Consolidated and Combined
Audited Financial Statements

Big Boy Restaurants International LLC
and Liggett Restaurant Group, Inc.
and its wholly owned subsidiaries

Years Ended December 25, 2005,
December 26, 2004
and December 28, 2003
with Report of Independent Auditors

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Contents

ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

To the Member Owner and Shareholder
Big Boy Restaurants International LLC and
Liggett Restaurant Group, Inc. and its wholly owned subsidiaries

We have audited the accompanying consolidated and combined balance sheets of Big Boy Restaurants International LLC and Liggett Restaurant Group, Inc. and its wholly owned subsidiaries (the Company) as of December 25, 2005, December 26, 2004 and December 28, 2003, and the related consolidated and combined statements of operations, changes in members' and shareholders' equity, and cash flows for the years then ended. These consolidated and combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated and combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Big Boy Restaurants International LLC and Liggett Restaurant Group, Inc. and its wholly owned subsidiaries as of December 25, 2005, December 26, 2004 and December 28, 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
March 8, 2006

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Big Boy Restaurants International LLC and
Liggett Restaurant Group, Inc. and its wholly owned subsidiaries
Consolidated and Combined Balance Sheets

(dollar amounts in thousands)

	December 25, 2005	December 26, 2004	December 28, 2003
Assets			
Current assets			
Cash and cash equivalents	$ 2,205	$ 855	$ 930
Accounts receivable, net	3,885	3,746	3,141
Current portion of notes receivable	111	117	130
Inventories	1,648	1,791	1,982
Prepaid expenses and other	927	727	929
Total current assets	8,776	7,236	7,112
Property and equipment, net	18,275	19,083	19,448
Notes receivable, less current portion	1,260	1,214	1,393
Non-compete and franchise rights, net	633	272	306
Debt issuance costs, net	118	240	369
Goodwill	114	-	-
Other assets	102	46	12
Total assets	$ 29,278	$ 28,091	$ 28,640
Liabilities and members' and shareholders' equity			
Current liabilities			
Accounts payable	$ 1,900	$ 1,581	$ 1,752
Accrued liabilities	3,106	2,377	2,346
Distribution payable	1,231	1,250	1,065
Current portion of long-term debt	604	1,095	1,036
Other liabilities	284	238	152
Total current liabilities	7,125	6,541	6,351
Other long-term liabilities	541	-	-
Long-term debt, less current portion	9,709	10,566	12,005
Subordinated debt	5,925	6,117	6,284
	15,634	16,683	18,289
Total liabilities	23,300	23,224	24,640
Members' and shareholders' equity			
Common stock, par value $1 per share - authorized 60,000 shares, issued and outstanding 900 shares	1	1	1
Additional paid-in capital	4	4	4
Contributed capital	576	576	576
Retained earnings	5,397	4,286	3,419
Total members' and shareholders' equity	5,978	4,867	4,000
Total liabilities and members' and shareholders' equity	$ 29,278	$ 28,091	$ 28,640

See accompanying notes.

Big Boy Restaurants International LLC and
Liggett Restaurant Group, Inc. and its wholly owned subsidiaries
Consolidated and Combined Statements of Operations

(dollar amounts in thousands)

	Year ended December 25, 2005	Year ended December 26, 2004	Year ended December 28, 2003
Revenues			
Net sales	$ 52,868	$ 47,646	$ 49,753
Franchise fees and other	8,531	7,825	8,061
Total revenues	61,399	55,471	57,814
Costs and expenses			
Costs of sales	20,877	19,393	20,092
Operating	29,644	25,859	27,247
Selling, general and administrative	5,976	5,881	6,147
Depreciation	1,327	1,158	1,147
Amortization	80	39	286
Interest	1,493	1,358	1,418
Total costs and expenses	59,397	53,688	56,337
Income before other income (expenses)	2,002	1,783	1,477
Other income (expenses) net	(34)	(249)	(288)
Net income	$ 1,968	$ 1,534	$ 1,189

See accompanying notes.

