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PART I. FINANCIAL INFORMATION	NUMBER
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ITEM 1. CONDENSED FINANCIAL STATEMENTS (UNAUDITED)	
CONDENSED CONSOLIDATED BALANCE SHEETS AT MARCH 20, 2001 AND DECEMBER 26, 2000	2
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE TWELVE WEEKS ENDED MARCH 20, 2001 AND MARCH 21, 2000	3
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE TWELVE WEEKS ENDED MARCH 20, 2001 AND MARCH 21, 2000	4
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	6
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	10
PART II. OTHER INFORMATION	
ITEM 2. CHANGES IN SECURITIES	11
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	11

-1-

TOTAL ENTERTAINMENT RESTAURANT CORP.  
Condensed Consolidated Balance Sheets  
(Unaudited)

	March 20, 2001	Decem
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,056,108	
Inventories	1,113,361	
Deferred income taxes	159,814	
Other current assets	723,041	
	-----	
Total current assets	5,052,324	
Property and equipment:		
Land	600,000	
Buildings	670,629	
Leasehold improvements	22,707,431	
Equipment	13,511,102	
Furniture and fixtures	3,348,960	

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	40,838,122
Less accumulated depreciation and amortization	9,828,752
	-----
	31,009,370
Other assets:	
Goodwill, net of accumulated amortization	3,848,951
Deferred income taxes	1,021,562
Other assets	510,812
	-----
Total other assets	5,381,325
	-----
Total assets	\$41,443,019
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of notes payable	\$ 1,224,292
Accounts payable	2,226,403
Sales tax payable	550,195
Accrued payroll	593,522
Accrued payroll taxes	265,449
Accrued income taxes	910,490
Lease obligation for closed store	237,528
Other accrued liabilities	910,867
	-----
Total current liabilities	6,918,746
Notes payable	12,390,708
Deferred revenue	122,626
Stockholders' Equity:	
Preferred stock	-
Common stock	86,661
Additional paid-in capital	17,134,948
Retained earnings	4,789,330
	-----
Total stockholders' equity	22,010,939
	-----
Total liabilities and stockholders' equity	\$41,443,019
	=====

See accompanying notes.

- 2 -

TOTAL ENTERTAINMENT RESTAURANT CORP.  
Condensed Consolidated Statements of Operations  
(UNAUDITED)

Twelve weeks ended March 20, 2001	Twelve weeks ended March 21, 2001
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Sales:

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Food and beverage	\$14,906,505	\$12,26
Entertainment and other	1,530,512	1,38
	-----	-----
Total net sales	16,437,017	13,64
Costs and expenses:		
Costs of sales	4,450,827	3,54
Entertainment and restaurant operating expenses	8,024,978	6,43
Depreciation and amortization	816,399	83
Preopening costs	71,407	
	-----	-----
Entertainment and restaurant costs and expenses	13,363,611	10,81
	-----	-----
Entertainment and restaurant operating income	3,073,406	2,83
General and administrative expenses	866,848	95
Goodwill amortization	56,345	5
	-----	-----
Income from operations	2,150,213	1,81
Other income (expense):		
Loss on disposal of assets	(23,290)	(2
Other income, principally interest	40	
Interest expense	(254,639)	(24
	-----	-----
Income before provision for income taxes	1,872,324	1,54
Provision for income taxes	681,115	57
	-----	-----
Net income	\$ 1,191,209	\$ 97
	=====	=====
Basic and diluted earnings per share	\$ 0.14	\$
	=====	=====

See accompanying notes.

