

BJs RESTAURANTS INC  
Form 10-Q  
May 04, 2011

UNITED STATES

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 29, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21423

**BJ S RESTAURANTS, INC.**

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction of  
incorporation or organization)

**33-0485615**  
(I.R.S. Employer

Identification Number)

**7755 Center Avenue**

**Suite 300**

**Huntington Beach, California 92647**

**(714) 500-2400**

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if smaller reporting company)

Smaller reporting company

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

As of April 29, 2011, there were 27,552,507 shares of Common Stock of the Registrant outstanding.

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**BJ S RESTAURANTS, INC.**

**Form 10-Q**

**For the thirteen weeks ended March 29, 2011**

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## PART I. FINANCIAL INFORMATION

## Item 1. CONSOLIDATED FINANCIAL STATEMENTS

## BJ'S RESTAURANTS, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 29, 2011 (Unaudited)	December 28, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	29,906	\$31,518
Investments	18,152	21,674
Accounts and other receivables	8,987	10,041
Inventories	5,432	4,960
Prepays and other current assets	2,034	2,844
Deferred income taxes	10,696	11,684
<b>Total current assets</b>	<b>75,207</b>	<b>82,721</b>
Property and equipment, net	337,065	330,108
Non-current investments	1,991	1,005
Goodwill	4,673	4,673
Notes receivable	413	438
Other assets, net	11,605	11,140
<b>Total assets</b>	<b>\$430,954</b>	<b>\$430,085</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$13,857	\$19,218
Accrued expenses	37,055	44,867
<b>Total current liabilities</b>	<b>50,912</b>	<b>64,085</b>
Deferred income taxes	24,462	23,977
Long-term debt		
Other liabilities	55,815	54,197
<b>Total liabilities</b>	<b>131,189</b>	<b>142,259</b>
<b>Commitments and contingencies</b>		
Shareholders' equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding		
Common stock, no par value, 125,000 shares authorized and 27,558 and 27,322 shares issued and outstanding as of March 29, 2011 and December 28, 2010, respectively	176,083	173,957
Capital surplus	27,384	24,766
Retained earnings	96,298	89,103

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Total shareholders' equity	299,765	287,826
Total liabilities and shareholders' equity	\$430,954	\$430,085

See accompanying notes to unaudited consolidated financial statements.

## BJ'S RESTAURANTS, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For The Thirteen Weeks Ended	
	March 29, 2011	March 30, 2010
Revenues	\$144,862	\$121,686
Costs and expenses:		
Cost of sales	35,720	30,064
Labor and benefits	50,465	43,420
Occupancy and operating	29,316	26,012
General and administrative	9,918	8,474
Depreciation and amortization	7,947	6,731
Restaurant opening	1,001	1,129
Loss on disposal of assets	385	140
Total costs and expenses	134,752	115,970
Income from operations	10,110	5,716
Other income (expense):		
Interest income	32	29
Interest expense	(28)	(21)
Other income, net	238	236
Total other income	242	244
Income before income taxes	10,352	5,960
Income tax expense	3,157	1,610
Net income	\$7,195	\$4,350
Net income per share:		
Basic	\$0.26	\$0.16
Diluted	\$0.25	\$0.16
Weighted average number of shares outstanding:		
Basic	27,426	26,872
Diluted	28,837	27,723

See accompanying notes to unaudited consolidated financial statements.



## BJ'S RESTAURANTS, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For The Thirteen Weeks Ended	
	March 29, 2011	March 30, 2010
Cash flows from operating activities:		
Net income	\$7,195	\$4,350
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,947	6,731
Deferred income taxes	1,473	671
Stock-based compensation expense	1,044	1,004
Loss on disposal of assets	385	140
Changes in assets and liabilities:		
Accounts and other receivables	1,409	1,722
Inventories	(472)	(321)
Prepays and other current assets	810	1,453
Other assets, net	(486)	(446)
Accounts payable	(5,361)	1,502
Accrued expenses	(7,812)	(15,398)
Other liabilities	1,618	1,494
Landlord contribution for tenant improvements, net	(355)	1,616
<b>Net cash provided by operating activities</b>	<b>7,395</b>	<b>4,518</b>
Cash flows from investing activities:		
Purchases of property and equipment	(15,237)	(12,035)
Proceeds from investments sold	6,540	66
Purchases of investments	(3,990)	(15,036)
Collection of notes receivable	25	25
<b>Net cash used in investing activities</b>	<b>(12,662)</b>	<b>(26,980)</b>
Cash flows from financing activities:		
Payments on line of credit		(2,500)
Excess tax benefit from stock-based compensation	1,529	250
Proceeds from exercise of stock options	2,126	2,207
<b>Net cash provided by (used in) financing activities</b>	<b>3,655</b>	<b>(43)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,612)</b>	<b>(22,505)</b>
Cash and cash equivalents, beginning of period	31,518	44,906
<b>Cash and cash equivalents, end of period</b>	<b>\$29,906</b>	<b>\$22,401</b>

**Supplemental disclosure of cash flow information:**

Cash paid for interest, net of capitalized interest	\$	\$
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Cash paid for income taxes	\$25	\$14
<b>Supplemental disclosure of non-cash financing activity:</b>		
Stock-based compensation capitalized	\$45	\$46

See accompanying notes to unaudited consolidated financial statements.

## BJ'S RESTAURANTS, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PRESENTATION

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

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) have been omitted pursuant to requirements of the Securities and Exchange Commission (SEC). A description of our accounting policies and other financial information is included in our audited consolidated financial statements as filed with the SEC on Form 10-K for the year ended December 28, 2010. We believe that the disclosures included in our accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K. The accompanying consolidated balance sheet as of December 28, 2010, has been derived from our audited consolidated financial statements.

*Reclassifications*

Certain reclassifications have been made to prior year's presentation to conform to the current year's presentation.

## 2. INVESTMENTS

Our investment policy restricts the investment of our excess cash balances to instruments with historically minimal volatility, such as money market funds, U.S. Treasury and direct agency obligations, municipal and bank securities, and investment-grade corporate debt securities. Investments and marketable securities, which we have the intent and ability to hold until maturity, are classified as held-to-maturity securities and reported at amortized cost. Realized gains or losses are determined on the specific identification cost method and recorded as a charge to earnings, when realized.

As of March 29, 2011 and December 28, 2010, all of our investments and marketable securities were classified in the held-to-maturity category and consisted of the following (in thousands):

	March 29, 2011		December 28, 2010	
	Amortized Cost	Average Maturity (1)	Amortized Cost	Average Maturity (1)
<b>Short-term investments:</b>				
U.S. Treasury and direct agency obligations	\$5,000	6 months	\$6,711	2 months
Domestic corporate obligations	13,152	9 months	14,963	10 months
	\$18,152		\$21,674	
<b>Non-current investments:</b>				
U.S. Treasury and direct agency obligations	\$1,991	21 months		
Domestic corporate obligations			\$1,005	15 months
	\$1,991		\$1,005	

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

The domestic corporate obligations included as non-current investments were issued under the Temporary Loan Guaranty Program of the U.S. Government and are fully insured by the Federal Deposit Insurance Corporation.

### 3. FAIR VALUE MEASUREMENT

For assets that are measured using quoted market prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. At March 29, 2011, we had approximately \$30.5 million of investments, of which \$10.4 million were considered cash and cash equivalents, held by institutional brokers and the remaining \$20.1 million of investments were classified as held-to-maturity securities and reported at amortized cost. We have placed a majority of our temporary excess cash with major financial institutions and institutional brokers that, in turn, invest in instruments with historically minimal volatility, such as money market funds, U.S. Treasury and direct agency obligations, municipal and bank securities, and investment-grade corporate debt securities. Our investment policy limits the amount of exposure to any one institution or investment. We have not experienced any losses on these investments to date, and we believe that we are not exposed to significant risk of loss on these investments.