Big Boy Restaurants International LLC and
Liggett Restaurant Group, Inc. and its wholly owned subsidiaries
Consolidated and Combined Statements of Changes in Members' and Shareholders' Equity

(dollar amounts in thousands)

	Common stock	Additional paid-in capital	Contributed capital	Retained earnings	Total
Balance at December 29, 2002	$ 1	$ 4	$ 576	$ 2,747	$ 3,328
Net income for the year ending December 28, 2003	-	-	-	1,189	1,189
Less declared distributions - 2003	-	-	-	(517)	(517)
Balance at December 28, 2003	1	4	576	3,419	4,000
Net income for the year ending December 26, 2004	-	-	-	1,534	1,534
Less declared distributions - 2004	-	-	-	(667)	(667)
Balance at December 26, 2004	1	4	576	4,286	4,867
Net income for the year ending December 25, 2005	-	-	-	1,968	1,968
Less declared distributions - 2005	-	-	-	(857)	(857)
Balance at December 25, 2005	**$ 1**	**$ 4**	**$ 576**	**$ 5,397**	**$ 5,978**

See accompanying notes.

Big Boy Restaurants International LLC and Liggett Restaurant Group, Inc. and its wholly owned subsidiaries Consolidated and Combined Statements of Cash Flows

(dollar amounts in thousands)

	Year ended December 25, 2005	Year ended December 26, 2004	Year ended December 28, 2003
Cash flows from operating activities:			
Net income	$ 1,968	$ 1,534	$ 1,189
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized (gain) loss on disposal of assets	(173)	220	251
Realized loss on write down of other assets	-	-	56
Realized loss on impairment of assets	179	-	239
Bad debt expense	194	211	105
Depreciation and amortization	1,407	1,197	1,433
Debt issuance amortization	126	129	145
Imputed interest	-	10	20
Increase (decrease) in cash from changes in operating assets and liabilities:			
Accounts receivable	(671)	(882)	(59)
Inventories	143	200	9
Prepaid expenses and other	(200)	202	(312)
Other assets	(63)	(39)	27
Accounts payable	319	(171)	(249)
Accrued liabilities	509	31	169
Other liabilities	497	86	81
Net cash provided by operating activities	4,235	2,728	3,104
Cash flows from investing activities:			
Purchase of property and equipment	(2,032)	(1,611)	(2,985)
Purchase of non-compete agreement	(125)	-	-
Purchase of goodwill	(114)	-	-
Proceeds from asset disposals	1,770	692	-
Issuance of notes receivable	(3)	-	(35)
Collections on notes receivable	38	155	321
Net cash used in investing activities	(466)	(764)	(2,699)
Cash flows from financing activities:			
Net proceeds from (payments on) - equipment line	(600)	(375)	975
Debt issue costs	(4)	-	(10)
Distributions paid to the member owner and shareholder	(875)	(482)	(110)
Principal payments on debt	(940)	(1,182)	(1,034)
Net cash used in financing activities	(2,419)	(2,039)	(179)
Net increase (decrease) in cash	1,350	(75)	226
Cash and cash equivalents at beginning of period	855	930	704
Cash and cash equivalents at end of period	$ 2,205	$ 855	$ 930
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	$ 1,486	$ 1,388	$ 1,219
Noncash operating, investing and financing activities:			
Accounts receivable converted to notes receivable	$ 100	$ 35	$ 336
Accounts receivable converted to fixed assets	263	77	344
Liabilities incurred on non-compete agreement	310	-	-
Notes receivable converted to fixed assets	-	26	-
Notes receivable converted to accounts receivable	25	46	7
Fixed assets converted to inventory	-	9	75

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Consolidated and Combined Operations

The consolidated and combined financial statements comprise those of Big Boy Restaurants International LLC and Liggett Restaurant Group, Inc. and its wholly owned subsidiaries; Big Boy Restaurant Management LLC, Big Boy Event Services LLC, Big Boy Franchise Management LLC, Big Boy Real Estate Enterprises LLC and Big Boy Food Group LLC (the Company). The Company is primarily involved in the operation of company-owned restaurants and as a franchisor. The principal markets for both company-owned and franchise restaurants are the states of Michigan, Ohio and California. The Company also operates a food processing facility and is a caterer and concessionaire for several facilities and offsite events. All significant intercompany transactions have been eliminated.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Cash and Cash Equivalents

Cash includes cash on hand, demand deposits, and short-term investments comprised of overnight repurchase agreements with A1P1 ratings and private placement obligations (secured by the Company's primary lender letter of credit) that are considered to be cash equivalents. The majority of the cash and cash equivalents balance is not covered by the Federal Deposit Insurance Corporation.

