benefit) for income taxes	(1,139)	1,077	(1,077)	(1,139)
Net income (loss)	$ (2,115)	$ 2,004	$ (2,004)	$ (2,115)

Condensed Consolidating Statement of Operations
For the Thirty-Nine Weeks Ended December 23, 2001
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Total revenues	$ 81,992	$ 15,862	$ (3,472)	$ 94,382
Total operating expenses	87,284	6,475	(3,472)	90,287
Operating income (loss)	(5,292)	9,387	—	4,095
Other income (expense)	(7,712)	1,741	—	(5,971)
Income from subsidiaries	11,128	—	(11,128)	—
Income (loss) before income taxes	(1,876)	11,128	(11,128)	(1,876)
Provision (benefit) for income taxes	(660)	3,892	(3,892)	(660)
Net income (loss)	$ (1,216)	$ 7,236	$ (7,236)	$ (1,216)

Condensed Consolidating Statement of Operations
For the Thirty-Nine Weeks Ended December 24, 2000
(Unaudited)

	Romacorp, Inc.	Subsidiaries	Eliminations	Consolidated
Total revenues	$ 87,509	$ 14,702	$ (3,662)	$ 98,549
Total operating expenses	94,134	6,445	(3,662)	96,917
Operating income (loss)	(6,625)	8,257	—	1,632
Other income (expense)	(7,323)	447	—	(6,876)
Income from subsidiaries	8,704	—	(8,704)	—
Income (loss) before income taxes	(5,244)	8,704	(8,704)	(5,244)
Provision (benefit) for income taxes	(1,838)	3,044	(3,044)	(1,838)
Extraordinary gain on early retirement of debt, net of tax	1,214	—	—	1,214
Net income (loss)	$ (2,192)	$ 5,660	$ (5,660)	$ (2,192)

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The Company is the operator and franchisor of the largest national casual dining chain specializing in ribs, with 252 restaurants located in 29 states in the United States and in 24 foreign countries and territories. As of December 23, 2001, the Company operated 60 Company-owned restaurants in 14 states and, through its subsidiaries, franchised 102 restaurants in 22 states and 90 restaurants in international locations.

Results of Operations

The Company receives revenues from restaurant sales, franchise fees and royalties. Net franchise revenues include franchise fees and royalty income and is presented net of direct expenses associated with the franchising of the Tony Roma's concept. Cost of sales includes food and beverage costs. Direct labor costs include salaries, benefits, bonuses and related taxes for restaurant personnel. Other operating expenses include rent, depreciation, advertising, utilities, supplies, paper, property taxes and insurance and other costs directly associated with operating a restaurant facility.

The table below sets forth the percentage relationship to total revenues, unless otherwise indicated, of certain items included in the Company's condensed consolidated statements of operations for the periods indicated:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 23, 2001	December 24, 2000	December 23, 2001	December 24, 2000
	(Unaudited)		(Unaudited)	
REVENUES:				
Net restaurant sales	90.6 %	92.0 %	92.0%	92.6%
Net franchise revenue	9.4 %	8.0 %	8.0%	7.4%
	100.0 %	100.0 %	100.0%	100.0%
COST AND EXPENSES:				
Cost of sales (1)	32.2 %	33.2 %	33.0%	33.9%
Direct labor (1)	35.4 %	33.6 %	34.1%	32.6%
Other (1)	30.4 %	29.0 %	29.3%	27.7%
General and administrative expenses	7.4 %	7.5 %	7.0%	8.8%
Operating income (loss)	3.8 %	(3.1)%	4.3%	1.7%

(1) As a percentage of net restaurant sales.

Comparison of Operating Results for the Thirteen and Thirty-Nine Weeks Ended December 23, 2001 with the Thirteen and Thirty-Nine Weeks Ended December 24, 2000

Net restaurant sales. Net restaurant sales for the quarter ended December 23, 2001 were $26.5 million, representing a decrease of $2.4 million, or 8.4% from the $28.9 million reported during the same period of the prior year. During the 39 weeks ended December 23, 2001, net restaurant sales were $86.8 million, representing a decrease of $4.5 million or 4.9% below the $91.3 million reported during the same period of the prior year. These decreases are due primarily to decreases in sales at comparable restaurants of 7.4% for the quarter and 5.7% for the year-to-date period.

Net franchise revenues. Net franchise revenues increased $257,000 to $2.8 million for the quarter and increased $309,000 to $7.6 million for the year-to-date period. Comparable sales at franchisee-operated restaurants decreased 5.8% for the quarter and 5.4% for the year-to-date comparison. During the quarter ended December 23, 2001, 11 franchise restaurants were opened and one franchise restaurant was closed.

Cost of sales. Cost of sales as a percentage of net restaurant sales decreased from 33.2% to 32.2% for the same quarter of the prior year and decreased from 33.9% to 33.0% for the year-to-date comparison. The decreased costs as a percentage of sales resulted from a 2.5% increase in menu prices and various other menu modifications. For the quarter, lower rib costs also contributed to the favorable comparison versus the prior year while for the year-to-date comparison, average rib costs remained higher than the prior year.

