SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 25, 2018

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-12919

RAVE RESTAURANT GROUP, INC.
(Exact name of registrant as specified in its charter)

Missouri (State or other jurisdiction of Incorporation or organization)	45-3189287 (I.R.S. Employer Identification No.)

3551 Plano Parkway
The Colony, Texas 75056
(Address of principal executive offices)

(469) 384-5000
(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 ☑ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check One)
Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company ☑
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. □

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

As of May 7, 2018, 15,047,274 shares of the issuer's common stock were outstanding.

RAVE RESTAURANT GROUP, INC.

Index

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
REVENUES:	$ 2,665	$ 6,498	$ 12,294	$ 20,744
COSTS AND EXPENSES:				
Cost of sales	299	3,756	3,441	12,061
General and administrative expenses	1,698	2,902	5,809	8,427
Franchise expenses	613	587	1,957	1,850
Pre-opening expenses	-	29	114	83
Loss/(Gain) on sale of assets	31	345	(134)	1,044
Impairment of long-lived assets and other lease charges	70	(110)	751	5,116
Bad debt	264	73	477	424
Interest expense	26	37	157	39
Depreciation and amortization expense	133	578	733	2,095
Total costs and expenses	3,134	8,197	13,305	31,139
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(469)	(1,699)	(1,011)	(10,395)
Income tax expense / (benefit)	6	5	(8)	15
LOSS FROM CONTINUING OPERATIONS	(475)	(1,704)	(1,003)	(10,410)
Loss from discontinued operations	(17)	(258)	(422)	(973)
NET LOSS	$ (492)	$ (1,962)	$ (1,425)	$ (11,383)
LOSS PER SHARE OF COMMON STOCK - BASIC:				
Loss from continuing operations	$ (0.03)	$ (0.16)	$ (0.08)	$ (0.98)
Loss from discontinued operations	(0.00)	(0.02)	(0.03)	(0.09)
Net loss	$ (0.03)	$ (0.18)	$ (0.11)	$ (1.07)
LOSS PER SHARE OF COMMON STOCK - DILUTED:				
Loss from continuing operations	$ (0.03)	$ (0.16)	$ (0.08)	$ (0.98)
Loss from discontinued operations	(0.00)	(0.02)	(0.03)	(0.09)
Net loss	$ (0.03)	$ (0.18)	$ (0.11)	$ (1.07)
Weighted average common shares outstanding - basic	14,940	10,657	13,456	10,602
Weighted average common and potential dilutive common shares outstanding	14,940	10,657	13,456	10,602

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 25, 2018 (unaudited)	June 25, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 979	$ 451
Accounts receivable, less allowance for bad debts of $298 and $249, respectively	1,568	2,761
Notes receivable, less allowance for bad debts of $95 and $0, respectively	853	675
Inventories	13	79
Income tax receivable	5	194
Property held for sale	552	671
Prepaid expenses and other	488	295
Total current assets	4,458	5,126
LONG-TERM ASSETS		
Property, plant and equipment, net	1,839	3,808
Intangible assets definite-lived, net	218	239
Long-term notes receivable	325	127
Deposits and other	243	246
Total assets	$ 7,083	$ 9,546
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable - trade	$ 713	$ 4,165
Short-term debt	—	1,000
Accrued expenses	863	1,265
Deferred rent	35	101
Deferred revenues	68	212
Total current liabilities	1,679	6,743
Convertible notes	1,557	2,749
Deferred rent, net of current portion	218	655
Deferred revenues, net of current portion	700	1,425
Other long-term liabilities	38	53
Total liabilities	4,192	11,625
COMMITMENTS AND CONTINGENCIES (SEE NOTE 2)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,166,674 and 17,786,049 shares, respectively; outstanding 15,047,274 and 10,666,649 shares, respectively	222	178
Additional paid-in capital	33,135	26,784
Accumulated deficit	(5,830)	(4,405)
Treasury stock at cost		
Shares in treasury: 7,119,400	(24,636)	(24,636)
Total shareholders' equity (deficit)	2,891	(2,079)
	$ 7,083	$ 9,546

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	March 25, 2018	**March 26, 2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,425)	$ (11,383)
Adjustments to reconcile net loss to		
cash used in operating activties:		
Depreciation and amortization	704	2,080
Amortization of intangible assets definite-lived	29	37
Amortization of debt issue costs	29	—
Impairment of long-lived assets and other lease charges	751	4,773
Stock compensation expense	29	143
(Gain)/loss on sale/disposal of assets	(134)	1,044
Provision for bad debt	477	423
Changes in operating assets and liabilities:		
Accounts receivable	1,127	39
Inventories	66	65
Accounts payable - trade	(4,240)	512
Accrued expenses	(417)	(321)
Deferred rent	(503)	(167)
Deferred revenue	(734)	17
Prepaid expenses and other	(188)	(294)
Cash used in operating activities	(4,429)	(3,032)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	1,706	102
Purchase of intangible assets definite-lived	(9)	—
Capital expenditures	(884)	(258)
Cash provided by (used in) investing activities	813	(156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	5,144	—
Proceeds from stock options	—	806
Proceeds from issuance of convertible notes	—	2,882
Issuance (payments) of short-term debt	(1,000)	1,000
Cash provided by financing activities	4,144	4,688
Net increase in cash and cash equivalents	528	1,500
Cash and cash equivalents, beginning of period	451	873
Cash and cash equivalents, end of period	$ 979	$ 2,373

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period:		
Interest paid	$ 170	$ 25
Taxes paid	$ 48	$ 29
Non-cash activities:		
Capital expenditures included in accounts payable	$ 81	$ —

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

The accompanying condensed consolidated financial statements of Rave Restaurant Group, Inc. (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the financial statements have been omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 25, 2017.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods reflected. Except as noted, all adjustments are of a normal recurring nature. Results of operations for the fiscal periods presented are not necessarily indicative of fiscal year-end results.

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All appropriate intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fiscal Quarters

The three and nine month periods ended March 25, 2018 and March 26, 2017, each contained 13 weeks and 39 weeks, respectively.

Revenue Recognition

Revenue from restaurant sales is recognized when food and beverage products are sold. The Company reports revenue net of sales taxes collected from customers and remitted to governmental taxing authorities.

Franchise revenues consist of income from license fees, royalties, and area development and foreign master license fees and supplier and distributor incentive revenues. License fees are recognized as income when there has been substantial performance under the agreement by the Company. Domestic license fees are generally recognized at the time the restaurant is opened. Foreign master license fees are generally recognized upon execution of the agreement as all material services relating to the sale have been substantially performed by the Company and the fee has been collected. Royalties are recognized as income when earned. Supplier and distributor incentive revenues are recognized when title to the underlying commodities transfer.

Stock-Based Compensation

The Company accounts for stock options using the fair value recognition provisions of the authoritative guidance on share-based payments. The Company uses the Black-Scholes formula to estimate the value of stock-based compensation for options granted to employees and directors and expects to continue to use this acceptable option valuation model in the future. The authoritative guidance also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow.