Accounts Receivable

The Company values its trade receivables at net realizable value, accounting for uncollectible accounts by the allowance method. Management discretion is used, considering many factors including prior experience, debtor's ability to pay and current economic conditions, in considering whether the impairment is probable and can be reasonably estimated.

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

The Company considers receivables past due when they have not been paid within the contractual terms granted. Interest is accrued on past due receivables on a monthly basis unless an agreement is reached with the customer whereby nonaccrual status will be allowed. Receivables are charged off when it is probable that the amounts will never be collectible.

Inventories

Inventories are stated at cost which is not in excess of market. Cost is determined by the first-in, first-out ("FIFO") method.

Property and Equipment

Property is stated at cost. Depreciation and amortization are computed using the straight-line method for financial statement purposes. Estimated useful lives of depreciable assets for financial statement purposes range from 3 to 30 years. Property also occasionally includes real estate, leaseholds and equipment held for sale that is recorded at the lower of cost or fair market value. Repairs and maintenance are charged to expense as incurred.

When events or circumstances indicate that the carrying amount of the assets of a business location may not be recoverable, an impairment loss is considered. If undiscounted estimated future cash flows of a business location are less than the sum of the location's asset carrying values, an impairment loss is recognized for the amount that the assets carrying value exceeds the fair value of the assets. Fair value is determined using estimates based upon prices of similar assets.

Unamortized Debt Issue Costs

Unamortized debt issue costs are amortized on a straight-line basis over the lives of the related indebtedness.

Revenues

Net sales include sales from Company owned restaurants, concession activities and sales from the Company's commissary.

Initial franchise fee revenues are deferred and reported as franchise fee revenue when substantially all required services have been performed and the franchisee has commenced operations. Continuing franchise fees, generally three to four percent of franchisee net sales, are recorded as franchise fee revenue as earned.

1. Organization and Summary of Significant Accounting Policies (continued)

Revenues (continued)

Rental income is included in franchise fees and other in the statements of operations.

Retirement Plan

The Company has a 401(k) plan for its employees. Employees at least 21 years of age upon 90 days of service can elect to contribute up to 50% of their pay subject to the IRS maximum to the plan and the Company will match at a minimum of 25% for deferrals up to 6% of pay. Additionally, on a discretionary basis, the Company has the option to match at a higher percentage. All matching amounts are fully vested. The total employer matching contributions paid were approximately $224,000 for the year ended December 25, 2005, $230,000 for the year ended December 26, 2004 and $247,000 for the year ended December 28, 2003.

Store Preopening Cost

Noncapital expenditures associated with new store preopening costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs relating to purchases and sales are charged to cost of sales.

Advertising Costs

Advertising and promotion costs are charged to operations the first time that the advertising takes place. Company owned stores and franchise development related advertising expense was approximately $919,000 for the year ended December 25, 2005, $916,000 for the year ended December 26, 2004 and $785,000 for the year ended December 28, 2003.

Advertising Agency Relationships

Franchisees are required, per their franchise agreement, to pay an advertising fee based upon a percentage of their sales to the Company for the purpose of funding marketing activities. The Company acts in an agency role, spending an estimated amount each year that will generally equal these fees, therefore, not recording a revenue or expense. Advertising franchise fees and other agency contributions received were approximately $3,397,000 for the year ended December 25, 2005, $3,484,000 for the year ended December 26, 2004 and $3,651,000 for the year ended December 28, 2003.

1. Organization and Summary of Significant Accounting Policies (continued)

Annual Closing Date

The Company's fiscal year ends on the Sunday closest and prior to December 31.

Reclassifications

Certain reclassifications have been made to prior years information to conform to the current year presentation.

2. Accounts Receivable

Accounts receivable are net of allowance for doubtful accounts of approximately $1,398,000 at December 25, 2005, $2,701,000 at December 26, 2004 and $2,479,000 at December 28, 2003. The portion of the allowance related to receivables purchased on December 21, 2000, commencement of operations, was approximately $518,000 at December 25, 2005, $1,815,000 at December 26, 2004 and $1,814,000 at December 28, 2003.