- 3

TOTAL ENTERTAINMENT RESTAURANT CORP.  
Condensed Consolidated Statement of Cash Flows  
(UNAUDITED)

	Twelve weeks ended March 20, 2001
	-----
Cash flows from operating activities:	
Net income	\$ 1,191,209
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on disposal of assets	23,290
Depreciation and amortization	885,037
Deferred income taxes	39,669
Net change in operating assets and liabilities:	
Change in operating assets	(360,593)
Change in operating liabilities	(256,301)
	-----
Net cash provided by operating activities	1,522,311
Cash flows from investing activities:	

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Purchases of property and equipment	(2,186,493)
Proceeds from disposal of assets	8,000
	-----
Net cash used in investing activities	(2,178,493)
Cash flows from financing activities:	
Proceeds from revolving note payable to bank	13,500,000
Payments of revolving note payable to bank	(11,865,000)
Purchases of common stock	(167,316)
	-----
Net cash provided by (used in) financing activities	1,467,684
	-----
Net increase (decrease) in cash and cash equivalents	811,502
Cash and cash equivalents at beginning of period	2,244,606
	-----
Cash and cash equivalents at end of period	\$ 3,056,108
	=====
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 273,420
Cash paid for income taxes	740,547
Supplemental disclosure of non cash activity:	
Additions to property and equipment in accounts payable	1,087,173

See accompanying notes.

- 4 -

### TOTAL ENTERTAINMENT RESTAURANT CORP. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

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The unaudited condensed consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally presented in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the Company's audited consolidated financial statements in its 2000 Form 10-K. The results of the twelve weeks ended March 20, 2001 are not necessarily indicative of the results to be expected for the full year ending December 25, 2001.

#### 2. STOCK OPTIONS

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During the twelve week period ended March 20, 2001, the Company cancelled options for 42,960 shares with a weighted average exercise price of \$3.49 per share pursuant to its 1997 Incentive and Nonqualified Stock Option Plan. The

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Company granted to certain non-employee Directors stock options for 12,000 shares of Common Stock at exercise prices ranging from \$1.88 to \$2.06 per share pursuant to its 1997 Directors Stock Option Plan.

### 3. EARNINGS PER SHARE

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Basic earnings per share amounts are computed based on the weighted average number of shares actually outstanding. The number of weighted averaged shares outstanding for the twelve week periods ended March 20, 2001 and March 21, 2000 were 8,682,868 and 9,595,258, respectively.

For purposes of diluted computations, the number of shares that would be issued from the exercise of stock options has been reduced by the number of shares which could have been purchased from the proceeds at the average market price of the Company's stock or the price of the Company's stock on the exercise date if options were exercised during the period presented. The number of shares resulting from this computation of diluted earnings per share for the twelve weeks ended March 20, 2001 and March 21, 2000 were 8,698,594 and 9,596,314, respectively.

-5-

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS ----- OF OPERATIONS

### GENERAL

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto included elsewhere in this Form 10-Q.

As of March 20, 2001, the Company owned and operated 38 entertainment and restaurant locations under the Fox and Hound English Pub & Grille ("Fox and Hound"), Bailey's Sports Grille and Bailey's Pub & Grille ("Bailey's") brand names. The Company's entertainment restaurant locations combine a comfortable and inviting social gathering place, full menu and full-service bar, state-of-the-art audio and video systems for sports and music entertainment, traditional games of skill such as pocket billiards and a late-night dining alternative, all in a single location. As of March 20, 2001, the Company owned and operated 25 Fox and Hound units and 13 Bailey's units located in Alabama, Arkansas, Georgia, Illinois, Indiana, Kansas, Louisiana, Michigan, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Texas. As of March 21, 2000, the Company owned and operated 23 Fox and Hound units and 12 Bailey's units.

The components of the Company's net sales are food and non-alcoholic beverages, alcoholic beverages, and entertainment and other. For the twelve weeks ended March 20, 2001, food and non-alcoholic beverages were 31.1% of total sales, alcoholic beverages were 59.6% of total sales and entertainment and other were 9.3% of total sales. For the twelve weeks ended March 21, 2000, food and non-alcoholic beverages were 32.6% of total sales, alcoholic beverages were 57.3% of total sales and entertainment and other were 10.1% of total sales

Components of restaurant operating expenses include operating payroll and fringe benefits, occupancy, advertising and promotion. These costs are generally variable and will fluctuate with changes in sales volume and sales mix. All but one of the Company's locations are leased and provide for a minimum annual rent, with some leases calling for additional rent based on sales volume at the

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particular location in excess of specified minimum levels.