Direct labor costs. Direct labor costs as a percentage of net restaurant sales increased to 35.4% from 33.6% for the same quarter of the prior year and increased to 34.1% from 32.6% for the year-to-date comparison, due primarily to higher hourly labor, group insurance and workers' compensation insurance expenses.

Other. Other operating expenses for the quarter decreased $334,000 to $8.0 million or 30.4% of net restaurant sales compared with 29.0% of net restaurant sales for the same quarter of the prior year. On a year-to-date basis, other operating expenses increased $101,000 to $25.4 million or 29.3% of net restaurant sales from $25.3 million or 27.7% of net restaurant sales for the same period of the prior year. The decrease in cost for the quarter is due to the semi-variable relationship to restaurant sales of many expenses in this category. During the quarter and year-to-date periods, the Company experienced increased rent expenses related to restaurants opened and sale-leaseback transactions completed during the prior year, partially offset by lower depreciation expense. In addition, during the year-to-date period, the Company experienced increased utility and real estate tax expenses.

General and administrative expenses. General and administrative expenses for the quarter were $2.2 million, representing a decrease of $194,000 from the $2.4 million reported during the same quarter of the prior year. For the year-to-date period, general and administrative expenses were $6.6 million, representing a decrease of $2.0 million from the $8.6 million reported during the same period of the prior year. For the quarter, this decrease is due primarily to reductions in the number of field supervisory staff and lower pre-opening expenses offset by higher training wages, salaries and professional fees. For the year-to-date period, this decrease is due primarily to lower management training wages, reductions in the number of field supervisory positions and lower pre-opening expenses in the current year compared to the prior year. In addition, the adoption of SFAS No. 142 resulted in a decrease in amortization expense of $183,000 for the quarter and $550,000 for the year-to-date period compared to the same period of the prior year.

Impairment of long-lived assets. The Company recorded a pre-tax charge of $2.3 million to reduce the carrying value of certain under-performing restaurants during the same quarter of the prior year. The Company has not recorded an impairment charge for under-performing restaurants during the year-to-date period. The Company is currently evaluating the potential for certain restaurants to recover from the downturn in the economy to determine if further reductions to asset carrying values are necessary during the current fiscal year.

Interest expense. Interest expense for the quarter was $2.1 million, representing a decrease of $276,000 from the $2.3 million that was reported during the same quarter of the prior year. For the year-to-date period, interest expense was $6.3 million, representing a decrease of $654,000 from the same period of the prior year. The decreases are due to the reduction in the balance of the Revolving Credit Facility and the impact of lower interest rates associated with the Revolving Credit Facility.

*Miscellaneous. M*iscellaneous income of $52,000 for the quarter was $11,000 higher than the same quarter of the prior year. For the year-to-date period, miscellaneous income of $342,000 was $251,000 higher than the same period of the prior year, due to the net gain on asset dispositions of $154,000 during prior quarters of the current year. In addition, the Company did not incur losses during the quarter or year-to-date period related to joint venture activities that were terminated during the prior fiscal year.

Tax provision. An income tax benefit for the quarter has been provided for based on an effective tax rate of approximately 35% of the income (loss) before income taxes and extraordinary item.

Extraordinary gain on early retirement of debt. During the first quarter of fiscal 2001, the Company repurchased Senior Notes with a face value of $12.0 million at a discount, resulting in an after-tax gain of $1.2 million.

Liquidity and Capital Resources

The Company has a working capital deficit of $6.0 million at September 23, 2001, which is common in the restaurant industry, as restaurant companies do not typically require a significant investment in accounts receivable or inventory. The working capital deficit decreased from $7.6 million at March 25, 2001 due to decreases in accounts payable.

Concurrently with the consummation of the Recapitalization (see Note 2 to Condensed Consolidated Financial Statements) and the issuance of $75.0 million in Senior Notes, the Company entered into the Revolving Credit Facility. This five-year facility initially provided for borrowings in an aggregate principal amount of up to $15.0 million, with interest, at the Company's option, of the prime rate or up to the six-month LIBOR plus 2.25%. A commitment fee of .375% is payable monthly on any unused commitments.

In April 2000, the Company executed the First Amendment to Credit Agreement (the "Amended Credit Agreement"), which modified the terms of the Revolving Credit Facility. The Amended Credit Agreement provides for borrowings in an aggregate principal amount of up to $25.0 million until April 2001; $24.0 million until April 2002; $22.5 million until April 2003; and $20.5 million until June 2003, at which time the maximum borrowing is reduced to $5.5 million. The terms of the Amended Credit Agreement provide for interest rates ranging from the prime rate to prime plus 1.0% or the six-month LIBOR plus 2.25% to LIBOR plus 3.25%. The Company paid the maximum interest rate during the first year after the Amended Credit Agreement was executed. Subsequent to executing the Amended Credit Agreement, the Company utilized $9.6 million to repurchase Senior Notes with a face value of $12.0 million. As of December 23, 2001, $15.3 million was outstanding under the Revolving Credit Facility.