Gross accounts receivable with nonaccrual status was approximately $825,000 at December 25, 2005. Gross accounts receivable greater than ninety days past due, with accrual status, were approximately $1,508,000 at December 25, 2005.

At December 25, 2005 33.57%, at December 26, 2004 36.30% and at December 28, 2003 32.85% of net accounts receivable were due from three customers. This represents a concentration of credit risk. The Company generally does not require collateral to secure accounts receivable.

3. Notes Receivable

Notes receivable generally result from the sale of restaurant assets to franchisees and the conversion of franchise receivables. These notes mature at various dates through 2013 and bear interest at rates ranging from the lesser of prime plus 2.0 percent or 7.0 percent to 10.0 percent. Notes receivable from franchisees are collateralized by the assets sold. Principal balances are as follows (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Total principal	$ 1,371	$ 1,331	$ 1,523
Less current maturities	111	117	130
Long-term portion	$ 1,260	$ 1,214	$ 1,393

4. Inventories

Inventories consisted of the following (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Food	**$ 1,154**	$ 1,252	$ 1,306
Supplies and other	**494**	539	676
Total	**$ 1,648**	$ 1,791	$ 1,982

5. Property and Equipment, Net

Property and equipment, net, consisted of the following (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Land and improvements	**$ 3,780**	$ 4,282	$ 4,152
Buildings and improvements	**11,710**	11,609	11,839
Equipment and furnishings	**7,133**	6,106	6,128
Construction in progress	**198**	782	-
	22,821	22,779	22,119
Less accumulated depreciation	**(4,546)**	(3,696)	(2,671)
Net property and equipment	**$ 18,275**	$ 19,083	$19,448

6. Non-Compete and Franchise Rights

On January 12, 2001, the Company and Frisch's Restaurants, Inc. (Frisch's), a former franchisee of Elias Brothers Restaurants, Inc., entered into an agreement regarding territory and use of the Big Boy trademarks. In connection with this agreement, the Company acquired exclusive franchise rights in several states previously open to Frisch's and Frisch's agreed not to open any competitive family style restaurants in these areas for three years. The Company for its part paid Frisch's $500,000 and executed a four year non-interest bearing note in Frisch's favor with an original present value of $634,000, and agreed to concurrent, exclusive use by Frisch's of the Big Boy trademarks restricted to Frisch's core territory. The Company is amortizing the non-compete portion of this agreement ($765,000) over three years and the other franchise rights ($369,000) over a fifteen-year period.

6. Non-Compete and Franchise Rights (continued)

On May 25, 2005, the Company purchased the equipment and ongoing business interests in four restaurants from a franchisee. In connection with the agreement, the Company entered into a non-compete agreement with the seller. As part of the consideration, the Company will pay a total of approximately $435,000 over a period of two years from the agreement date. The Company is amortizing the amount over the five year period of the non-compete clause.

7. Goodwill

Goodwill is recorded at cost. Goodwill, which represents the excess of the cost of the purchased assets of a franchisee's restaurant ($114,000) in 2005 over the fair value of the net assets at the date of acquisition, is not subject to amortization. In accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets"*, the Company will test goodwill annually for impairment. As of December 25, 2005, management has evaluated the goodwill and determined no impairment loss has occurred.

8. Leases

a.) Lessee Position

The Company leases some of its restaurant locations and various equipment under operating leases. In addition, the Company subleases one of these restaurant locations to a franchisee. Certain leases contain renewal options, provide for additional rents based on sales in excess of specified amounts, require payment of property taxes and require maintenance of insurance coverage.