### 4. LONG-TERM DEBT

#### Line of Credit

We have a \$45 million unsecured revolving line of credit with a major financial institution (the Line of Credit). The Line of Credit expires on September 30, 2012, and may be used for working capital and other general corporate purposes. We expect to utilize the Line of Credit principally for letters of credit that are required to support certain of our self insurance programs and for working capital and construction requirements as needed. As of March 29, 2011, there were no borrowings outstanding under the Line of Credit and there were outstanding letters of credit totaling approximately \$4.4 million. Any borrowings under the Line of Credit will bear interest at the financial institution's prime rate or at LIBOR plus a percentage not to exceed 1.375% based on a Lease Adjusted Leverage Ratio as defined in the Line of Credit agreement. The Line of Credit agreement also requires compliance with a Fixed Charge Coverage Ratio, a Lease Adjusted Leverage Ratio and certain non-financial covenants. At March 29, 2011, we were in compliance with these covenants. Any interest on the Line of Credit will be payable quarterly and all related borrowings must be repaid on or before September 30, 2012.

### 5. NET INCOME PER SHARE

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

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

	<b>For The Thirteen Weeks Ended</b>	
	<b>March 29, 2011</b>	<b>March 30, 2010</b>
<b>Numerator:</b>		
Net income for basic and diluted net income per share	\$7,195	\$4,350
<b>Denominator:</b>		
Weighted average shares outstanding basic	27,426	26,872
Effect of dilutive common stock options and restricted stock units	1,411	851
Weighted average shares outstanding diluted	28,837	27,723

For the thirteen weeks ended March 29, 2011 and March 30, 2010, there were approximately 127,000 and 976,000 shares of common stock equivalents, respectively, that have been excluded from the calculation of diluted net income per share because they are anti-dilutive.

## 6. RELATED PARTY

As of March 29, 2011, we believe that Jacmar Companies and their affiliates (collectively referred to herein as "Jacmar") owned approximately 11.5% of our outstanding common stock. Jacmar, through its affiliation with Distribution Market Advantage, Inc. ("DMA"), a national foodservice distribution system whose shareholders are prominent regional foodservice distributors, is currently our largest supplier of food, beverage, paper products and supplies servicing our restaurants in California and Nevada, while other DMA system distributors service our restaurants in all other states. We also believe that Jacmar and its affiliates are the controlling shareholder of the Shakey's pizza parlor chain. We believe that Jacmar sells products to us at prices comparable to those offered by unrelated third parties based on our extensive competitive bidding process that resulted in three-year agreements in July 2006 and again in July 2009. Jacmar supplied us with \$15.8 million and \$14.2 million of food, beverage, paper products and supplies for the thirteen weeks ended March 29, 2011 and March 30, 2010, respectively, which represents 24.3% and 25.3% of our total costs of sales and operating and occupancy costs, respectively. We had trade payables related to these products of \$3.1 million and \$2.5 million, at March 29, 2011 and March 30, 2010, respectively. Jacmar does not provide us with any produce, liquor, wine or beer products, all of which are provided by other vendors and included in total cost of sales.

## 7. STOCK-BASED COMPENSATION

We have two stock-based compensation plans—the 2005 Equity Incentive Plan and the 1996 Stock Option Plan—under which we may issue shares of our common stock to team members, officers, directors and consultants. Upon effectiveness of the 2005 Equity Incentive Plan, the 1996 Stock Option Plan was closed for purposes of new grants. Both of these plans have been approved by our shareholders. Under the 2005 Equity Incentive Plan, we have granted incentive stock options, non-qualified stock options, and restricted stock units.

On June 8, 2010, at our annual shareholder meeting, our shareholders approved an amended 2005 Equity Incentive Plan which, among other things, (i) increased the number of shares available for issuance by 1,200,000 shares, (ii) changed the fungible ratio on restricted stock awards from 2:1 to 1.5:1, (iii) extended the termination date of the 2005 Equity Incentive Plan to 10 years following the date of approval by the shareholders, and (iv) made certain other administrative changes.

Substantially all of our restaurant general managers, executive kitchen managers, regional kitchen operations managers, directors of operations, area vice presidents and certain brewery operations positions are eligible to participate in our equity-based incentive program called the BJs Gold Standard Stock Ownership Program (the "GSSOP") under our 2005 Equity Incentive Plan. The GSSOP is a longer-term equity incentive program that utilizes Company restricted stock units ("RSUs"). The GSSOP is dependent on each participant's extended service with us in their respective positions and their achievement of certain agreed-upon performance objectives during that service period (i.e., five years).

Since 2008, we have also issued RSUs as a component of the annual equity grant award to officers and other team members under our 2005 Equity Incentive Plan. Under our 2005 Equity Incentive Plan we have issued approximately 637,000 RSUs as of March 29, 2011, for both the GSSOP program and as part of the annual equity grant awards. The fair value of the RSUs is the quoted market value of our common stock on the date of grant. The fair value of each RSU is expensed over the period during which its related restrictions are expected to lapse (i.e.,

generally five years). Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five and expire 10 years from date of grant. RSUs generally vest at 20% per year for other RSU grantees and generally cliff vest at 100% after five years for GSSOP participants.

We account for equity grants under these plans in accordance with the fair value recognition provisions required by generally accepted accounting principles using the modified-prospective-transition method. Compensation expense recognized in the thirteen weeks ended March 29, 2011 and March 30, 2010, include (a) compensation expense for all share-based payments granted prior to, but not yet vested as of January 4, 2006, based on the grant date fair value estimated in accordance with the original provisions; and, (b) compensation expense for all share-based payments granted subsequent to January 4, 2006, based on the grant date fair value-estimates in accordance with the revised provisions under generally accepted accounting principles.

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

	<b>For The Thirteen Weeks Ended</b>	
	<b>March 29, 2011</b>	<b>March 30, 2010</b>
Labor and benefits stock-based compensation	\$364	\$226
General and administrative stock-based compensation	\$680	\$778
Capitalized stock-based compensation (1)	\$45	\$46

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

#### *Stock Options*

The exercise price of the stock options under the Company's stock-based compensation plans shall be equal to or exceed 100% of the fair market value of the shares at the date of option grant. Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five and expire ten years from date of grant. Stock option activity during the thirteen weeks ended March 29, 2011, was as follows:

	<b>Options Outstanding</b>		<b>Options Exercisable</b>	
	<b>Shares (in thousands)</b>	<b>Weighted Average Exercise Price</b>	<b>Shares (in thousands)</b>	<b>Weighted Average Exercise Price</b>
Outstanding options at December 28, 2010	2,044	\$16.37	1,087	\$15.59
Granted	95	\$36.58		
Exercised	(189)	\$11.89		
Forfeited	(7)	\$34.56		
Outstanding options at March 29, 2011	1,943	\$17.72	1,089	\$16.34

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

	<b>For the Thirteen Weeks Ended</b>	
	<b>March 29, 2011</b>	<b>March 30, 2010</b>
Expected volatility	39.8%	34.2%
Risk free interest rate	2.0%	2.6%
Expected option life	5 years	5 years

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Dividend yield	0%	0%
Fair value of options granted	\$13.29	\$6.58

Generally accepted accounting principles require us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, dividend yield and vesting percentage. These estimations and judgments are determined by us using many different variables that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility and risk free interest rate, may significantly impact the grant date fair value resulting in a significant impact to our financial results. As of March 29, 2011, total unrecognized stock based compensation expense related to non-vested stock options was \$4.7 million, which is expected to be generally recognized over the next five years.

#### *Restricted Stock Units*

Restricted stock unit activity during the thirteen weeks ended March 29, 2011, was as follows:

	<b>Shares (in thousands)</b>	<b>Weighted Average Fair Value</b>
Outstanding RSUs at December 28, 2010	664	\$16.48
Granted	37	\$35.88
Vested or released	(52)	\$11.88
Forfeited	(12)	\$21.24
 Outstanding RSUs at March 29, 2011	 637	 \$17.89

The fair value of the RSUs is the quoted market value of the Company's common stock on the date of grant. The fair value of each RSU is expensed over the period during which the restrictions are expected to lapse (i.e., five years). The Company recorded stock-based compensation expense related to RSUs of approximately \$546,000 during the thirteen weeks ended March 29, 2011. In addition, total unrecognized stock-based compensation expense related to non-vested RSUs was \$5.5 million, which is expected to be generally recognized over the next five years.