Compensation cost for restricted stock units (“RSU’s”) is measured as an amount equal to the fair value of the RSU’s on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level.

Use of Management Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company's management to make estimates and assumptions that affect its reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and other various assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically and actual results could differ materially from estimates.

Discontinuation of Norco Distribution Division
During the fiscal quarter ended December 24, 2017, the Company discontinued its Norco distribution division and revised its arrangements with third party suppliers and distributors of food, equipment and supplies. As a result, sale of food, equipment and supplies is no longer recognized as revenue and the cost of such items is no longer included in cost of sales. The Company now recognizes incentive revenues received from third party suppliers and distributors as revenue.

(2) **Commitments and Contingencies**

On April 22, 2009 the Company's board of directors amended the 2007 Stock Purchase Plan first adopted on May 23, 2007 and previously amended on June 2, 2008, to increase the number of shares of common stock the Company may repurchase shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock repurchases in the third quarter of fiscal 2018. As of March 25, 2018, up to an additional 848,425 shares could be repurchased under the 2007 Stock Purchase Plan.

The Company is subject to various claims and contingencies related to employment agreements, franchise disputes, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any such claims and actions currently pending are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition if decided in a manner that is unfavorable to the Company.

(3) **Stock-Based Compensation**

Stock Options:

For the three month period ended March 25, 2018 and March 26, 2017, the Company recognized stock-based compensation expense related to stock options of $10 thousand and $20 thousand, respectively. For the nine month period ended March 25, 2018 and March 26, 2017, the Company recognized stock-based compensation expense related to stock options of $29 thousand and $70 thousand, respectively. As of March 25, 2018, unamortized stock-based compensation expense related to stock options was $6 thousand.

The following table summarizes the number of shares of the Company's common stock subject to outstanding stock options:

	Nine Months Ended	
	March 25, 2018	March 26, 2017
Outstanding at beginning of year	478,056	847,556
Granted	-	50,000
Exercised	-	(315,000)
Forfeited/Canceled/Expired	-	(104,500)
Outstanding at end of period	478,056	478,056
Exercisable at end of period	438,056	358,056

Restricted Stock Units:

For the three month periods ended March 25, 2018 and March 26, 2017, the Company recognized $0 and $33 thousand in stock-based compensation expense related to RSU's. For the nine month period ended March 25, 2018 and March 26, 2017, the Company recognized $0 and $73 thousand in stock-based compensation expense related to RSU's. As of March 25, 2018, unamortized stock-based compensation expense related to RSU's was $0 because the Company determined that the probability of achieving the minimum performance criteria was remote.

A summary of the status of restricted stock units as of March 25, 2018, and changes during the fiscal nine month period then ended is presented below:

	Number of Restricted Stock Units
Unvested at June 25, 2017	487,950
Granted	—
Vested	—
Forfeited	(34,730)
Unvested at March 25, 2018	453,220

(4) **Earnings per Share (EPS)**

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Loss from continuing operations	$ (475)	$ (1,704)	$ (1,003)	$ (10,410)
Loss from discontinued operations	(17)	(258)	(422)	(973)
Net loss available to common stockholders	$ (492)	$ (1,962)	$ (1,425)	$ (11,383)
BASIC:				
Weighted average common shares	14,940	10,657	13,456	10,602
Loss from continuing operations per common share	$ (0.03)	$ (0.16)	$ (0.08)	$ (0.98)
Loss from discontinued operations per common share	(0.00)	(0.02)	(0.03)	(0.09)
Net loss per common share	$ (0.03)	$ (0.18)	$ (0.11)	$ (1.07)
DILUTED:				
Weighted average common shares	14,940	10,657	13,456	10,602
Stock options	—	—	—	—
Weighted average common shares outstanding	14,940	10,657	13,456	10,602
Loss from continuing operations per common share	$ (0.03)	$ (0.16)	$ (0.08)	$ (0.98)
Loss from discontinued operations per common share	(0.00)	(0.02)	(0.03)	(0.09)
Net loss per common share	$ (0.03)	$ (0.18)	$ (0.11)	$ (1.07)

For the three and nine month periods ended March 25, 2018, options to purchase 478,056 shares of common stock at exercise prices ranging from $1.87 to $13.11 were excluded from the computation of diluted EPS because their inclusion would have been anti-dilutive.

(5) **Closed restaurants and discontinued operations**

In April, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” which modifies the definition of discontinued operations to include only disposals of an entity that represent strategic shifts that have or will have a major effect on an entity’s operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. The standard was effective prospectively for annual and interim periods beginning after December 15, 2014, with early adoption permitted.

The authoritative guidance on “Accounting for the Impairment or Disposal of Long-Lived Assets,” requires that discontinued operations that meet certain criteria be reflected in the statement of operations after results of continuing operations as a net amount. This guidance also requires that the operations of closed restaurants, including any impairment charges, be reclassified to discontinued operations for all periods presented.

The authoritative guidance on “Accounting for Costs Associated with Exit or Disposal Activities,” requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This authoritative guidance also establishes that fair value is the objective for initial measurement of the liability.

Discontinued operations include losses attributable to the discontinued Norco distribution and supply division, leased buildings associated with Company-owned restaurants closed in prior years, and Company-owned restaurants closed in the reported period.

(6) Income Taxes

For the three months ended March 25, 2018, the Company recorded an income tax expense of $6 thousand. This amount was comprised of an income tax benefit of $130 thousand calculated at a 27.5% weighted-average rate consistent with the statutory U.S. federal rate offset by an income tax expense of $130 thousand related to a valuation allowance for deferred tax assets and state taxes of $6 thousand.

For the nine months ended March 25, 2018, the Company recorded an income tax benefit of $8 thousand. This amount was comprised of an income tax benefit of $390 thousand calculated at a 27.5% weighted-average rate consistent with the statutory U.S. federal rate offset by an income tax expense of $390 thousand related to recording a valuation allowance for deferred tax assets, foreign taxes of $6 thousand, state taxes of $19 thousand and a federal tax refund of $33 thousand.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. The Company continues to record a full valuation allowance against its net deferred tax assets. The Company assessed whether a valuation allowance should be established against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on the Company's review of this evidence at March 25, 2018, management determined that a full valuation allowance against all of the Company's deferred tax assets was appropriate.

In December 2017, President Donald Trump signed the Tax Cuts and Jobs Act. The new law reduces the income tax rate for corporations from 35% to 21% effective January 1, 2018. The Company has not completed the accounting for the tax effects of enactment of the Act, but has estimated the effects on the deferred tax balances. The Company measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Act and refining calculations, which could potentially affect the remeasurement of these balances or give rise to new deferred tax amounts. The estimated increase in deferred taxes recorded due to the remeasurement was $3.3 million and the valuation allowance was adjusted by the same amount. There were approximately $6.0 million of deferred tax assets at March 25, 2018.