General and administrative expenses include all corporate and administrative functions that support existing operations and provide an infrastructure to support future growth. Management, supervisory and staff salaries, employee benefits, travel, information systems, training, rent and office supplies as well as accounting services fees are major items of costs in this category.

-6-

### RESULTS OF OPERATIONS

The following table sets forth for the periods indicated (i) the percentages which certain items included in the Condensed Consolidated Statement of Operations bear to net sales, and (ii) other selected operating data:

	TWELVE WEEKS ENDED (1)	
	MARCH 20, 2001	MARCH 21, 2000
<b>OPERATING STATEMENT DATA:</b>		
Net sales.....	100.0%	100.0%
Costs and expenses:		
Costs of sales.....	27.1	26.0
Entertainment and restaurant operating expenses.....	48.8	47.1
Depreciation and amortization.....	5.0	6.1
Preopening costs.....	0.4	0.1
	-----	-----
Entertainment and restaurant costs and expenses.....	81.3	79.3
	-----	-----
Entertainment and restaurant operating income.....	18.7	20.7
General and administrative expenses.....	5.3	7.0
Goodwill amortization.....	0.3	0.4
	-----	-----
Income from operations.....	13.1	13.3
Loss on disposal of assets.....	(0.1)	(0.2)
Interest expense.....	(1.6)	(1.8)
	-----	-----
Income before provision for income taxes.....	11.4	11.3
Provision for income tax expense.....	4.2	4.2
	-----	-----
Net income (loss).....	7.2%	7.1%
	=====	=====
<b>RESTAURANT OPERATING DATA (DOLLARS IN THOUSANDS):</b>		
Annualized average weekly sales per location (2).....	\$1,874	\$1,689
Number of restaurants at end of the period.....	38	35

(1) The Company operates on a fifty-two or fifty-three week fiscal year ending the last Tuesday in December. The fiscal quarters for the Company consist

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of accounting periods of twelve, twelve, twelve and sixteen or seventeen weeks, respectively.

- (2) Annualized average weekly sales per location are computed by dividing net sales for full weeks open during the period by the number of full weeks open and multiplying the result by fifty-two.

TWELVE WEEKS ENDED MARCH 20, 2001 COMPARED TO TWELVE WEEKS ENDED MARCH 21, 2000

Net sales increased \$2,787,000 (20.4%) for the twelve weeks ended March 20, 2001 to 16,437,000 from \$13,650,000 for the twelve weeks ended March 21, 2000. This increase is due to an increase in same store sales for units open more than 18 months of 6.1% and higher average unit volumes in the three units opened in the fourth quarter of 2000.

Costs of sales, primarily food and beverages, increased \$907,000 (25.6%) for the twelve weeks ended March 20, 2001 to \$4,451,000 from \$3,544,000 in the twelve weeks ended March 21, 2000, and increased as a percentage of sales to 27.1% from 26.0%. This increase as a percentage of sales is principally attributable to higher food costs associated with a new menu implemented in the first quarter of 2001 and an increase in certain raw product costs.

Entertainment and restaurant operating expenses increased \$1,594,000 (24.8%) for the twelve weeks ended March 20, 2001 to \$8,025,000 from \$6,431,000 in the twelve weeks ended March 21, 2000, and increased as a percentage of net sales to 48.8% from 47.1%. This increase is

-7-

attributable to the higher hourly labor costs in the three new units open in the fourth quarter of 2000, higher hourly labor costs associated with a new menu implemented in the first quarter of 2001, and higher utility costs.