#### **8. INCOME TAXES**

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

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

As of March 29, 2011, unrecognized tax benefits recorded were approximately \$957,000. Of this amount, approximately \$151,000, would impact our effective tax rate if ultimately recognized, and the remaining \$806,000 would impact our taxes payable and deferred tax accounts if ultimately recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at December 28, 2010	\$948
Additions based on tax positions taken during the current period	9
 Balance at March 29, 2011	 \$957

Our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. As of March 29, 2011, the earliest tax year still subject to examination by the Internal Revenue Service is 2007. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2006.

#### **9. DIVIDEND POLICY AND STOCK REPURCHASES**



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We have not paid any cash dividends since our inception and have currently not allocated any funds for the payment of dividends. Rather, it is our current policy to retain earnings, if any, for expansion of our restaurant and brewing

operations, remodeling of existing restaurants and other general corporate purposes. We have no plans to pay any cash dividends in the foreseeable future. Should we decide to pay cash dividends in the future, such payments would be at the discretion of the Board of Directors. We did not have any stock repurchases during the thirteen weeks ended March 29, 2011.

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

### **STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE**

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward-looking statements that involve known and unknown risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The risks described in this Form 10-Q, as well as the risks identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2010, are not the only risks we face. New risks and uncertainties arise from time to time and we cannot predict those events or how they may affect us. There may be other risks and uncertainties that are not currently known, or that are currently deemed by us to be immaterial that may ultimately adversely affect our business, financial condition and/or operating results. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from forward-looking statements described in this document. These forward-looking statements include, among others, statements concerning:

our restaurant concept, its competitive advantages and our strategies for its continued evolution and expansion;

the rate and scope of our planned future restaurant development;

anticipated dates on which we will commence or complete development of new restaurants;

expectations as to the timing and success of the planned expansion of our contract brewing strategy;

expectations for consumer spending on casual dining restaurant occasions in general;

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

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

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

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

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

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

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

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

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

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

Our ability to open new restaurants on schedule in accordance with our projected growth rate may be adversely affected by delays or problems associated with securing suitable restaurant locations and leases and by other factors, some of which are beyond our control and the timing of which is difficult to forecast accurately.

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

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

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

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

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

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

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

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Our operations are susceptible to changes in our food, energy and supply costs, which could adversely affect our profitability.

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

Government laws and regulations affecting the operation of our restaurants, including those that apply to the acquisition and maintenance of our brewing and retail liquor licenses, minimum wage, health, nutritional and immigration requirements could increase our operating costs and restrict our growth.

Our internal brewing, contract brewing and beer distribution arrangements are subject to periodic reviews and audits by various regulatory agencies, and could be adversely affected as a result of different interpretations of the laws and regulations that govern such arrangements by such agencies.

For a more detailed description of these risk factors and other considerations, see Part II, Item 1A Risk Factors of this Form 10-Q and the risk factors identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2010.

## GENERAL

As of April 29, 2011, we owned and operated 104 restaurants located in the states of California, Texas, Arizona, Colorado, Oregon, Nevada, Florida, Ohio, Oklahoma, Kentucky, Indiana, Louisiana and Washington. Each of our restaurants is operated either as a BJ's Restaurant & Brewery® which includes a brewery within the restaurant, a BJ's Restaurant & Brewhouse® which receives the beer it sells from one of our breweries or an approved third-party craft brewer of our proprietary recipe beers (contract brewer), or a BJ's Pizza & Grill® which is a smaller format, full service restaurant. Our menu features our BJ's award-winning, signature deep-dish pizza, our own hand-crafted beers as well as a wide selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts, including our Pizookie® dessert. Our BJ's Restaurant & Brewery restaurants feature in-house brewing facilities where BJ's proprietary handcrafted beers are produced for some of our restaurants. Currently, three of our restaurants have active brewing operations. The remainder of our proprietary beer requirements is provided by third-party craft brewers (contract brewers).

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

Cost of sales is comprised of food and beverages. The components of cost of sales are variable and typically fluctuate directly with sales volumes. Labor and benefit costs include direct hourly and management wages, bonuses and payroll taxes and fringe benefits for restaurant employees.

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

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

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

While we currently expect to pursue the renewal of substantially all of our expiring restaurant leases, no guarantee can be given that such leases will be renewed or, if renewed, that rents will not increase substantially. We currently have two leases for restaurant locations that will expire during the next nine months, and we are currently evaluating the desirability of renewing those leases.

In calculating comparable restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months.

**RESULTS OF OPERATIONS**

The following table sets forth, for the periods indicated, our unaudited Consolidated Statements of Income expressed as percentages of total revenues. The results of operations for the thirteen weeks ended March 29, 2011 and March 30, 2010, are not necessarily indicative of the results to be expected for the full fiscal year.

	<b>For The Thirteen Weeks Ended</b>	
	<b>March 29, 2011</b>	<b>March 30, 2010</b>
Revenues	100.0%	100.0%
Costs and expenses:		
Cost of sales	24.7	24.7
Labor and benefits	34.8	35.7
Occupancy and operating	20.2	21.4
General and administrative	6.8	7.0
Depreciation and amortization	5.5	5.5
Restaurant opening	0.7	0.9
Loss on disposal of fixed assets	0.3	0.1
 Total costs and expenses	 93.0	 95.3
 Income from operations	 7.0	 4.7
Other income (expense):		
Interest income		
Interest expense		
Other income, net	0.2	0.2
 Total other income	 0.2	 0.2
 Income before income taxes	 7.2	 4.9
 Income tax expense	 2.2	 1.3
 Net income	 5.0%	 3.6%

*Thirteen Weeks Ended March 29, 2011 (first quarter of 2011) Compared to Thirteen Weeks Ended March 30, 2010 (first quarter of 2010).*

*Revenues.* Total revenues increased by \$23.2 million, or 19.0%, to \$144.9 million during the thirteen weeks ended March 29, 2011, from \$121.7 million during the comparable thirteen week period of 2010. The \$23.2 million increase in revenues consisted of an increase of approximately \$14.6 million in sales from new restaurants not yet in our comparable restaurant sales base, plus an approximate \$8.6 million or 7.8% increase in comparable restaurant sales. The increase in comparable restaurant sales resulted from an estimated effective menu price increase factor of approximately 3.5%, coupled with increased guest counts and a favorable menu mix shift.

Our restaurants, like most in casual dining, are impacted by inflationary pressures for the costs of certain commodities, labor and other operating expenses. We attempt to offset the impact of inflation on our cost structure with purchasing economies of scale, productivity and efficiency improvements, menu merchandising and menu price increases. If our guests do not accept our menu price increases, either by reducing their visits to our restaurants or by changing their purchasing patterns at our restaurants, the expected benefit of any menu price increase could be negated and our operating margins could be impacted. We currently expect our effective menu price increase for fiscal 2011 on an annualized basis to be in the 3% range. However, depending on inflationary pressures and general economic conditions for consumer discretionary spending, our full year menu pricing for fiscal 2011 may be greater or less than our current expectations. Additionally, to help protect guest traffic and to respond to the actions of our competitors, we may consider the promotion of selective menu offerings or introduce new menu offerings at reduced or lower price points which could have the effect of further reducing any benefit from menu price increases. As a relatively

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small casual dining restaurant chain, we do not have the financial resources to match the marketing and advertising spending levels of our larger casual dining competitors. Accordingly, increased marketing and advertising spending by our larger competitors may also adversely impact general levels of guest traffic in our restaurants. Furthermore, we believe that our guest traffic levels, among other items, will also be dependent upon consumer confidence, discretionary consumer spending and other economic conditions including energy prices, commodity inflation and overall employment.