(7) Related Party Transactions

On February 20, 2014, the Company entered into an Advisory Services Agreement (the "Agreement") with NCM Services, Inc. ("NCMS") pursuant to which NCMS would provide certain advisory and consulting services to the Company. NCMS is indirectly owned and controlled by Mark E. Schwarz, the Chairman of the Company. The term of the Agreement commenced December 30, 2013, and continued quarterly thereafter until terminated by either party. Pursuant to the Agreement, NCMS was paid an initial fee of $150,000 and earned quarterly fees of $50,000 and an additional fee of up to $50,000 per quarter (not to exceed an aggregate of $100,000 in additional fees). The quarterly and additional fees were waived if the Company was not in compliance with all financial covenants under its primary credit facility or to the extent that payment of those fees would result in non-compliance with such financial covenants. The Agreement was terminated at the end of fiscal 2017.

(8) Segment Reporting

During the fiscal quarter ended December 24, 2017, the Company discontinued its Norco distribution division and revised its arrangements with third party suppliers and distributors of food, equipment and supplies. As a result, sale of food, equipment and supplies is no longer recognized as revenue and the cost of such items is no longer included in cost of sales. The Company now recognizes incentive revenues received from third party suppliers and distributors as revenue.

In order to show the impact of this change and better reflect the current operational structure, effective with the second quarter of fiscal 2018, the Company redefined its operating segments as Pizza Inn Franchising, Pie Five Franchising and Company-Owned Restaurants. Summarized in the following tables are net sales and operating revenues, operating income and geographic information (revenues) for these reportable segments for the three and nine month periods ended March 25, 2018 and March 26, 2017 (in thousands). Operating income reported below excludes income tax provision and discontinued operations.

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Net sales and operating revenues:				
Pizza Inn Franchising	$ 1,601	$ 1,764	$ 5,093	$ 5,420
Pie Five Franchising	774	857	3,169	2,680
Company-Owned Restaurants (Note 1)	290	3,877	4,032	12,644
Consolidated revenues	$ 2,665	$ 6,498	$ 12,294	$ 20,744
Depreciation and amortization:				
Pizza Inn Franchising	$ -	$ -	$ -	$ -
Pie Five Franchising	-	-	-	-
Company-Owned Restaurants (Note 1)	45	436	418	1,740
Combined	45	436	418	1,740
Corporate administration and other	88	142	315	355
Depreciation and amortization	$ 133	$ 578	$ 733	$ 2,095
Gain/(Loss) from continuing operations before taxes:				
Pizza Inn Franchising	$ 1,288	$ 1,443	$ 4,165	$ 4,473
Pie Five Franchising	474	591	2,140	1,777
Company-Owned Restaurants (Note 1)	(167)	(1,013)	(1,509)	(8,787)
Combined	1,595	1,021	4,796	(2,537)
Corporate administration and other	(2,064)	(2,720)	(5,807)	(7,858)
Loss from continuing operations before taxes	$ (469)	$ (1,699)	$ (1,011)	$ (10,395)
Geographic information (revenues):				
United States	$ 2,593	$ 6,455	$ 11,929	$ 20,558
Foreign countries	72	43	365	186
Consolidated total	$ 2,665	$ 6,498	$ 12,294	$ 20,744

Note 1:
Company stores that were closed are included in discontinued operations in the accompanying Condensed Consolidated Statement of Operations.

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

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended June 25, 2017, and may contain certain forward-looking statements that are based on current management expectations. Generally, verbs in the future tense and the words "believe," "expect," "anticipate," "estimate," "intends," "opinion," "potential" and similar expressions identify forward-looking statements. Forward-looking statements in this report include, without limitation, statements relating to our business objectives, our customers and franchisees, our liquidity and capital resources, and the impact of our historical and potential business strategies on our business, financial condition, and operating results. Our actual results could differ materially from our expectations. Further information concerning our business, including additional factors that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q, are set forth in our Annual Report on Form 10-K for the year ended June 25, 2017. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements contained herein speak only as of the date of this Quarterly Report on Form 10-Q and, except as may be required by applicable law, we do not undertake, and specifically disclaim any obligation to, publicly update or revise such statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Results of Operations

Overview

Rave Restaurant Group, Inc., through its subsidiaries (collectively, the "Company" or "we," "us" or "our") operates and franchises pizza buffet ("Buffet Units"), delivery/carry-out ("Delco Units") and express ("Express Units") restaurants domestically and internationally under the trademark "Pizza Inn" and operates domestic fast casual pizza restaurants ("Pie Five Units") under the trademarks "Pie Five Pizza Company" or "Pie Five". We facilitate food, equipment and supply distribution to our domestic and international system of restaurants through agreements with third party suppliers and distributors. The following chart presents information concerning Company-owned and franchised restaurants as of and for the three and nine month periods ended March 25, 2018:

Three Months Ended March 25, 2018
(in thousands, except unit data)

	Pizza Inn		Pie Five		All Concepts	
	Ending Units	Retail Sales	Ending Units	Retail Sales	Ending Units	Retail Sales
Company-Owned	—	$ —	2	$ 290	2	$ 290
Domestic Franchised	152	21,320	76	11,232	228	32,552
Total Domestic Units	152	$ 21,320	78	$ 11,522	230	$ 32,842
International Franchised	60		—		60	

Nine Months Ended March 25, 2018
(in thousands, except unit data)

	Pizza Inn		Pie Five		All Concepts	
	Ending Units	Retail Sales	Ending Units	Retail Sales	Ending Units	Retail Sales
Company-Owned	—	$ —	2	$ 4,032	2	$ 4,032
Domestic Franchised	152	64,120	76	31,484	228	95,604
Total Domestic Units	152	$ 64,120	78	$ 35,516	230	$ 99,636
International Franchised	60		—		60	

Domestic units are located in 25 states predominantly situated in the southern half of the United States. International units are located in six foreign countries.

Basic and diluted loss per common share improved $0.15 per share to a loss of $0.03 per share for the three month period ended March 25, 2018, compared to a loss of $0.18 per share in the comparable period in the prior fiscal year. The Company had a net loss of $0.5 million for the three month period ended March 25, 2018, and net loss of $2.0 million in the comparable period in the prior fiscal year, on revenues of $2.7 million for the three month period ended March 25, 2018 compared to $6.5 million in the comparable period in the prior fiscal year. The decrease in net loss from prior year was primarily due to the closing of poorly preforming stores, lower closed store expenses, increased gains from sale of assets, lower impairment expenses, lower lease termination costs and reduced general and administrative expenses.

Basic and diluted loss per common share improved $0.96 per share to a loss of $0.11 per share for the nine month period ended March 25, 2018, compared to a loss of $1.07 per share in the comparable period in the prior fiscal year. Net loss decreased by $10.0 million to $1.4 million in the nine month period ended March 25, 2018 as compared to $11.4 million in the same period in the prior year. The decrease in net loss from prior year was primarily due to the closing of poorly performing Company-owned stores, lower closed store expenses, increased gains from sale of assets, lower impairment expenses, lower lease termination costs and reduced general and administrative expenses.