Future minimum lease payments and sublease receipts under leases in effect at December 25, 2005 are as follows (in thousands):

	Minimum lease payments	Minimum sublease Receipts
2006	$ 797	$ 45
2007	720	45
2008	535	4
2009	505	-
2010	380	-
2011 and thereafter	1,360	-
	$ 4,297	$ 94

8. Leases (continued)

a.) Lessee Position (continued)
Actual rent expense incurred also includes amounts for equipment and other items rented on a per use arrangement. Actual rent expense consisted of the following (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Minimum rentals	$ 947	$ 741	$ 737
Rentals based on sales volumes	113	116	107
Total	$ 1,060	$ 857	$ 844

Sublease rental income was approximately $52,000 for the year ended December 25, 2005, $52,000 for the year ended December 26, 2004 and $47,000 for the year ended December 28, 2003.

b.) Lessor Position
The Company leases and subleases some of its restaurant locations and warehouse/office space to various franchisees and others. Certain leases contain renewal options, provide for additional rents based on percentage of sales in excess of specified amounts (contingent rentals) and require that the lessee pay property taxes and maintain insurance coverage. All leases are accounted for as operating leases. Contingent rental income is accrued in the period in which it arises. Contingent rental income included in income was approximately $38,000 for the year ended December 25, 2005, $66,000 for the year ended December 26, 2004 and $62,000 for the year ended December 28, 2003.

Future minimum lease receipts under leases, including a sublease, in effect at December 25, 2005 are as follows (in thousands):

2006	$ 75
2007	45
2008	4
2009	-
2010	-
2011 and thereafter	-
	$ 124

Big Boy Restaurants International LLC and
Liggett Restaurant Group, Inc. and its wholly owned subsidiaries

Notes to Consolidated and Combined Financial Statements (continued)

8. Leases (continued)

b.) Lessor Position (continued)

Assets leased consisted of the following (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Land and improvements	$ 100	$ 617	$ 620
Buildings and improvements	240	1,235	1,245
Equipment and furnishings	200	186	185
	540	2,038	2,050
Less accumulated depreciation	(33)	(126)	(62)
Net property and equipment	$ 507	$ 1,912	$ 1,988

9. Debt

Company debt at December 25, 2005, December 26, 2004 and December 28, 2003 is as follows (in thousands):

	December 25, 2005	December 26, 2004	December 28, 2003
Bank term note payable in monthly installments of approximately $90,000 including interest at 6.76%, commencing October 1, 2005 through May 1, 2010 when any remaining unpaid amounts will be due. Effective August 31, 2005, this note was amended to include a new payment schedule, term and fixed interest rate and was combined with the mortgage note.	$ 10,113	$ 6,520	$ 7,082
Mortgage note payable combined with the bank term note payable effective August 31, 2005.	-	4,169	4,458

9. Debt (continued)	**December 25, 2005**	**December 26, 2004**	**December 28, 2003**
Equipment line note payable, original $3.0 million availability, $1.95 million available at December 25, 2005, with $150 thousand reductions each June 1st and December 1st (commencing December 1, 2002), interest only payable monthly through May 1, 2007 when any remaining amounts will be due.	$ -	$ 600	$ 975
Subordinated note payable to the member owner and shareholder, interest only payable monthly at 12.0%, through February, 2004, when the balance started amortizing over fifteen years with a balloon payment due in February 2011. Commencing at the end of 2004 the note is subject to additional principal payments based upon certain operating targets.	6,117	6,286	6,424
Frisch's note payable, commencing January 12, 2001, four year non-interest bearing, annual $182,500 payments made on January 12 of 2002 thru 2005. This note was discounted at 5.79% with semiannual compounding.	-	183	355
GMAC notes payable for two GM vans that were purchased and financed for five year periods at 5.90% interest rate.	8	20	31
Total	16,238	17,778	19,325
Less current portion	604	1,095	1,036
Long-term portion	$ 15,634	$ 16,683	$ 18,289

In addition to the above, the Company has a revolving credit facility in the amount of $1.5 million available with its primary bank. The current agreement provides for borrowings based upon eligible accounts receivable and inventory and is due May 1, 2007. No amounts were outstanding under this facility at December 25, 2005, December 26, 2004 or December 28, 2003. The bank term note, mortgage note, revolving credit facility and equipment line note are collateralized by substantially all assets of the Company.

9. Debt (continued)

Restrictive covenants associated with these amounts include minimum levels of fixed charge coverage and tangible net worth, limitations on senior debt to cash flow, new debt limitations, dividend restrictions and limitations on capital expenditures.

As of December 25, 2005, December 26, 2004 and December 28, 2003 the Company was in compliance with terms of its debt agreements.