All potential menu price increases must be carefully considered in light of their ultimate acceptability by our restaurant guests. Additionally, other factors outside of our control, such as inclement weather, shifts in the holiday calendar, competitive restaurant intrusions into our trade areas, general economic and competitive conditions and other factors, as described in the Risk Factors section in Part I, Item 1A of our Annual Report on Form 10-K, for the year ended December 28, 2010, can impact comparable sales. As of April 29, 2011, the cost of many food commodities and energy costs, including gasoline, were experiencing significant increases in general, both domestically as well as internationally. This could result in reduced consumer discretionary income and restaurant visits in general, as well as increased resistance to accept menu price increases. Accordingly, there can be no assurance that increases in comparable sales will be achieved as a result of increased menu prices or other factors.

*Cost of Sales.* Cost of sales increased by \$5.7 million, or 18.8%, to \$35.7 million during the thirteen weeks ended March 29, 2011, from \$30.1 million during the comparable thirteen week period of 2010. While as a percentage of revenues, cost of sales remained the same at 24.7% for the current thirteen week period as compared to the comparable thirteen week period in 2010, we did experience higher overall commodity costs for the majority of our food and beverage ingredients. These increased commodity costs were offset by increased revenues from our estimated effective menu price increases, coupled with some efficiencies gained from the rollout of our automated food preparation system that enabled us to reduce food waste.

We do anticipate that cost of sales in our new restaurants will typically be higher during the first several months of operations versus our mature restaurants, as our restaurant management teams become accustomed to optimally predicting, managing and servicing sales volumes at our new restaurants. Accordingly, a comparatively large number of new restaurant openings in any single quarter may significantly impact total cost of sales comparisons for our entire business. Additionally, restaurants opened in new markets may initially experience higher commodity costs than our established restaurants, where we have greater market penetration that generally results in greater purchasing and distribution economies of scale.

We provide our customers a large variety of menu items and therefore we are not overly dependent on a single group of commodities. However, based on current trends we believe the overall cost environment for food commodities will remain under significant pressure during 2011 and very likely into 2012, primarily due to domestic and worldwide agricultural, supply/demand and other macroeconomic factors that are outside of our control. While we continue to work with our suppliers to control food costs, and while we have taken steps to enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not significantly increase due to weather and other market conditions outside of our control. Additionally, there are some commodities that we are unable to contract for long periods of time, such as fluid dairy items, or where we have currently chosen not to contract for long periods of time. There are also certain commodity items, such as certain produce items, in which the contracts principally consist of collar agreements whereby the costs are subject to floors and ceilings.

The cost to produce and distribute our proprietary beer is included in our cost of sales. We currently have qualified as many as four contract brewers to produce our high-quality handcrafted beer, and are currently using two of these contract brewers in fiscal 2011. For fiscal 2011, we currently anticipate that our qualified contract brewers will produce approximately 70% of our estimated requirement of approximately 60,000 barrels for the year. Our longer-term objective is to have large contract brewers produce substantially all of our larger-volume beers. We currently expect to continue to create and brew our smaller-volume seasonal and specialty beers; however, we may eventually decide to also move the majority of this production to contract brewers as we continue to grow our restaurant base and therefore increase our demand for our proprietary beer. We believe the larger-scale contract brewers have greater economies of scale, stronger quality control systems and more effective, leverageable supply chain relationships than we have as a relatively small restaurant company. Additionally, this allows our brewery department to focus on creating and developing distinctive and unique beer flavors for us as opposed to focusing on the production and logistics of large scale brewing. As a result, over the next several years, we expect that the production cost of our larger-volume proprietary beers can be gradually reduced, while simultaneously providing an improvement in the overall consistency of our beer. However, freight costs from our contract brewing locations will likely absorb a large portion of those production cost savings for a period of time until we can further increase the number of restaurants we operate and negotiate more favorable terms with our transportation vendors.

*Labor and Benefits.* Labor and benefit costs for our restaurants increased by \$7.0 million, or 16.2%, to \$50.5 million during the thirteen weeks ended March 29, 2011, from \$43.4 million during the comparable thirteen week period of 2010. This increase was primarily due to the opening of 10 new restaurants since the thirteen weeks ended March 30, 2010. As a percentage of revenues, labor and benefit costs decreased to 34.8% for the current thirteen week period from 35.7% for the prior year comparable thirteen week period. This percentage decrease is primarily due to our ability to leverage our fixed and semi-fixed hourly and management labor as a result of our 7.8% increase in comparable restaurant sales during the thirteen weeks ended March 29, 2011. Included in labor and benefits for the thirteen weeks ended March 29, 2011 and March 30, 2010, was approximately \$364,000 and \$226,000, or 0.3% and 0.2% of revenues, of stock-based compensation expense related to restricted stock units granted in accordance with our Gold Standard Stock Ownership Program, respectively. See Note 7, Stock-Based Compensation, in this Form 10-Q.

Our restaurants can be affected by increases in federal and state minimum wages. Additionally, some states have annual minimum wage increases correlated with either state or federal increases in the consumer price index. In the past, we have been able to react to changes in our key operating costs, including minimum wage increases by gradually increasing our menu prices and improving our productivity in our restaurants. However, we cannot guarantee that all or any future cost increases can be offset by increased menu prices or that increased menu prices will be accepted by our restaurant guests without any resulting changes in their visit frequencies or purchasing patterns.

For new restaurants, labor expenses will typically be higher than normal during the first several months of operations until our restaurant management team at each new restaurant becomes more accustomed to optimally predicting, managing and servicing the sales volumes expected at our new restaurants. Accordingly, a comparatively large number of new restaurant openings in any single quarter may significantly impact labor cost comparisons for the entire Company.

*Occupancy and Operating.* Occupancy and operating expenses increased by \$3.3 million, or 12.7%, to \$29.3 million during the thirteen weeks ended March 29, 2011, from \$26.0 million during the comparable thirteen week period of 2010. The increase reflects additional operating and occupancy expenses related to 10 new restaurants opened since the thirteen weeks ended March 30, 2010. As a percentage of revenues, occupancy and operating expenses decreased to 20.2% for the current thirteen week period from 21.4% for the prior year comparable thirteen week period. This percentage decrease was primarily due to our ability to leverage the fixed and semi-fixed component of these expenses as a result of higher comparable sales.

*General and Administrative.* General and administrative expenses increased by \$1.4 million, or 17.0%, to \$9.9 million during the thirteen weeks ended March 29, 2011, from \$8.5 million during the comparable thirteen week period of 2010. Included in general and administrative costs for the thirteen weeks ended March 29, 2011 and March 30, 2010, is \$680,000 and \$778,000, respectively, of stock-based compensation expense. The increase in general and administrative costs was primarily due to planned higher field supervision and support costs, coupled with higher legal and recruiting costs. As a percentage of revenues, general and administrative expenses slightly decreased to 6.8% for the current thirteen week period as compared to 7.0% for the prior year comparable thirteen week period. This percentage decrease was due to our ability to leverage the fixed component of these expenses as a result of increased revenues from new restaurant openings and comparable sales increases.

*Depreciation and Amortization.* Depreciation and amortization increased by \$1.2 million, or 18.1%, to \$7.9 million during the thirteen weeks ended March 29, 2011, from \$6.7 million during the comparable thirteen week period of 2010. The increase reflected the additional depreciation expenses related to 10 new restaurants opened since the thirteen weeks ended March 30, 2010. As a percentage of revenues, depreciation and amortization remained the same at 5.5% for the current thirteen week period as compared to the prior year comparable thirteen week period.