Adjusted EBITDA for the fiscal quarter ended March 25, 2018, improved $0.4 million compared to the same period of the prior fiscal year. Year-to-date adjusted EBITDA increased to $0.3 million compared to a loss of $1.5 million for the same period of the prior fiscal year. The following table sets forth a reconciliation of net income to Adjusted EBITDA for the periods shown (in thousands):

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Net loss	$ (492)	$ (1,962)	$ (1,425)	$ (11,383)
Interest expense	26	37	157	39
Income taxes	6	5	(8)	15
Depreciation and amortization	133	578	733	2,095
EBITDA	$ (327)	$ (1,342)	$ (543)	$ (9,234)
Stock compensation expense	10	53	29	143
Pre-opening costs	—	29	114	83
(Gain)/Loss on sale/disposal of assets	31	345	(134)	1,044
Impairment of long-lived assets and other lease charges	70	(110)	751	5,116
Discontinued operations and closed and non-operating store costs	—	454	72	1,338
Adjusted EBITDA	$ (216)	$ (571)	$ 289	$ (1,510)

Pie Five Brand Summary

The following tables summarize certain key indicators for the Pie Five franchised and Company-owned restaurants that management believes are useful in evaluating performance.

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
	(in thousands, except unit data)		(in thousands, except unit data)	
Pie Five Retail Sales - Total Units				
Domestic - Franchised	$ 11,232	$ 10,456	$ 31,484	$ 30,957
Domestic - Company-owned	290	3,877	4,032	12,644
Total domestic retail sales	$ 11,522	$ 14,333	$ 35,516	$ 43,601
Pie Five Comparable Store Retail Sales - Total	$ 7,683	$ 8,792	$ 23,554	$ 27,673
Pie Five Average Units Open in Period				
Domestic - Franchised	77	68	74	64
Domestic - Company-owned	2	28	8	30
Total domestic Units	79	96	82	94

Pie Five system-wide retail sales decreased $2.8 million, or 19.6%, for the three month period ended March 25, 2018 when compared to the same period of the prior year. Compared to the same fiscal quarter of the prior year, average units open in the period decreased from 96 to 79. Comparable store retail sales decreased by $1.1 million, or 12.6%, during the third quarter of fiscal 2018 compared to the same period of the prior year.

Pie Five system-wide retail sales decreased $8.1 million, or 18.5%, for the nine month period ended March 25, 2018 when compared to the same period of the prior year. Year-to-date fiscal 2018 compared to the year-to-date of the prior year, average units open in the period decreased from 94 to 82. Comparable store retail sales decreased by $4.1 million, or 14.9%, during the nine month period ended March 25, 2018 compared to the same period of the prior fiscal year.

The following chart summarizes Pie Five Unit activity for the three and nine month periods ended March 25, 2018:

	Three Months Ended March 25, 2018				
	Beginning Units	Opened	Transfer	Closed	Ending Units
Domestic - Franchised	77	2	-	3	76
Domestic - Company-owned	3	-	-	1	2
Total domestic Units	80	2	-	4	78

	Nine Months Ended March 25, 2018				
	Beginning Units	Opened	Transfer	Closed	Ending Units
Domestic - Franchised	71	7	11	13	76
Domestic - Company-owned	13	1	(11)	1	2
Total domestic Units	84	8	-	14	78

The net decrease of two and six Pie Five Units during the three and nine month periods ended March 25, 2018 was primarily the result of the closure of poor-performing stores, which we believe will provide a stronger foundation for future brand growth. We believe that the net increase of five franchised Pie Five Units in the nine month period ended March 25, 2018 is a demonstration of the Company's commitment to our franchise strategy. We do not anticipate the opening of additional Company-owned Pie Five Units in the near future.

Pie Five - Company-Owned Restaurants	Three Months Ended		Nine Months Ended	
(in thousands, except store weeks and average data)	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Store weeks (excluding partial weeks)	31	368	337	1,154
Average weekly sales	9,385	10,535	11,774	10,952
Average number of units	2	28	8	30
Restaurant sales (excluding partial weeks)	290	3,877	3,968	12,644
Restaurant sales	290	3,877	4,032	12,644
Loss from continuing operations before taxes	(167)	(1,013)	(1,509)	(8,787)
Allocated marketing and advertising expenses	15	194	202	632
Depreciation/amortization expense	45	436	418	1,740
Pre-opening costs	-	29	114	83
Operations management and extraordinary expenses	13	195	96	635
Impairment, other lease charges and non-operating store costs	57	(26)	402	5,480
Restaurant operating cash flow	(37)	(185)	(277)	(217)

Average weekly sales for Company-owned Pie Five Units decreased $1,150, or 10.9%, to $9,385 for the three month period ended March 25, 2018 compared to $10,535 for the same period of the prior fiscal year. Company-owned Pie Five restaurant operating cash flow increased $0.1 million during the third quarter of fiscal 2018 compared to the same period of prior year. Loss from continuing operations before taxes for Company-owned Pie Five stores improved $0.8 million for the three month period ended March 25, 2018 compared to the same period of the prior year. The decrease in retail sales was due to the combined impact of decreased store count and lower average weekly sales..

Average weekly sales for Company-owned Pie Five Units increased $822, or 7.5%, to $11,774 for the nine month period ended March 25, 2018 compared to $10,952 for the same period of prior year. Company-owned Pie Five restaurant operating cash flow decreased $0.1 million during the nine month period ended March 25, 2018 compared to the same period of prior year. Loss from continuing operations before taxes for Company-owned Pie Five stores improved $7.3 million for the nine month period ended March 25, 2018 compared to the same period of the prior year. The decrease in retail sales was due to decreased store count partially offset by the increase in average weekly sales attributable to closing underperforming stores.

Pizza Inn Brand Summary

The following tables summarize certain key indicators for the Pizza Inn franchised and Company-owned domestic units that management believes are useful in evaluating performance.

	Three Months Ended		Nine Months Ended	
	March 25, 2018	March 26, 2017	March 25, 2018	March 26, 2017
Pizza Inn Retail Sales - Total Domestic Units	(in thousands, except unit data)		(in thousands, except unit data)	
Domestic Units				
Buffet - Franchised	$ 19,766	$ 20,390	$ 59,172	$ 60,399
Delco/Express - Franchised	1,554	1,564	4,948	4,926
Buffet - Company-owned	-	162	-	521
Total domestic retail sales	$ 21,320	$ 22,116	$ 64,120	$ 65,846
Pizza Inn Comparable Store Retail Sales - Total Domestic	20,557	$ 20,094	$ 58,257	57,137
Pizza Inn Average Units Open in Period				
Domestic Units				
Buffet - Franchised	89	94	91	95
Delco/Express - Franchised	64	63	66	64
Buffet - Company-owned	-	1	-	1
Total domestic Units	153	158	157	160

Total Pizza Inn domestic retail sales decreased $0.8 million, or 3.6%, for the three month period ended March 25, 2018 when compared to the same period of the prior year. Despite the adverse impact of abnormal severe weather in several markets during the third quarter of fiscal 2018, Pizza Inn domestic comparable store retail sales increased 2.3%, for the three month period ended March 25, 2018 when compared to the same period of the prior year.