Depreciation and amortization decreased \$21,000 (2.5%) for the twelve weeks ended March 20, 2001 to \$816,000 from \$837,000 in the twelve weeks ended March 21, 2000, and decreased as a percentage of sales to 5.0% from 6.1%. This net decrease is due principally to depreciation in 2000 on assets in two units for which an impairment charge was taken in the fourth quarter of 2000 and depreciation in 2000 on certain assets with a two-year life which were added in 1998. No depreciation charge was incurred on these assets in 2001. This decrease was offset by depreciation incurred during 2001 on three units which were opened in the fourth quarter of 2000.

Preopening costs increased to \$71,000 for the twelve weeks ended March 20, 2001 from \$6,000 in the twelve weeks ended March 21, 2000 and increased as a percentage of net sales to 0.4% from 0.1%. This increase is attributable to the costs incurred for units which have yet to open.

General and administrative expenses decreased \$91,000 (9.5%) for the twelve weeks ended March 20, 2001 to \$867,000 from \$958,000 in the twelve weeks ended March 21, 2000, and decreased as a percentage of sales to 5.3% from 7.0%. This decrease is attributable primarily to the realignment of certain executive office positions during 2000.

Loss on disposal of assets was \$23,000 for the twelve weeks ended March 20, 2001 and \$26,000 for the twelve weeks ended March 21, 2000. The losses reflect the disposal of certain video games for several units in both years.

Interest expense was \$255,000 for the twelve weeks ended March 20, 2001 and \$249,000 for the twelve weeks ended March 21, 2000. This increase is due to a



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higher interest rate applicable to the revolving note payable in the current year compared with the prior year offset by a lower average balance on the revolving note payable during the current year compared with the prior year.

The effective income tax rate was 36.4% for the twelve weeks ended March 20, 2001 and 37.0% for the twelve weeks ended March 21, 2000.

### QUARTERLY FLUCTUATIONS, SEASONALITY AND INFLATION

The timing of new unit openings will result in significant fluctuations in quarterly results. The Company expects seasonality to be a factor in the results of its business in the future due to expected lower second and third quarter revenues due to the summer season. The primary inflationary factors affecting the Company's operations include food, liquor and labor costs. A large number of the Company's restaurant personnel are tipped employees who are paid at the federal subminimum wage level; therefore, future subminimum wage changes will have a significant effect on labor costs. As costs of food and labor have increased, the Company has historically been able to offset these increases through economies of scale, improved operating procedures and menu price changes; however, short-term fluctuations in raw product pricing may have an impact on the Company's costs of food. To date, inflation has not had a material impact on operating margins.

-8-

### LIQUIDITY AND CAPITAL RESOURCES

As is customary in the restaurant industry, the Company operates with negative working capital. Negative working capital decreased \$1,569,000 to \$1,866,000 as of March 20, 2001 from \$3,435,000 as of December 26, 2000. This decrease is attributable to a decrease in accounts payable related to new unit expansion including a decrease of \$1,087,000 in property and equipment additions included in accounts payable at March 20, 2001 compared to December 26, 2000. Cash increased \$812,000 offset by an increase of \$806,000 related to current portion of notes payable at March 20, 2001 compared to the balance at December 26, 2000. The Company does not have significant receivables or inventory and receives trade credit based upon negotiated terms in purchasing food and supplies. Because funds available from cash sales are not needed immediately to pay for food and supplies, or to finance inventory, they may be considered as a source of financing for noncurrent capital expenditures.

On September 1, 1998 the Company entered into a loan agreement with Intrust Bank, N.A. (the "Facility") which provides for a line of credit of \$20,000,000 subject to certain limitations based on earnings before interest, taxes, depreciation and amortization of the past fifty-two weeks. The Facility requires monthly payments of interest only until November 1, 2001, at which time equal monthly installments of principal and interest are required as necessary to fully amortize the outstanding indebtedness plus future interest over a period of four years. Interest is accrued at 1/2% below the prime rate as published in THE WALL STREET JOURNAL. Proceeds from the Facility are being used for restaurant development and stock repurchases. As of March 20, 2001 the Company had borrowed \$13,615,000 under the Facility. The Company is in compliance with all debt covenants.