*Restaurant Opening.* Restaurant opening expense slightly decreased by \$0.1 million, or 11.3%, to \$1.0 million during the thirteen weeks ended March 29, 2011, from \$1.1 million during the comparable thirteen week period of 2010. Our opening costs will fluctuate from period to period, depending upon, but not limited to, the number of restaurant openings, the size and concept of the restaurants being opened, the location of the restaurants and the complexity of the staff hiring and training process. We opened two new restaurants in the first quarter of 2011 in Tyler, Texas and Sacramento, California, as compared to two new restaurants opened and the re-opening of our expanded and remodeled BJs Pizza & Grill restaurant in Huntington Beach, California in the first quarter of 2010. As of April 29, 2011, we currently expect to open three restaurants during the second quarter for fiscal 2011; as

many as four restaurants during the third quarter; and, as many as three to four new restaurants during the fourth quarter. The actual timing of restaurant openings is inherently difficult to precisely predict and is subject to weather conditions and other factors outside of our control, including factors that are under the control of the Company's landlords, municipalities and contractors.

*Loss on Disposal of Assets.* The loss on disposal of assets increased by \$245,000, to approximately \$385,000 or 0.3% of revenues, during the thirteen weeks ended March 29, 2011, as compared to \$140,000 during the comparable thirteen week period of 2010. These costs for the current thirteen week period were related to the disposal of certain unproductive restaurant assets in connection with our ongoing productivity/efficiency initiatives and facility image enhancement activities. Fixed asset disposals during the first quarter of 2010 primarily related to the expansion and remodeling of our BJs Pizza & Grill restaurant in Huntington Beach, California.

*Interest Income.* Interest income increased to \$32,000 during the thirteen weeks ended March 29, 2011, from \$29,000 during the comparable thirteen week period of 2010. This increase was primarily due to the slightly higher investment balances compared to the same thirteen week period of 2010.

*Interest Expense.* Interest expense increased to \$28,000 during the thirteen weeks ended March 29, 2011, from \$21,000 during the comparable thirteen week period of 2010.

*Other Income, Net.* Net other income increased to \$238,000 during the thirteen weeks ended March 29, 2011, from \$236,000 during the comparable thirteen week period of 2010, an increase of \$2,000. This increase is primarily due to income recognized from gift card breakage. Based on an analysis of our gift card program since its inception, we determined that 24 months after issuance date, the likelihood of gift card redemption is remote.

*Income Tax Expense.* Our effective income tax rate for the thirteen weeks ended March 29, 2011, was 30.5% compared to 27.0% for the comparable thirteen week period of 2010. The effective income tax rate for the thirteen weeks ended March 29, 2011, differs from the statutory income tax rate primarily due to FICA tip credits and the non-deductibility of incentive stock options that were granted prior to fiscal year 2005. We currently estimate our effective tax rate to be approximately 30.0% to 31.0% for fiscal 2011. However, the actual effective tax rate for fiscal 2011 may be different than our current estimate due to actual revenues, pre-tax income and tax credits achieved during the year and the deductibility of any subsequent disqualified dispositions related to incentive stock options.

## LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth, for the periods indicated, a summary of our key liquidity measurements (dollar amounts in thousands):

	<b>March 29, 2011</b>	<b>December 28, 2010</b>
Cash and cash equivalents	\$29,906	\$31,518
Short-term investments	\$18,152	\$21,674
Net working capital	\$24,295	\$18,636
Current ratio	1.5:1.0	1.3:1.0

	<b>For The Thirteen Weeks Ended</b>	
	<b>March 29, 2011</b>	<b>March 30, 2010</b>
Cash provided by operating activities	\$7,395	\$4,518
Capital expenditures	\$15,237	\$12,035

Our fundamental corporate finance philosophy is to maintain a conservative balance sheet in order to support our long-term restaurant expansion plan with sufficient financial flexibility; to provide the financial resources necessary to protect and enhance the competitiveness of our restaurant and brewing operations; and, to provide a prudent level of financial capacity to manage the risks and uncertainties of conducting our business operations on a larger scale. In the past, we have obtained capital resources from our ongoing operations, public stock and warrant offerings, employee stock option exercises and tenant improvement allowances from our landlords. As an additional source of liquidity, we also have a \$45 million credit facility in place that expires on September 30, 2012.

Our capital requirements are principally related to our restaurant expansion plans and restaurant enhancements and initiatives. While our ability to achieve our growth plans is dependent on a variety of factors, some of which are outside of our control, our primary growth objective is to achieve an approximate 12% to 13% increase in total restaurant operating weeks during fiscal 2011 from the development and opening of new restaurants, coupled with the carryover impact of partial-year 2010 openings and the impact of the additional operating week in fiscal 2011 as a result of fiscal 2011 being a 53-week fiscal year. Depending on the expected tenant improvement allowances that we receive from our landlords, as well as our other planned capital investments including ongoing maintenance capital expenditures, our base of established restaurant operations may not yet be large enough to generate enough cash flow from operations to totally fund our planned expansion at the rate that it is currently contemplated over the longer run. Accordingly, we will continue to actively monitor overall conditions in the capital markets with respect to the potential sources and timing of additional financing for our planned future expansion. However, there can be no assurance that such financing will be available when required or available on terms acceptable to us. If we are unable to secure additional capital resources, we may be required to reduce our longer-term planned rate of expansion.

Similar to many restaurant chains, we typically utilize operating lease arrangements (principally ground leases) for the majority of our restaurant locations. We believe our operating lease arrangements continue to provide appropriate leverage for our capital structure in a financially efficient manner. However, we are not limited to the use of lease arrangements as our only method of opening new restaurants. While our operating lease obligations are not currently required to be reflected as indebtedness on our Consolidated Balance Sheets, the minimum rents and other related lease obligations, such as common area expenses, under our lease agreements must be satisfied by cash flows from our ongoing operations. Accordingly, our lease arrangements reduce, to some extent, our capacity to utilize funded indebtedness in our capital structure. In an exposure draft issued in 2010, the FASB, together with the International Accounting Standards Board, has proposed a comprehensive set of changes in accounting for leases. While the Exposure Draft addresses new financial accounting rules for both lessors and lessees, the primary focus will likely be on changes affecting lessees. The lease accounting model contemplated by the new standard is a right of use model that assumes that each lease creates an asset (the lessee's right to use the leased asset) and a liability (the future rental payment obligations) which should be reflected on a lessee's balance sheet to fairly represent the lease transaction and the lessee's related financial obligations. Currently, the leases for our 100 leased restaurants are accounted for as operating leases, with no related assets and liabilities on our balance sheet. While no fixed date has been determined for the issuance of the final standard, it is generally expected that the final standard will be issued by late 2011. Changes in these accounting rules or their interpretation, or changes in underlying assumptions, estimates or judgments by us could significantly change our reported or expected financial performance.

We also require capital resources to maintain our existing base of restaurants and brewery operations and to further expand and strengthen the capabilities of our corporate and information technology infrastructures. Our requirement for working capital is not significant since our restaurant guests pay for their food and beverage purchases in cash or credit cards at the time of the sale. Thus, we are able to sell many of our inventory items before we have to pay our suppliers for such items.

We typically seek to lease our restaurant locations for primary periods of 15 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). In addition, many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. We currently expect to secure approximately \$4.5 million of committed tenant improvement allowances for our planned fiscal 2011 new restaurant openings. However, in light of current conditions in the credit and real estate development markets, there can be no assurance that such allowances will continue to be available to us. From time to time, we may also decide to purchase the underlying land for a new restaurant if that is the only way to secure a highly desirable site. Currently, we own the land that underlies four of our restaurants and we own the land of one restaurant that is currently being constructed. We disburse cash for certain site-related work, buildings, leasehold improvements, furnishings, fixtures and equipment to build out our leased and owned premises. We own substantially all of the equipment, furniture and trade fixtures in our restaurants and currently plan to do so in the future.

Our cash flows from operating activities, as detailed in the Consolidated Statements of Cash Flows, provided \$7.4 million of net cash from operations during the thirteen weeks ended March 29, 2011, representing a \$2.9 million increase from the \$4.5 million provided by during the comparable thirteen week period of 2010. The increase in cash from operating activities for the thirteen weeks ended March 29, 2011, in comparison to thirteen weeks ended March 30, 2010, is primarily due to the increase in net income, higher depreciation expense as a result of more restaurants in operation, and decreases in accounts and other receivables as a result of collections, offset by decreases in accounts payable and accrued expenses due to the timing of payments.