Total Pizza Inn domestic retail sales decreased $1.7 million, or 2.6%, for the nine month period ended March 25, 2018 when compared to the same period of the prior year. Pizza Inn domestic comparable store retail sales increased 2.0%, for the nine month period ended March 25, 2018 when compared to the same period of the prior year.

The following chart summarizes Pizza Inn unit activity for the three month and nine month periods ended March 25, 2018:

	Three Months Ended March 25, 2018				
	Beginning Units	Opened	Concept Change	Closed	Ending Units
Domestic Units					
Buffet - Franchised	90	-	-	1	89
Delco/Express - Franchised	66	-	-	3	63
Total domestic Units	156	-	-	4	152
International Units (all types)	62	1	-	3	60
Total Units	218	1	-	7	212

	Nine Months Ended March 25, 2018				
	Beginning Units	Opened	Concept Change	Closed	Ending Units
Domestic Units					
Buffet - Franchised	93	-	-	4	89
Delco/Express - Franchised	68	2	-	7	63
Total domestic Units	161	2	-	11	152
International Units (all types)	60	3	-	3	60
Total Units	221	5	-	14	212

There was a net decrease of four units in the total domestic Pizza Inn store count during the three month period ended March 25, 2018. There was a net decrease of nine units in the total domestic Pizza Inn store count during the nine month period ended March 25, 2018. We believe this represents a stabilizing of domestic store count. The number of international Pizza Inn units decreased by two units in the three month period ended March 25, 2018.

Non-GAAP Financial Measures and Other Terms

The Company's financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP"). However, the Company also presents and discusses certain non-GAAP financial measures that it believes are useful to investors as measures of operating performance. Management may also use such non-GAAP financial measures in evaluating the effectiveness of business strategies and for planning and budgeting purposes. However, these non-GAAP financial measures should not be viewed as an alternative or substitute for the results reflected in the Company's GAAP financial statements.

We consider EBITDA and Adjusted EBITDA to be important supplemental measures of operating performance that are commonly used by securities analysts, investors and other parties interested in our industry. We believe that EBITDA is helpful to investors in evaluating our results of operations without the impact of expenses affected by financing methods, accounting methods and the tax environment. We believe that Adjusted EBITDA provides additional useful information to investors by excluding non-operational or non-recurring expenses to provide a measure of operating performance that is more comparable from period to period. We believe that restaurant operating cash flow is a useful metric to investors in evaluating the ongoing operating performance of Company-owned restaurants and comparing such store operating performance from period to period. Management also uses these non-GAAP financial measures for evaluating operating performance, assessing the effectiveness of business strategies, projecting future capital needs, budgeting and other planning purposes.

The following key performance indicators presented herein, some of which represent non-GAAP financial measures, have the meaning and are calculated as follows:

- "EBITDA" represents earnings before interest, taxes, depreciation and amortization.
- "Adjusted EBITDA" represents earnings before interest, taxes, depreciation and amortization, stock compensation expense, pre-opening expense, gain/loss on sale of assets, costs related to impairment, other lease charges, non-operating store costs and discontinued operations.
- "Retail sales" represents the restaurant sales reported by our franchisees and Company-owned restaurants, which may be segmented by brand or domestic/international locations.
- "System-wide retail sales" represents combined retail sales for franchisee and Company-owned restaurants for a specified brand.
- "Comparable store retail sales" includes the retail sales for restaurants that have been open for at least 18 months as of the end of the reporting period. The sales results for a restaurant that was closed temporarily for remodeling or relocation within the same trade area are included in the calculation only for the days that the restaurant was open in both periods being compared.
- "Store weeks" represent the total number of full weeks that specified restaurants were open during the period.
- "Average units open" reflects the number of restaurants open during a reporting period weighted by the percentage of the weeks in a reporting period that each restaurant was open.
- "Average weekly sales" for a specified period is calculated as total retail sales (excluding partial weeks) divided by store weeks in the period.
- "Restaurant operating cash flow" represents the pre-tax income earned by Company-owned restaurants before (1) allocated marketing and advertising expenses, (2) depreciation and amortization, (3) pre-opening expenses, (4) operations management and extraordinary expenses, (5) impairment and other lease charges, and (6) non-operating store costs.
- "Non-operating store costs" represent gain or loss on asset disposal, store closure expenses, lease termination expenses and expenses related to abandoned store sites.
- "Pre-opening expenses" consist primarily of certain costs incurred prior to the opening of a restaurant, including: (1) marketing and promotional expenses, (2) accrued rent, and (3) manager salaries, employee payroll and related training costs.

Financial Results

During the fiscal quarter ended December 24, 2017, the Company discontinued its Norco distribution division and revised its arrangements with third party suppliers and distributors of food, equipment and supplies. As a result, sale of food, equipment and supplies is no longer recognized as revenue and the cost of such items is no longer included in cost of sales. The Company now recognizes incentive revenues received from third party suppliers and distributors as revenue.

In order to show the impact of this change and better reflect the current operational structure, the Company has redefined its operating segments as Pizza Inn Franchising, Pie Five Franchising and Company-Owned Restaurants. The following is additional business segment information for the three and nine month periods ended March 25, 2018 and March 26, 2017 (in thousands):

	Pizza Inn Franchising		Pie Five Franchising		Company-Owned Stores		Corporate		Total	
	Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended	
	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017
REVENUES:										
Franchise revenues	1,601	1,764	774	857	-	-	-	-	2,375	2,621
Restaurant sales	-	-	-	-	290	3,877	-	-	290	3,877
Total revenues	1,601	1,764	774	857	290	3,877	-	-	2,665	6,498
COSTS AND EXPENSES:										
Cost of sales	-	-	-	-	299	3,756	-	-	299	3,756
General and administrative expenses	-	-	-	-	43	779	1,655	2,123	1,698	2,902
Franchise expenses	313	321	300	266	-	-	-	-	613	587
Pre-opening expenses	-	-	-	-	-	29	-	-	-	29
(Gain)/Loss on sale of assets	-	-	-	-	-	-	31	345	31	345
Impairment of long-lived assets and other lease charges	-	-	-	-	70	(110)	-	-	70	(110)
Bad debt	-	-	-	-	-	-	264	73	264	73
Interest expense	-	-	-	-	-	-	26	37	26	37
Amortization and depreciation expense	-	-	-	-	45	436	88	142	133	578
Total costs and expenses	313	321	300	266	457	4,890	2,064	2,720	3,134	8,197
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	1,288	1,443	474	591	(167)	(1,013)	(2,064)	(2,720)	(469)	(1,699)

