CHEFS INTERNATIONAL INC
Form 10QSB
December 12, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended OCTOBER 28, 2001

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE EXCHANGE ACT

For the transition period from _________________ to _______________

Commission file number 0-8513

CHEFS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	22-2058515
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

62 BROADWAY, POINT PLEASANT BEACH, NJ 08742

(Address of principal executive offices)

(Registrant's telephone number, including area code) (732) 295-0350

(Former name, former address and former fiscal year, if changed since last report.)

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING SHARES AT NOVEMBER 16, 2001
Common Stock, $.01 par value	3,966,497

CHEFS INTERNATIONAL, INC.

I N D E X

PART I - FINANCIAL INFORMATION

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	OCTOBER 28, 2001 (Unaudited)	JANUARY 28, 2001
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,206,605	$ 1,159,580
Investments	351,210	385,711
Available for sale securities	1,670,352	978,652
Miscellaneous receivables	51,898	109,492
Inventories	1,213,942	1,129,260
Prepaid expenses	167,189	176,187

TOTAL CURRENT ASSETS	5,661,196	3,938,882
PROPERTY, PLANT AND EQUIPMENT, at cost	20,641,631	20,045,070
Less: Accumulated depreciation	8,967,034	8,182,351
PROPERTY, PLANT AND EQUIPMENT, net	11,674,597	11,862,719
OTHER ASSETS:		
Investments	151,000	301,000
Goodwill - net	436,418	454,462
Liquor licenses - net	829,209	851,472
Equity in life insurance policies	545,115	545,115
Deferred income taxes	1,223,000	--
Other	127,741	72,949
TOTAL OTHER ASSETS	3,312,483	2,224,998
TOTAL ASSETS	$20,648,276	$18,026,599

The accompanying notes are an integral part of these financial statements.

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	OCTOBER 28, 2001	JANUARY 28, 2001
	(Unaudited)	
CURRENT LIABILITIES:		
Notes and mortgages payable	$ 288,948	$ 166,707
Accounts payable	601,622	582,276
Accrued payroll	229,746	186,687
Accrued expenses	674,307	477,825
Income taxes payable	67,147	0
Other liabilities	241,836	416,430
TOTAL CURRENT LIABILITIES	2,103,606	1,829,925

NOTES AND MORTGAGE PAYABLE	1,833,129	905,675
OTHER LIABILITIES	604,608	534,234
STOCKHOLDERS' EQUITY:		
Capital stock - common $.01 par value, Authorized 15,000,000 shares, Issued and outstanding 3,966,497 and 4,257,085 respectively	39,665	42,571
Additional paid-in capital	31,549,522	32,138,798
Accumulated deficit	(15,366,554)	(17,466,667)
Accumulated other comprehensive income:		
Unrealized gains (losses) on available for sale securities	(30,068)	51,043
Loss on derivative instruments	(81,747)	--
Treasury stock	(3,885)	(8,980)
TOTAL STOCKHOLDERS' EQUITY	16,106,933	14,756,765
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,648,276	$ 18,026,599

The accompanying notes are an integral part of these financial statements.

2

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	NINE MONTHS ENDED		
	OCTOBER 28, 2001	OCTOBER 29, 2000	OCTOBE
SALES	$ 16,899,502	$ 16,393,823	$ 5,
COST OF GOODS SOLD	5,352,406	5,280,038	1,
GROSS PROFIT	11,547,096	11,113,785	3,
OPERATING EXPENSES:			
Payroll and related expenses	4,915,787	4,721,103	1,
Other operating expenses	3,372,589	3,226,222	1,
Depreciation and amortization	827,143	825,955	
General and administrative expenses	1,525,027	1,370,050	

TOTAL OPERATING EXPENSES	10,640,546	10,143,330	3,
INCOME FROM OPERATIONS	906,550	970,455	
OTHER INCOME (EXPENSE):			
Interest expense	(74,184)	(82,060)	
Interest income	150,747	149,799	
OTHER INCOME, NET	76,563	67,739	
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	983,113	1,038,194	
PROVISION (CREDIT) FOR INCOME TAXES	(1,117,000)	115,000	(1,
INCOME FROM CONTINUING OPERATIONS	$ 2,100,113	$ 923,194	$ 1,
GAIN ON DISPOSAL OF DISCONTINUED ICE CREAM BUSINESS	---	322,212	
NET INCOME	$2,100,113	$1,245,406	$1,
INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	$ .50	$ .21	$
BASIC INCOME PER COMMON SHARE	$ .50	$ .28	$
Number of shares outstanding	4,211,947	4,385,303	4,

The accompanying notes are an integral part of these financial statements.