For the thirteen weeks ended March 29, 2011, total capital expenditures were approximately \$15.2 million, of which expenditures for the acquisition of restaurant and brewery equipment and leasehold improvements to construct new restaurants were \$9.4 million. These expenditures were primarily related to the construction of our new restaurants in Tyler, Texas and Sacramento, California, both of which opened in the first quarter, as well as expenditures related to additional restaurants expected to open in the second, third and fourth quarters of fiscal 2011. In addition, total capital expenditures related to the maintenance and key productivity initiatives of existing restaurants and expenditures for restaurant and corporate systems were \$4.6 million and \$1.2 million, respectively.

We filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ( SEC ) on January 7, 2010. The statement was declared effective by the SEC on January 28, 2010, and permits us to raise capital from time to time through the offer and sale of various types of securities not to exceed an aggregate value of \$75 million. We do not have any immediate intentions or commitments to sell securities. The terms of any future offering of securities would be established at the time of such offering subject to market conditions. Any offering of securities covered by the shelf registration statement will be made only by means of a written prospectus and prospectus supplement. In addition, the Form S-3 also included the registration of 3,801,730 shares of common stock previously acquired by certain shareholders from the Company in various transactions several years ago. We registered those shares to fulfill our contractual obligations under a registration rights agreement with those shareholders.

We have a \$45 million unsecured revolving line of credit with a major financial institution (the Line of Credit ). The Line of Credit expires on September 30, 2012, and may be used for working capital and other general corporate purposes. We expect to utilize the Line of Credit principally for letters of credit that are required to support certain of our self insurance programs and for working capital and construction requirements as needed. As of March 29, 2011, there were no borrowings outstanding under the Line of Credit and there were outstanding letters of credit totaling approximately \$4.4 million. Any borrowings under the Line of Credit will bear interest at the financial institution's prime rate or at LIBOR plus a percentage not to exceed 1.375% based on a Lease Adjusted Leverage Ratio as defined in the Line of Credit agreement. The Line of Credit agreement also requires compliance with a Fixed Charge Coverage Ratio, a Lease Adjusted Leverage Ratio and certain non-financial covenants. At March 29, 2011, we were in compliance with these covenants. Any interest on the Line of Credit will be payable quarterly and all related borrowings must be repaid on or before September 30, 2012. While we have the Line of Credit in place and it can be currently drawn upon, it is possible that creditors could place limitations or restrictions on the ability of borrowers in general to draw on existing credit facilities. At this time, however, we have no indication that any such limitations or restrictions are likely to occur.

Our capital expenditures during fiscal 2011 will continue to be significant as we currently plan to open as many as 12 to 13 new restaurants during the year (in addition to our necessary maintenance and key initiative-related capital expenditures). As of April 29, 2011, we have entered into eight signed leases for potential new restaurant locations, and we expect to enter into additional leases for additional new restaurant locations. Additionally, we purchased the land for one potential new restaurant location to be opened later this year. We currently anticipate our capital expenditures for fiscal 2011, including all expenditures categories and excluding any tenant improvement allowances we may receive from landlords, will be approximately \$75 million to \$80 million. We expect to fund our expected capital expenditures for fiscal 2011 with current cash and investment balances on hand, expected cash flow from operations and expected tenant improvement allowances of approximately \$4.5 million. Our future cash requirements will depend on many factors, including the pace of our expansion, conditions in the retail property development market, construction costs, the nature of the specific sites selected for new restaurants, and the nature of the specific leases and associated tenant improvement allowances available, if any, as negotiated with landlords.

As of March 29, 2011, we had an uncollected outstanding tenant improvement allowance from one landlord in the amount of \$1.2 million for one of our restaurants which opened in fiscal 2008. Our lease with that landlord allows us to offset or reduce our rent payable in the event that our tenant improvement allowances cannot be collected. We do not believe that this matter will have a material impact on our overall liquidity, and we are currently seeking the legal enforcement of all of our rights under the lease as we concurrently attempt to negotiate a final settlement of this matter.

Our cash and cash equivalents and investments included money market funds, treasury bills, agency bonds and domestic corporate obligations totaling approximately \$30.5 million, of which \$10.4 million was considered cash and cash equivalents and included with current assets on our Consolidated Balance Sheet as of March 29, 2011.

We currently believe that our expected cash flow from operations, cash and investment balances on hand, agreed-upon tenant improvement allowances and our \$45 million credit facility, should be sufficient, in the aggregate, to finance our planned capital expenditures and other operating activities through the next 12 months. Our base of established restaurant operations is not yet large enough to sufficiently generate enough cash flow from operations to totally fund our planned expansion at the rate that it is currently contemplated over the long run. Accordingly, we will continue to actively monitor overall conditions in the capital markets with respect to the potential sources and timing of additional financing for our planned future expansion. However, there can be no assurance that such financing will be available when required or available on terms acceptable to us. If we are unable to secure additional capital resources, we may be required to reduce our longer-term planned rate of expansion.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities ( VIEs ), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of March 29, 2011, we are not involved in any off-balance sheet arrangements.

#### **IMPACT OF INFLATION**

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant guests. While we have taken steps to enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather and other market conditions outside of our control. We are currently unable to contract for certain commodities, such as fluid dairy and most fresh produce items, for long periods of time. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations. The impact of inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations.

Many of our restaurant team members are paid hourly rates related to the federal or state minimum wage. In fiscal 2007, Congress enacted an increase in the federal minimum wage implemented in three phases, beginning in fiscal 2007 and concluding in fiscal 2009. In addition, numerous state and local governments increased the minimum wage within their jurisdictions. Additionally, a general shortage in the availability of qualified restaurant management and hourly workers in certain geographical areas in which we operate has caused related increases in the costs of recruiting and compensating such team members. Certain operating and other costs, such as health benefits, taxes, insurance and other outside services continue to increase with the general level of inflation and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices for our menu items, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. There can be no assurance that all of our future cost increases can be offset by higher menu prices, or that higher menu prices will be accepted by our restaurant guests without any resulting changes in their visit frequencies or purchasing patterns. Many of the leases for our restaurants provide for contingent rent obligations based on a percentage of sales. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

## **SEASONALITY AND ADVERSE WEATHER**

Our business is subject to seasonal fluctuations. Our results of operations have historically been impacted by seasonality, which directly impacts tourism at our coastal California locations. The summer months (June through August) have traditionally been higher volume periods than other periods of the year. Additionally, since 2007, we began opening new restaurants beyond the West Coast and Texas to other Midwest and Eastern states. Accordingly, these restaurants will be impacted by weather and other seasonal factors that typically impact other restaurant operations in those regions. Holidays (and shifts in the holiday calendar), severe winter weather, hurricanes, tornados, thunderstorms and similar conditions may impact restaurant sales volumes seasonally in some of the markets where we operate. Many of our restaurants are located in or near shopping centers and malls that typically experience seasonal fluctuations in sales. Quarterly results have been and will continue to be significantly impacted by the timing of new restaurant openings and their associated restaurant opening expenses. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

## **CRITICAL ACCOUNTING POLICIES**

Critical accounting policies require the greatest amount of subjective or complex judgments by management and are important to portraying our financial condition and results of operations. Judgments or uncertainties regarding the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

### ***Fair Value of Investments and Cash Equivalents***

We measure the fair value of our investments using quoted market prices in active markets. All of our investments are currently classified as held-to-maturity, included as short-term and non-current investments in the Consolidated Balance Sheets and reported at amortized cost with related gains and losses reflected in earnings once realized in accordance with generally accepted accounting principles. We believe that the fair value of our investments equaled the quoted market price of our investments at March 29, 2011.

We believe the carrying value of cash equivalents approximates fair value because of the short-term nature of those instruments.