	Pizza Inn Franchising		Pie Five Franchising		Company-Owned Stores		Corporate		Total	
	Fiscal Year-to-Date		Fiscal Year-to-Date		Fiscal Year-to-Date		Fiscal Year-to-Date		Fiscal Year-to-Date	
	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017	Mar 25, 2018	Mar 26, 2017
REVENUES:										
Franchise revenues	5,093	5,420	3,169	2,680	-	-	-	-	8,262	8,100
Restaurant sales	-	-	-	-	4,032	12,644	-	-	4,032	12,644
Total revenues	5,093	5,420	3,169	2,680	4,032	12,644	-	-	12,294	20,744
COSTS AND EXPENSES:										
Cost of sales	-	-	-	-	3,441	12,061	-	-	3,441	12,061
General and administrative expenses	-	-	-	-	693	2,431	5,116	5,996	5,809	8,427
Franchise expenses	928	947	1,029	903	-	-	-	-	1,957	1,850
Pre-opening expenses	-	-	-	-	114	83	-	-	114	83
(Gain)/Loss on sale of assets	-	-	-	-	-	-	(134)	1,044	(134)	1,044
Impairment of long-lived assets and other lease charges	-	-	-	-	751	5,116	-	-	751	5,116
Bad debt	-	-	-	-	124	-	353	424	477	424
Interest expense	-	-	-	-	-	-	157	39	157	39
Amortization and depreciation expense	-	-	-	-	418	1,740	315	355	733	2,095
Total costs and expenses	928	947	1,029	903	5,541	21,431	5,807	7,858	13,305	31,139
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	4,165	4,473	2,140	1,777	(1,509)	(8,787)	(5,807)	(7,858)	(1,011)	(10,395)

Revenues:

Revenues are derived from (1) franchise royalties, franchise fees and supplier incentives, and (2) sales by Company-owned restaurants. The volume of supplier incentive revenues is dependent on the level of chain-wide retail sales, which are impacted by changes in comparable store sales and restaurant count, and the products sold to franchisees through third-party food distributors.

Total revenues for the three month period ended March 25, 2018 and for the same period in the prior fiscal year were $2.7 million and $6.5 million, respectively. Total revenues for the nine month period ended March 25, 2018 was $12.3 million compared to $20.7 million in the same period in the prior fiscal year. The decrease in total revenues in both the three and nine month periods was primarily driven by the reduction in the number of Company-owned stores.

Pizza Inn Franchise Revenues

Pizza Inn franchise revenues decreased by $0.2 million to $1.6 million for the three month period ended March 25, 2018 compared to $1.8 million for the same period in the prior fiscal year. Pizza Inn franchise revenues decreased to $5.1 million for the nine month period ended March 25, 2018 from $5.4 million for the same period of the prior fiscal year. The decrease in both the three and nine month periods was primarily the result of reduced retail sales, largely attributable to closure of under-performing stores.

Pie Five Franchise Revenues

Pie Five franchise revenues decreased by $0.1 million to $0.8 million for the three month period ended March 25, 2018 compared to $0.9 million for the same period in the prior fiscal year. Pie Five franchise revenues increased to $3.2 million for the nine month period ended March 25, 2018 from $2.7 million for the same period of the prior fiscal period, primarily driven by the recognition of a set up fee for the first international franchisee and recognition of defaulted franchisee fees.

Restaurant Sales

Restaurant sales, which consist of revenue generated by Company-owned restaurants, decreased 92.5%, or $3.6 million, to $0.3 million for the three month period ended March 25, 2018, compared to $3.9 million for the comparable period in the prior year. In the nine month period ended March 25, 2018, restaurant sales decreased 68.1%, or $8.6 million, to $4.0 million compared to $12.6 million for the comparable period in the prior year. In both cases, the decrease in restaurant sales was primarily a result of decreased store count.

Costs and Expenses:

Cost of Sales - Total

Total cost of sales, which primarily includes food and supply costs, labor and general and administrative expenses directly related to Company-owned restaurant sales, decreased to $0.3 million for the three month period ended March 25, 2018 compared to $3.8 million in the three month period ended March 26, 2017. For the nine month period ended March 25, 2018, total cost of sales decreased to $3.4 million from $12.1 million for the same period of the prior year. The decreases in costs in both three and nine month periods were primarily the result of decreased Company-owned store count.

General and Administrative Expenses - Total

Total general and administrative expenses decreased to $1.7 million for the three month period ended March 25, 2018 compared to $2.9 million for the three month period ended March 26, 2017 primarily resulting from the lower number of Company-owned restaurants and decreased corporate overhead. For the nine month period ended March 25, 2018, general and administrative expenses decreased to $5.8 million from $8.4 million in the same period in the prior fiscal year primarily for the same reason.

General and Administrative Expenses - Company-Owned Restaurants

General and administrative expenses for Company-owned restaurants decreased to $43 thousand for the three month period ended March 25, 2018 compared to $779 thousand in the three month period ended March 25, 2018 primarily as a result of lower store count. General and administrative expenses for Company-owned restaurants decreased to $0.7 million for the nine month period ended March 25, 2018 compared to $2.4 million in the nine month period ended March 25, 2018 primarily as a result of lower store count.

General and Administrative Expenses - Corporate

General and administrative expenses for corporate decreased to $1.7 million for the three month period ended March 25, 2018 compared to $2.1 million for the three month period ended March 26, 2017. The decrease in general and administrative expenses for the three month period was primarily attributable to a reduction in the number of general and administrative employees, a decrease in fees for advisory and consulting services, decreases in stock-based compensation and decreases in legal fees. General and administrative expenses for corporate decreased to $5.1 million for the nine month period ended March 25, 2018 compared to $6.0 million for the nine month period ended March 26, 2017. The decrease in general and administrative expenses for the nine month period was primarily attributable to a reduction in the number of general and administrative employees, a reduction in fees for advisory and consulting services, reduction in stock-based compensation and decreases in executive recruiting fees.

Franchise Expenses - Total

Franchise expenses include general and administrative expenses directly related to the continuing service of domestic and international franchises. Franchise expenses remained stable at $0.6 million for the three month periods ended March 25, 2018 and March 26, 2017. For the nine month period ended March 25, 2018, franchise expenses increased to $2.0 million from $1.9 million in the same period in the prior fiscal year due to increased investment in franchisee support.

Franchise Expenses – Pizza Inn

Pizza Inn franchise expenses include general and administrative expenses directly related to the continuing service of the Pizza Inn domestic and international franchises. Franchise expenses remained stable at $0.3 million for the three month periods and $0.9 million for the nine month periods ended March 25, 2018 and March 26, 2017, respectively.

Franchise Expenses – Pie Five

Pie Five franchise expenses include general and administrative expenses directly related to the continuing service of domestic and international franchises. Pie Five franchise expenses remained stable at $0.3 million for the three month period ended March 25, 2018 as compared to the same period in the prior fiscal year. Pie Five franchise expenses increased slightly to $1.0 million from $0.9 million for the nine month period ended March 25, 2018 as compared to the same period in the prior fiscal year.