Prior to August 31, 2005, interest on the bank term note, mortgage note, equipment line note and revolving credit facilities were based upon either a prime or Eurodollar rate plus or minus a fixed amount. The Company continues to have the option to periodically elect either the prime or Eurodollar rate methods for any amounts drawn under the equipment line or revolving credit facility. As of December 25, 2005, December 26, 2004 and December 28, 2003 the effective rate for amounts outstanding was 6.55%, 4.54% and 3.41%, respectively.

Scheduled debt maturities are as follows (in thousands):

2006	$ 604
2007	649
2008	705
2009	771
2010	8,627
2011 and thereafter	4,882
Total	$ 16,238

10. Other Long-Term Liabilities

In 2005, the Company executed a limited guarantee for the full payment of rent, additional rent, and other charges owing to a landlord by a franchisee under a lease agreement. In consideration, the Company was paid $100,000. The liability is limited to the period expiring at the end of the tenth year of the lease, unless the lease is terminated prior to such time, and by a monetary amount equal to the aggregate of three years of the charges described. The maximum potential amount of the aggregate rent charges for three years is approximately $594,000.

On May 25, 2005 with the purchase of four franchisee restaurants as described in Note 6, the Company entered into a non-compete agreement that is payable over two years. As of December 25, 2005, the amounts remaining to be paid on this agreement are $220,000, which is recorded as current under accrued expenses, and $90,000, which is recorded as a component of other long-term liabilities.

10. Other Long-Term Liabilities (continued)

During 2005, the Company entered into agreements with franchisees to open restaurants in future years. These franchisees paid initial franchisee and/or development fees during 2005. As of December 25, 2005, the amount of these fees was $620,000 of which $270,000 is recorded as current under other liabilities and $350,000 is recorded as a component of other long-term liabilities.

11. Franchise Fee Revenues and Other

The Company charges its franchisees an initial fee and a continuing franchise fee for operating under the style and trademarks of the Big Boy Franchise System. The current initial fee of $40,000 is payable upon execution of the franchise agreement. The continuing fee is payable weekly or monthly based on a percentage of sales, as defined. Total franchise fee revenues were approximately $4,903,000 for the year ended December 25, 2005, $4,912,000 for the year ended December 26, 2004 and $4,931,000 for the year ended December 28, 2003.

12. Other Income (Expense) Net

Included in other expenses for fiscal year 2005 is a charge of approximately $179,000 representing asset impairment losses related to discontinued restaurant and concession operations. Other expenses for fiscal year 2004 include a charge of approximately $153,000 related to the sale of a company-owned restaurant to a franchisee. Other expenses for fiscal year 2003 include a charge of approximately $206,000 representing the remaining book value of a company-owned restaurant that was closed and a charge of approximately $239,000 representing an asset impairment loss related to an underperforming restaurant.

13. Federal Income Taxes

The Company is composed of Limited Liability Companies along with an S corporation, therefore federal taxable income and deductions are passed through to the member owner and shareholder. Thus, no provision for federal income taxes is reflected in the accompanying consolidated and combined financial statements. Distributions to the member owner and shareholder in lieu of income taxes are charged to retained earnings.

14. Related Party Transactions

At the same time that the Company acquired a significant amount of the assets of Elias Brothers Restaurants, Inc. a company related through common control, New Tower, Inc., acquired a distribution center from the same seller, which the Company's largest customer and vendor utilizes as a distribution center. New Tower, Inc. also owns broadcasting tower sites and related assets, which they lease to various communications companies. New Tower, Inc.'s total assets at December 31, 2005, 2004 and 2003 were approximately $1,785,000, $1,806,000, and $1,857,000, respectively. Financing in the amount of $2.2 million for the acquisition of the distribution center by New Tower, Inc. was provided by the Company's primary bank. This financed amount is cross-collateralized with the debt of the Company and certain covenants are applied on a combined basis. The amount of outstanding debt remaining as of December 25, 2005, December 26, 2004 and December 28, 2003 was approximately $1,548,000, $1,650,000 and $1,789,000, respectively.

Liggett Management LLC, a company related through common control, also provides various administrative services for the Company and was paid approximately $80,000, $75,000 and $72,000 in fiscal years 2005, 2004 and 2003 respectively.

15. Commitments and Contingencies

The Company is a party to various legal actions normally associated with these types of companies, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition or results of operations of the Company.