### ***Property and Equipment***

We record all property and equipment at cost. Property and equipment accounting requires estimates of the useful lives for the assets for depreciation purposes and selection of depreciation methods. We believe the useful lives reflect the actual economic life of the underlying assets. We have elected to use the straight-line method of depreciation over the estimated useful life of an asset or the primary lease term of the respective lease, whichever is shorter. Renewals and betterments that materially extend the useful life of an asset are capitalized while maintenance and repair costs are charged to operations as incurred. Judgment is often required in the decision to distinguish between an asset which qualifies for capitalization versus an expenditure which is for maintenance and repairs. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in earnings. Additionally, interest capitalized for new restaurant construction is included in Property and equipment, net on the Consolidated Balance Sheets.

### ***Impairment of Long-Lived Assets***

We assess potential impairments of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and, significant negative industry or economic trends. The recoverability is assessed in most cases by comparing the carrying value of the asset to the undiscounted cash flows expected to be generated by the asset. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets. As of March 29, 2011, no other than temporary impairment indicators have been identified.

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### *Self Insurance Liability*

We are self-insured for a portion of our general liability insurance and maintain a large deductible on our employee workers' compensation program. We maintain coverage with a third party insurer to limit our total exposure for these programs. The accrued liability associated with these programs are based on our estimate of the ultimate costs to settle known claims as well as claims incurred but not yet reported to us ( IBNR claims ) as of the balance sheet date. Our estimated liability is based on information provided by our insurance broker, a third party actuary, and insurer, combined with our judgments regarding a number of assumptions and factors, including the frequency and severity of claims, our claims development history, case jurisdiction, related legislation, and our claims settlement practice. Significant judgment is required to estimate IBNR claims as parties have yet to assert such claims. If actual claims trends, including the severity or frequency of claims, differ from our estimates, our financial results could be significantly impacted.

### *Income Taxes*

We provide for income taxes based on our estimate of federal and state tax liabilities. Our estimates include, but are not limited to, effective state and local income tax rates, allowable tax credits for items such as FICA taxes paid on reported tip income and estimates related to depreciation expense allowable for tax purposes. We usually file our income tax returns several months after our fiscal year-end. We file our tax returns with the advice and compilation of tax consultants. All tax returns are subject to audit by federal and state governments, usually years after the returns are filed, and could be subject to differing interpretation of the tax laws.

Deferred tax accounting requires that we evaluate net deferred tax assets to determine if these assets will more likely than not be realized in the foreseeable future. This test requires projection of our taxable income into future years to determine if there will be taxable income sufficient to realize the tax assets (future tax deductions and FICA tax credit carryforwards). The preparation of the projections requires considerable judgment and is subject to change to reflect future events and changes in the tax laws.

The accounting for uncertainty in tax positions requires that we recognize the impact of a tax position in our consolidated financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of March 29, 2011, unrecognized tax benefits recorded was approximately \$957,000.

### *Leases*

We lease the majority of our restaurant locations. We account for our leases in accordance with generally accepted accounting principles, which require that our leases be evaluated and classified as operating or capital leases for financial reporting purposes. The term used for this evaluation includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured and failure to exercise such option would result in an economic penalty. All of our restaurant leases are classified as operating leases. We disburse cash for leasehold improvements, furniture and fixtures and equipment to build out and equip our leased premises. Tenant improvement allowance incentives may be available to partially offset the cost of developing and opening the related restaurants, pursuant to agreed-upon terms in our leases. Tenant improvement allowances can take the form of cash payments upon the opening of the related restaurants, full or partial credits against minimum or percentage rents otherwise payable by us or a combination thereof. All tenant improvement allowances received by us are recorded as a deferred rent obligation and amortized over the term of the lease. The related cash received from the landlord is reflected as Landlord contribution for tenant improvements, net within operating activities of our Consolidated Statements of Cash Flows.

The lease term used for straight-line rent expense is calculated from the date we obtain possession of the leased premises through the lease termination date. We expense rent from possession date through restaurant open date as preopening expense. Once a restaurant opens for business, we record straight-line rent over the lease term plus contingent rent to the extent it exceeded the minimum rent obligation per the lease agreement.

There is potential for variability in the rent holiday period, which begins on the possession date and ends on the restaurant open date, during which no cash rent payments are typically due under the terms of the lease. Factors that may affect the length of the rent holiday period generally relate to construction related delays. Extension of the rent holiday period due to delays in restaurant opening will result in greater preopening rent expense recognized during the rent holiday period and lesser occupancy expense during the rest of the lease term (post-opening).



For leases that contain rent escalations, we record the total rent payable during the lease term, as determined above, on the straight-line basis over the term of the lease (including the rent holiday period beginning upon our possession of the premises), and record the difference between the minimum rents paid and the straight-line rent as a lease obligation. Certain leases contain provisions that require additional rental payments based upon restaurant sales volume (contingent rentals). Contingent rentals are accrued each period as the liabilities are incurred, in addition to the straight-line rent expense noted above. This results in some variability in occupancy expense as a percentage of revenues over the term of the lease in restaurants where we pay contingent rent.

Management makes judgments regarding the probable term for each restaurant property lease, which can impact the classification and accounting for a lease as capital or operating, the rent holiday and/or escalations in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

In an exposure draft issued in 2010, the FASB, together with the International Accounting Standards Board, has proposed a comprehensive set of changes in accounting for leases. While the Exposure Draft addresses new financial accounting rules for both lessors and lessees, the primary focus will likely be on changes affecting lessees. The lease accounting model contemplated by the new standard is a right of use model that assumes that each lease creates an asset (the lessee's right to use the leased asset) and a liability (the future rental payment obligations) which should be reflected on a lessee's balance sheet to fairly represent the lease transaction and the lessee's related financial obligations. Currently, the leases for our 100 leased restaurants are accounted for as operating leases, with no related assets and liabilities on our balance sheet. While no fixed date has been determined for the issuance of the final standard, it is generally expected that the final standard will be issued by late 2011. Changes in these accounting rules or their interpretation, or changes in underlying assumptions, estimates or judgments by us could significantly change our reported or expected financial performance.

#### ***Stock-based Compensation***

We have two stock-based compensation plans—the 2005 Equity Incentive Plan and the 1996 Stock Option Plan—under which we may issue shares of our common stock to employees, officers, directors and consultants. Upon effectiveness of the 2005 Equity Incentive Plan, the 1996 Stock Option Plan was closed for purposes of new grants. Both of these plans have been approved by our shareholders. Under the 2005 Equity Incentive Plan, we have granted incentive stock options, non-qualified stock options, and restricted stock units. Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five and expire ten years from date of grant.

Beginning in 2007, substantially all of our restaurant general managers, executive kitchen managers, regional kitchen operations managers, directors of operations, area vice presidents and certain brewery operations positions became eligible to participate in our equity-based incentive program called the BJ's Gold Standard Stock Ownership Program (the GSSOP) under our 2005 Equity Incentive Plan. The GSSOP is a longer-term equity incentive program that utilizes Company restricted stock units (RSUs). The GSSOP is dependent on each participant's extended service with us in their respective positions (five years) and their achievement of certain agreed-upon performance objectives during that service period.

In 2008, we also began issuing RSUs as a component of the annual equity grant award to officers and other employees. These grants are non-GSSOP grants. Under our 2005 Equity Incentive Plan we have issued approximately 637,000 RSUs as of March 29, 2011, including both GSSOP and non-GSSOP grants. The fair value of the RSUs is the quoted market value of our common stock on the date of grant. The fair value of each RSU is expensed over the period during which its related restrictions are expected to lapse (i.e., generally five years). RSUs generally vest at 20% per year for other RSU grantees and generally cliff vest at 100% after five years for GSSOP participants.