Pre-Opening Expenses

Pre-opening expenses decreased to zero for the third quarter of fiscal 2018 compared to $29 thousand expense for the same quarter of fiscal 2017. For the nine month period ended March 25, 2018, pre-opening expenses were $114 thousand compared to $83 thousand in nine month period ended March 25, 2018. Pre-opening expenses are directly related to the number of new corporate store openings.

Impairment of Long-lived Assets and Other Lease Charges

Impairment of long-lived assets and other lease charges were $0.1 million for three month period ended March 25, 2018 compared to a credit of $0.1 million for the same period in the prior fiscal year. Impairment of long-lived assets and other lease charges were $0.8 million for the nine month period ended March 25, 2018 compared to $5.1 million for the same period in the prior fiscal year. For the nine month period ended March 25, 2018, these charges related to continuing lease termination expenses for nine Pie Five restaurant sites no longer deemed desirable for future restaurant development and lease termination expense for one additional Pie Five restaurant site.

Bad Debt Expense

The Company monitors franchisee receivable balances and adjusts credit terms when necessary to minimize the Company's exposure to high risk accounts receivable. Bad debt expense increased $0.2 million for the three month period ended March 25, 2018 as compared to the comparable period in the prior fiscal year. Bad debt expense increased slightly to $0.5 million for the nine month period ended March 25, 2018 as compared to $0.4 million in the comparable period in the prior fiscal year. In the nine month period ended March 25, 2018, the Company recognized $0.2 million bad debt expense related to the collectability of a promissory note taken in connection with the prior sale of two Company-owned Pie Five Units to a franchisee.

Interest Expense

Interest expense decreased to $26 thousand in the three month period ended March 25, 2018 compared to $37 thousand during the same fiscal quarter of the prior year. Interest expense was $157 thousand for the nine month period ended March 25, 2018 as compared to $39 thousand in the comparable period in the prior fiscal year. The decrease in interest expense during the three month period was primarily related to differences in the Company's debt instruments in both note value and effective interest rates. The increase in interest expense between the nine month periods was primarily related to the interest expense on senior convertible notes issued in the third quarter of fiscal 2017.

Provision for Income Tax

For the three months ended March 25, 2018, the Company recorded an income tax expense of $6 thousand. This amount was comprised of an income tax benefit of $130 thousand calculated at a 27.5% weighted-average rate consistent with the statutory U.S. federal rate offset by an income tax expense of $130 thousand related to a valuation allowance for deferred tax assets and state taxes of $6 thousand.

For the nine months ended March 25, 2018, the Company recorded an income tax benefit of $8 thousand. This amount was comprised of an income tax benefit of $390 thousand calculated at a 27.5% weighted-average rate consistent with the statutory U.S. federal rate offset by an income tax expense of $390 thousand related to recording a valuation allowance for deferred tax assets, foreign taxes of $6 thousand, state taxes of $19 thousand and a federal tax refund of $33 thousand.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. The Company continues to record a full valuation allowance against its net deferred tax assets. The Company assessed whether a valuation allowance should be established against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on the Company's review of this evidence at March 25, 2018, management determined that a full valuation allowance against all of the Company's deferred tax assets was appropriate.

In December 2017, President Donald Trump signed the Tax Cuts and Jobs Act. The new law reduces the income tax rate for corporations from 35% to 21% effective January 1, 2018. The Company has not completed the accounting for the tax effects of enactment of the Act, but has estimated the effects on the deferred tax balances. The Company measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Act and refining calculations, which could potentially affect the remeasurement of these balances or give rise to new deferred tax amounts. The estimated increase in deferred taxes recorded due to the remeasurement was $3.3 million and the valuation allowance was adjusted by the same amount. There were approximately $6.0 million of deferred tax assets at March 25, 2018.

Discontinued Operations

Net losses from the Norco food and supply distribution division are included within discontinued operations. The discontinuation of the Norco food and supply distribution entity was a strategic shift for the Company during the second quarter of fiscal 2018, releasing the Company from added credit risk, overhead expense, and direct supply and delivery responsibilities. Discontinued operations also includes losses from leased buildings and operating losses associated with Company-owned restaurants closed in prior years.

Liquidity and Capital Resources

During the nine month period ended March 25, 2018, our primary sources of liquidity were proceeds from sales of assets and common stock.

Cash flows from operating activities generally reflect net income or losses adjusted for certain non-cash items including depreciation and amortization, changes in deferred tax assets, share based compensation, and changes in working capital. Cash used by operating activities increased $1.4 million to cash used of $4.4 million for the nine month period ended March 25, 2018 compared to cash used of $3.0 million for the nine month period ended March 26, 2017. The primary drivers of additional cash consumption during the nine month period ended March 25, 2018 were lease termination payments for restaurant sites no longer deemed desirable for future development, timing of net working capital related to the discontinued Norco food and supply distribution division, and an overall reduction in accounts payable.

Cash flows from investing activities reflect net proceeds from the sale of assets and capital expenditures for the purchase of Company assets. Cash provided by investing activities during the nine month period ended March 25, 2018 of $0.8 million was primarily attributed to the sale of assets of transferred Company-owned Pie Five Units partially offset by capital expenditures for one new Company-owned Pie Five Unit and corporate projects. This compares to cash used by investing activities of $0.2 million during the same period in the prior fiscal year primarily attributable to Company-owned Pie Five Units that were under development during the period.

Cash flows from financing activities generally reflect changes in the Company's stock and debt activity during the period. Net cash provided by financing activities was $4.1 million for the nine month period ended March 25, 2018 compared to $4.7 million for the nine month period ended March 26, 2017. Cash flows from financing activities for the nine months ended March 25, 2018 were primarily the result of the sale of stock in connection with a shareholder rights offering that closed in September 2017 plus stock sales in an at-the-market offering partially offset by the repayment of a $1.0 million short-term promissory note. Cash flows from financing activities for the nine months ended March 26, 2017 were primarily the result of proceeds from the exercise of stock options, the issuance of convertible notes and proceeds from a short term note.

On October 27, 2017, the Company filed with the Securities and Exchange Commission (“SEC”) a shelf registration statement on Form S-3 for the offer and sale of up to $5.0 million of its common stock at such time and in such manner as may subsequently be determined appropriate. The registration statement was declared effective by the SEC on November 8, 2017. On December 5, 2017, the Company filed a prospectus supplement pertaining to at-the-market sales of its common stock under the effective registration statement.

Management believes the cash on hand combined with cash from operations and proceeds from at-the-market sales of common stock under its shelf registration will be sufficient to fund operations for the next 12 months.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires the Company’s management to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and various other assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically. Actual results could differ materially from estimates.

The Company believes the following critical accounting policies require estimates about the effect of matters that are inherently uncertain, are susceptible to change, and therefore require subjective judgments. Changes in the estimates and judgments could significantly impact the Company's results of operations and financial condition in future periods.