Cash flows from operations were \$1,522,000 in the twelve weeks ended March 20, 2001 compared to \$1,555,000 in the twelve weeks ended March 21, 2000. Purchases of property and equipment were \$2,186,000 in 2001 compared to \$152,000 in 2000. Net advances of the revolving note payable to bank was \$1,635,000 for the twelve week period ending March 20, 2001 compared to net payments of \$1,090,000 for the twelve week period ending March 21, 2000. The Company spent

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\$167,000 to repurchase 75,300 shares of common stock in 2001 compared to \$420,000 of common stock repurchases in 2000. At March 20, 2001, the Company had \$3,056,000 in cash and cash equivalents.

The Company intends to open up to seven new locations in 2001 and between seven and ten locations in 2002. Two units have been opened since March 20, 2001, five leases have been executed and four units are currently in the lease negotiation process. The Company is currently evaluating locations in markets familiar to its management team. However, the number of locations actually opened and the timing thereof may vary depending upon the ability of the Company to locate suitable sites and negotiate favorable leases. The Company expects to expend approximately \$10.0 to \$13.0 million to open new locations over the next twelve months.

The Company believes the funds available from the Facility and its cash flow from operations will be sufficient to satisfy its working capital and capital expenditure requirements for at least the next twelve months. There can be no assurance, however, that changes in the Company's operating plans, the acceleration or modification of the Company's expansion plans, lower than anticipated revenues, increased expenses, stock repurchases, potential acquisitions or other events will not cause the Company to seek additional financing sooner than anticipated, prevent the Company from achieving the goals of its expansion strategy or prevent any newly opened locations from operating profitably. There can be no assurance that additional financing will be available on terms acceptable to the Company or at all.

-9-

### FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. Factors that could cause actual results to differ from the results discussed in the forward-looking statements include, but are not limited to, potential increases in food and liquor costs, competition and the inability to find suitable new locations. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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#### INTEREST RATE RISK

The Company's Facility has a variable rate which is directly affected by changes in U.S. interest rates. The average interest rate of the Facility was 8.60% for the twelve weeks ended March 20, 2001. The interest rate at March 20, 2001 was 8.00%. The following table presents the quantitative interest rate risks at March 20, 2001:

#### PRINCIPAL AMOUNT BY EXPECTED MATURITY

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(DOLLARS IN THOUSANDS)	Principal Amount by Expected Maturity						There- AFTER
	2001	2002	2003	2004	2005		
Variable rate debt	\$485	\$3,048	\$3,301	\$3,575	\$3,206	\$--	\$13
Average Interest Rate-- 1/2% below prime	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	

-10-

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

SECURITIES SOLD

(c) The following unregistered securities were issued by the Company during the twelve weeks ended March 20, 2001:

DATE OF SALE/ISSUANCE	Description of SECURITIES ISSUED	Number of Shares Sold/Issued/Subject TO OPTIONS OR WARRANTS
January 7, 2001	Common Stock Options	3,000
January 7, 2001	Common Stock Options	3,000
January 14, 2001	Common Stock Options	3,000
January 14, 2001	Common Stock Options	3,000

All of the above options were granted to non-employee directors pursuant to the Directors Stock Option Plan. The options for non-employee directors have a vesting period of three years and a life of five years.

The issuance of these securities is claimed to be exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, as transactions by an issuer not involving a public offering. There were no underwriting discounts or commissions paid in connection with the issuance of any of these securities.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

None

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Reports on Form 8-K  
None

-11-

TOTAL ENTERTAINMENT RESTAURANT CORP.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

Date        MAY 4, 2001  
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TOTAL ENTERTAINMENT RESTAURANT CORP.  
(Registrant)

/s/ JAMES K. ZIELKE  
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James K. Zielke  
Chief Financial Officer,  
Secretary and Treasurer  
(Duly Authorized Officer)

-12--