We account for these plans in accordance with generally accepted accounting principles under the fair value recognition provisions, using the modified-prospective-transition method. Compensation expense recognized in the thirteen weeks ended March 29, 2011 and March 30, 2010, include: (a) compensation expense for all share-based

payments granted prior to, but not yet vested as of January 4, 2006, based on the grant date fair value estimated in accordance with the original provisions and (b) compensation expense for all share-based payments granted subsequent to January 4, 2006, based on the grant date fair value estimated in accordance with the revised provisions under generally accepted accounting principles. We are required to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, dividend yield and vesting percentage. These estimations and judgments are determined by us using many different variables that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility and risk free interest rate, may significantly impact the grant date fair value resulting in a significant impact to our financial results. The cash flow tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are required to be classified as financing cash flows.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The following discussion of market risks contains forward-looking statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

Our market risk exposures are related to cash and cash equivalents and investments. We invest our excess cash in highly liquid short-term investments with maturities of two years or less as of the date of purchase. These investments are not held for trading or other speculative purposes. Changes in interest rates affect the investment income we earn on our investments and, therefore, impact our cash flows and results of operations. For the thirteen weeks ended March 29, 2011, the average interest rate earned on cash and cash equivalents and investments was approximately 0.3%. As of March 29, 2011, our cash and cash equivalents and investments consisted of money market funds, treasury bills, agency bonds and domestic corporate obligations with a cost or fair value of approximately \$30.5 million, of which \$10.4 million are considered cash equivalents. Cash may be in excess of FDIC insurance limits. The majority of our investments, both short-term and long-term, are AAA-rated and directly or indirectly guaranteed by the U.S. Government. We believe we are not exposed to significant risk on cash and cash equivalents and investments. The fair market value of our investments is subject to interest rate risk and would decline in value if market interest rates increased. If market interest rates were to increase immediately and uniformly by 10% from the levels existing as of March 29, 2011, the decline in the fair value of the portfolio would not be material to our financial position, results of operations and cash flows.

We purchase food and other commodities for use in our operations based upon market prices established with our suppliers. Many of the commodities purchased by us can be subject to volatility due to market supply and demand factors outside of our control, whether contracted for or not. To manage this risk in part, we attempt to enter into fixed-price purchase commitments, with terms typically up to one year, for some of our commodity requirements. However, it may not be possible for us to enter into fixed-price contracts for certain commodities or we may choose not to enter into fixed-price contracts for certain commodities. Dairy costs can also fluctuate due to government regulation. We believe that substantially all of our food and supplies are available from several sources, which helps to diversify our overall commodity cost risk. We also believe that we have some flexibility and ability to increase certain menu prices, or vary certain menu items offered, in response to food commodity price increases. Some of our commodity purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. We do not use financial instruments to hedge commodity prices, since our purchase arrangements with suppliers, to the extent that we can enter into such arrangements, help control the ultimate cost that we pay.

### **Item 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

#### *Changes in Internal Control Over Financial Reporting*

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our first fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

We are subject to private lawsuits, administrative proceedings and demands that arise in the ordinary course of our business and which typically involve claims from guests, employees and others related to operational issues common to the foodservice industry. A number of these claims may exist at any given time. We believe that most of our guest claims will be covered by our general liability insurance, subject to certain deductibles and coverage limits. Punitive damages awards and employee unfair practice claims, however, are not covered by our general liability insurance. To date, we have not been ordered to pay punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims. We could be affected by adverse publicity resulting from allegations in lawsuits, claims and proceedings, regardless of whether these allegations are valid or whether we are ultimately determined to be liable. We currently believe that the final disposition of these types of lawsuits, proceedings and claims will not have a material adverse effect on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, proceedings or claims.

The following paragraphs describe certain legal actions recently settled or pending:

#### ***Labor Related Matters***

On February 5, 2004, a former team member filed a putative class action complaint in Los Angeles County, California, Superior Court on behalf of herself and other current and former team members. On March 16, 2004, the former team member filed an amended complaint alleging causes of action for: (1) failure to pay reporting time minimum pay; (2) failure to allow meal breaks; (3) failure to allow rest breaks; (4) waiting time penalties; (5) civil penalties; (6) reimbursement for fraud and deceit; (7) punitive damages for fraud and deceit; and, (8) disgorgement of illicit profits. The complaint also sought interest, attorneys' fees and costs. On June 28, 2004, the plaintiff stipulated to dismiss her second, third, fourth and fifth causes of action. In November 2008, the parties reached a settlement of this matter subject to final approval from the arbitrator and confirmation by the court. The arbitrator approved the settlement in September 2010, and signed a judgment that dismissed the arbitration in October 2010. The court approved the settlement and entered judgment in December 2010. The settlement was funded in March 2011. The terms of this settlement are not considered by us to be material to our consolidated financial position.

On April 6, 2009, a team member filed a putative class action complaint in Orange County, California, Superior Court on behalf of himself and other team members. The complaint alleged causes of action for failure to pay the plaintiff and other putative class members regular wages and overtime pay, failure to maintain the designated wage scale and secret payment of lower wages, the greater of actual damages or penalties for failure to provide accurate wage statements, and restitution of wages and injunctive relief for violation of the California Business and Professions Code. The complaint also sought interest, attorneys' fees and costs. The parties reached a settlement of this action. The court issued an order finally approving the settlement and entered judgment in February 2011. The settlement was funded in April 2011. The terms of this settlement are not considered by us to be material to our consolidated financial position.

On February 4, 2009, a team member filed a putative class action complaint in Fresno County, California, Superior Court on behalf of himself and other current and former team members. The complaint alleges causes of action for failure to pay wages for on-call time, for violation of California Business and Professional Code and for penalties for unpaid wages. The complaint also seeks a constructive trust, injunctive relief, restitution, interest, attorney's fees and costs. On August 14, 2009, a first amended complaint was filed, in which two other team members joined the action as plaintiffs. We answered the operative complaint denying the allegations and are engaging in continuing discovery. We are vigorously defending our position in this action.

On August 25, 2009, a former team member filed a putative class action in Los Angeles County, California, Superior Court on behalf of himself and other current and former team members working as restaurant assistant managers,

kitchen managers and other managers in California. The complaint, as amended, alleges our California managers were misclassified as exempt from overtime and other California law requirements and alleges causes of action for failure to pay overtime wages, failure to provide meal breaks and rest periods, failure to pay wages timely, penalties for unpaid wages, failure to provide accurate wage statements, failure to keep accurate payroll records, violation of the California Business and Professions Code, and failure to reimburse class members for business expenses. The complaint seeks unspecified damages, restitution, injunctive relief, interest, attorneys' fees and costs. In January 2010, on our motion, the Court ordered the venue of the case transferred to Orange County. We have responded to the third amended complaint, the operative complaint, and are engaging in continuing discovery. We are vigorously defending our position in this action.

**Item 1A. RISK FACTORS**

A discussion of the significant risks associated with investments in our securities, as well as other matters, are set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2010. There have been no material changes in the risks related to us from those disclosed in such Annual Report. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC. The risks described in this Form 10-Q are not the only risks we face. New risks and uncertainties arise from time to time and we cannot predict those events or how they may affect us. There may be other risks and uncertainties that are not currently known, or that are currently deemed by us to be immaterial; however, they may ultimately adversely affect our business, financial condition and/or operating results.

**Item 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Amended and Restated Articles of Incorporation of the Company, as amended, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on June 28, 1996, as amended by the Company's Registration Statement on Form SB-2/A filed with the Commission on August 1, 1996, and the Company's Registration Statement on Form SB-2A filed with the Commission on August 22, 1996, (File No. 3335182-LA) (as amended, the Registration Statement).
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibits 3.1 of the Form 8-K filed on June 4, 2007.
3.3	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.3 of the 2004 Annual Report on Form 10-K.
3.4	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.4 of the 2010 Annual Report on Form 10-K.
4.1	Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Registration Statement.
31	Section 302 Certifications of Chief Executive Officer and Chief Financial Officer.
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.

SIGNATURES

In accordance with 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.

BJ S RESTAURANTS, INC.  
(Registrant)

May 4, 2011

By: /s/ GERALD W. DEITCHLE  
Gerald W. Deitchle  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ GREGORY S. LEVIN  
Gregory S. Levin  
Executive Vice President,  
Chief Financial Officer and Secretary  
(Principal Financial and Accounting Officer)