Accounts receivable consist primarily of receivables generated from franchise royalties and supplier concessions. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. Actual realization of accounts receivable could differ materially from the Company's estimates.

Inventory consists primarily of food, paper products and supplies stored in and used by Company-owned restaurants and is stated at lower of first-in, first-out ("FIFO") or market. The valuation of such restaurant inventory requires us to estimate the amount of obsolete and excess inventory based on estimates of future retail sales by Company-owned restaurants. Overestimating retail sales by Company-owned restaurants could result in the write-down of inventory which would have a negative impact on the gross margin of such Company-owned restaurants.

The Company reviews long-lived assets for impairment when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the assets compared to their carrying value. If impairment is recognized, the carrying value of an impaired asset is reduced to its fair value, based on discounted estimated future cash flows.

Franchise revenue consists of income from license fees, royalties, area development and foreign master license agreements and supplier incentive revenues. License fees are recognized as income when there has been substantial performance of the agreement by both the franchisee and the Company, generally at the time the restaurant is opened. Royalties are recognized as income when earned. Supplier incentive revenues are recognized as earned, typically as the underlying commodities are shipped.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. The Company continues to record a full valuation allowance against its net deferred tax assets. The Company assessed whether a valuation allowance should be established against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on the Company's review of this evidence at March 25, 2018, management determined that a full valuation allowance against all of the Company's deferred tax assets was appropriate.

In December 2017, President Donald Trump signed the Tax Cuts and Jobs Act. The new law drops the income tax rate for corporations to 21% effective January 1, 2018. Due to the tax rate change, the deferred tax assets as of December 24, 2017 were adjusted by $3.3 million and the valuation allowance was adjusted by the same amount. There were approximately $7.2 million of deferred tax assets at March 25, 2018.

<u>Recent Accounting Pronouncements</u>

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "*Revenue from Contracts with Customers.*" The standard requires that the transaction price received from customers be allocated to each separate and distinct performance obligation. The transaction price attributable to each separate and distinct performance obligation is then recognized into revenue as the performance obligations are met. The standard also requires any unamortized portion of allocated revenue obligations received prior to adoption be presented in the consolidated balance sheet as a liability. ASU 2014-09 is effective for annual reporting periods (including interim periods therein) beginning after December 15, 2017. The Company will adopt this new guidance in the first quarter of fiscal 2019 and expects to use the modified retrospective transition method, which will result in recognizing the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings in the first quarter of fiscal 2019. The Company has not estimated the impact of the adoption of ASU 2014-09.

Based on a preliminary assessment, the Company believes the recognition of the majority of its revenues, including royalties and supplier and distributor incentive revenues, which are directly based upon franchise sales, and revenues from Company-owned stores, will not be affected by the new guidance. The Company expects the adoption of the new guidance to change the timing of recognition of license fees and area development and foreign master license fees. Currently, these fees are generally recognized into revenue upon either opening of the respective restaurant or when a renewal agreement becomes effective. The new guidance will generally require these fees to be recognized over the term of the related franchise license for the respective restaurant.

The Company also expects the adoption of ASU 2014-09 to change the reporting of franchisee advertising fund contributions and the related advertising fund expenditures, which are currently presented as a net expense in the consolidated statements of operations. Under the new guidance, the Company expects advertising fund contributions and expenditures to be reported on a gross basis in the consolidated statements of operations. Although we expect this change to have a material impact to our total revenues and expenses, we expect such contributions and expenditures to be largely offsetting and not to materially impact our reported net income.

The Company continues to evaluate the impact the adoption of this new guidance will have on these and other revenue transactions, in addition to the impact on accounting policies and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. The new lease standard is effective for public companies for fiscal years, (including interim periods therein), beginning after December 15, 2018. Application of ASU 2016-02 will be required beginning in the first quarter of our fiscal 2020. Early adoption of ASU 2016-02 as of its issuance is permitted. This new guidance requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. The Company’s disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, including the Company’s principal executive officer and principal financial officer, or persons performing similar functions, have evaluated the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company’s principal executive officer and principal financial officer, or persons performing similar functions, have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report. During the most recent fiscal quarter, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to claims and legal actions in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it are either adequately covered by insurance or would not have a material adverse effect on the Company’s annual results of operations, cash flows or financial condition if decided in a manner that is unfavorable to the Company.

Item 1A. Risk Factors

Not required for a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

On May 23, 2007, the Company’s board of directors approved a stock purchase plan (the “2007 Stock Purchase Plan”) authorizing the purchase on our behalf of up to 1,016,000 shares of our common stock in the open market or in privately negotiated transactions. On June 2, 2008, the Company’s board of directors amended the 2007 Stock Purchase Plan to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 2,016,000 shares. On April 22, 2009 the Company’s board of directors amended the 2007 Stock Purchase Plan again to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock repurchases in the fiscal quarter ended March 25, 2018.

The Company’s ability to repurchase shares of our common stock is subject to various laws, regulations and policies as well as the rules and regulations of the SEC. Subsequent to March 25, 2018, the Company has not repurchased any outstanding shares but may make further repurchases under the 2007 Stock Purchase Plan. The Company may also repurchase shares of our common stock other than pursuant to the 2007 Stock Purchase Plan or other publicly announced plans or programs.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of Rave Restaurant Group, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed January 8, 2015).
3.2	Amended and Restated By-laws of Rave Restaurant Group, Inc. (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed January 8, 2015).
4.1	Indenture for 4% Convertible Senior Notes due 2022 (filed as Exhibit 4.1 to Form S-3/A filed January 6, 2017 and incorporated herein by reference).
4.2	Pledge Agreement (filed as Exhibit 4.2 to Form S-3/A filed January 6, 2017 and incorporated herein by reference).
4.3	Supplemental Indenture Number 1 dated as of October 31, 2017, between Rave Restaurant Group, Inc. and Securities Transfer Corporation (filed as Exhibit 4.1 to Form 8-K filed November 9, 2017 and incorporated herein by reference).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer.
32.2	Section 1350 Certification of Principal Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T

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.

RAVE RESTAURANT GROUP, INC.
(Registrant)

By: /s/ Scott Crane
Scott Crane
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Timothy E. Mullany
Timothy E. Mullany
Chief Financial Officer
(Principal Financial Officer)

Dated: May 7, 2018

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 **of the Sarbanes-Oxley Act of 2002**

I, Scott Crane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rave Restaurant Group, Inc. (“the Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 7, 2018

By: /s/ Scott Crane
Scott Crane
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timothy E. Mullany, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rave Restaurant Group, Inc. (“the Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 7, 2018

By: /s/ Timothy E. Mullany
Timothy E. Mullany
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

> The accompanying Quarterly Report on Form 10-Q for the quarter ended March 25, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: May 7, 2018

By: /s/ Scott Crane
Scott Crane
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

> The accompanying Quarterly Report on Form 10-Q for the quarter ended March 25, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: May 7, 2018	By: /s/ Timothy E. Mullany Timothy E. Mullany Chief Financial Officer (Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.