In January 2001, the Company received a waiver of the Amended Credit Agreement loan covenants for the quarter ended December 24, 2000. In addition, the Company has executed the Second Amendment to Credit Agreement, the terms of which reduced the required consolidated EBITDA (as defined in the Amended Credit Agreement) from $15.0 million to $13.0 million and reduced the required interest coverage ratio from 1.7 to 1.5. These amended terms will remain in effect until the fiscal quarter ending December 2001, and will be reinstated to the previous levels for the quarter ending March 2002. As of December 23, 2001, the Company was in compliance with the amended loan covenants. However, due to reductions in EBITDA that occurred during the quarter ended December 23, 2001, the Company does not anticipate it will achieve consolidated EBITDA of $15 million and an interest coverage ratio of 1.7 for the quarter ending March 2002. Therefore, prior to March 2002 the Company will seek to further amend the terms to provide additional time to return to previous performance levels.

The Company believes cash flow generated from operations and working capital are principal indicators of its liquidity condition. The Company's principal sources of liquidity on both a long-term and short-term basis are cash flow generated from operations and the Revolving Credit Facility.

Cash flow provided by operating activities for the 39 weeks ended December 23, 2001 was $2.6 million compared to $2.8 million during the same period of the prior year. Capital expenditures were $1.3 million for the 39 weeks ended December 23, 2001 and were funded through cash flow from operations. The Company received proceeds of $1.2 million related to the closure and sale of one restaurant during the 39 weeks ended December 23, 2001.

During the 13 weeks ended December 23, 2001, franchisees opened 11 restaurants.

Events of September 11, 2001

The September 11, 2001 terrorist attacks on the World Trade Center in New York City and the Pentagon have negatively affected the United States economy, in particular the travel and hospitality industry. Like most consumer businesses, the Company's business is affected by general economic, and public safety conditions that affect consumer confidence and spending. Sales for most of the Company's restaurants, were adversely affected as a result of the September 11 attacks. Although management believes that sales trends for most of our restaurants are gradually recovering to their pre-September 11 levels, as of the date of this Quarterly Report on Form 10-Q, it is not possible to accurately predict sales volumes in light of the volatile operating environment. Additional terrorist attacks or related events could adversely impact all consumer businesses, including the Company's. It is not possible at this time to predict the longer-term effects of the attacks, or impacts or actions taken in response to the attacks, on general economic, political and public safety conditions.

Forward-Looking Statements

The statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other statements that are not historical facts contained herein are forward-looking statements that involve estimates, risks and uncertainties, including but not limited to: consumer demand and the potential impact of the events of September 11, 2001 on consumer demand; market acceptance risk; the level of and the effectiveness of marketing campaigns by the Company; training and retention of skilled management and other restaurant personnel; the Company's ability to locate and secure acceptable restaurant sites; the effect of economic conditions, including interest rate fluctuations; the impact of competing restaurants and concepts; new product introductions; product mix and pricing; the cost of commodities and other food products; labor shortages and costs and other risks detailed in the Company's filings with the Securities and Exchange Commission.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from changes in interest rates on debt and changes in commodity prices, particularly baby-back rib prices.

The Company's exposure to interest rate risk relates to the variable rate Revolving Credit Facility, which is benchmarked to United States and European short-term interest rates. The Company does not use derivative financial instruments to manage overall borrowing costs or reduce exposure to adverse fluctuations in interest rates. The impact on the Company's results of operations of a one point interest rate change on the outstanding balance of the variable rate debt as of December 23, 2001 would be immaterial.

Baby-back ribs represent approximately 25% of the Company's cost of sales. Because baby-back ribs are a by-product of pork processing, their price is influenced largely by the demand for boneless pork. Historically, the cost of baby-back ribs has been volatile. Significant changes in the price of baby-back ribs and other ribs sold by the Company could materially increase the Company's cost of sales and adversely affect the business, results of operations and financial condition of the Company. The Company actively manages its rib costs through supply commitments in advance of a specific need. However, the arrangements are terminable at will at the option of either party without prior notice. Therefore, there can be no assurance that any of the supply commitments will not be terminated in the future. As a result, the Company is subject to the risk of substantial and sudden price increases, shortages or interruptions in supply of such items, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company purchases certain other commodities used in food preparation. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. The Company does not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid and any commodity price aberrations are generally short term in nature.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets and the factors discussed under "Forward-Looking Statements" above.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits
NONE

(b) No reports on Form 8-K were filed during the quarter ended December 23, 2001.

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 thereunto duly authorized.

ROMACORP, INC.

Date: February 5, 2001

By: /s/ RICHARD A. PEABODY
Vice President & Chief Financial Officer