3

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED OCTOBER 28, 2001 AND OCTOBER 29, 2000 (Unaudited)

	2001	2000

OPERATING ACTIVITIES:		
Net income	$ 2,100,113	$ 1,245,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	827,142	825,955
Deferred income taxes	(1,223,000)	---
Gain on disposal of discontinued business	---	(322,212)
CASH PROVIDED BY OPERATIONS	1,704,255	1,749,149
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Miscellaneous receivables	57,594	10,657
Inventories	(84,682)	(231,438)
Prepaid expenses	8,998	(54,699)
Accounts payable	19,346	33,763
Accrued expenses and other liabilities	53,574	226,462
Income taxes payable	67,147	(1,586)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,826,232	1,732,308
INVESTING ACTIVITIES:		
Capital expenditures	(598,713)	(874,311)
Liquor license purchase	---	(357,873)
Sale or redemption of investments	243,875	349,000
Purchase of investments	(832,185)	(780,100)
Due on sale of discontinued operations - payments	--	570,330
Other assets	(54,792)	10,629
NET CASH USED IN INVESTING ACTIVITIES	(1,241,815)	(1,082,325)
FINANCING ACTIVITIES:		
Repayment of debt	(150,305)	(320,578)
Debt proceeds	1,200,000	
Purchase of treasury stock	(17,193)	---
Purchase of common stock	(569,894)	(168,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	462,608	(488,578)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,047,025	161,405
CASH AND CASH EQUIVALENTS at beginning	1,159,580	1,314,247
CASH AND CASH EQUIVALENTS at end	$ 2,206,605	$ 1,475,652
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payment for:		
Interest paid	$ 70,136	$ 83,139
Income taxes paid	$ 42,529	$ 116,586

Noncash Transactions:		
Decrease in fair value of securities available for sale	$ (81,111)	$ ---
Loss on derivative instruments	$ (81,747)	$ ---

The accompanying notes are an integral part of these financial statements.

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1: GENERAL

BASIS OF PRESENTATION:

The accompanying financial statements have been prepared by Chefs International, Inc. (the "Company") and are unaudited. In the opinion of the Company's management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for the periods presented have been made. Certain information and footnote disclosures required under generally accepted accounting principles have been condensed or omitted from the consolidated financial statements pursuant to the rules and regulations of the SEC. The consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 28, 2001 and notes thereto included in the Company's Annual Report on Form 10-KSB for such year filed with the SEC. The results of operations and the cash flows for the nine month period ended October 28, 2001 presented in the consolidated financial statements are not necessarily indicative of the results to be expected for any other interim period or the entire fiscal year.

NEW ACCOUNTING PRONOUNCEMENT:

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142 "Goodwill and Other Intangibles" ("SFAS No. 142"). SFAS No. 142 is effective for the Company on January 28, 2002. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company is currently assessing the impact of this statement.

NOTE 2: EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares of common stock outstanding during the period.

NOTE 3: INVENTORIES

Inventories consist of the following:	OCTOBER 28, 2001	JANUARY 28, 2001

Food	$ 661,935	$ 597,161
Beverages	140,533	127,820
Supplies	411,474	404,279
	$ 1,213,942	$ 1,129,260

NOTE 4: INCOME TAXES

At October 28, 2001, the Company had net deferred tax assets of approximately $2,554,000 arising principally from net operating loss carryforwards. However, due to the uncertainty that the Company will generate sufficient income in the future to fully utilize these carryforwards, an allowance of $1,331,000 has been established to offset these assets. For the nine months ended October 28, 2001 the valuation allowance was reduced by $1,641,000, principally by recognition of a deferred tax asset of $1,223,000. Management has determined that it is more likely than not that future taxable income will be sufficient to partially utilize the net operating loss carryforwards.

NOTE 5: DUE ON SALE OF DISCONTINUED OPERATIONS FROM RELATED PARTY

On February 20, 1997 the Company sold 95% of the common stock of Mr. Cookie Face ("MCF"), its ice cream production segment, to a former director for an aggregate purchase price of $1,600,000,

consisting of a $500,000 cash payment and three notes totaling $1,100,000. The first note (Note A) for $100,000 was due on or before March 24, 1997 and was paid in full on a timely basis. The second note (Note B) for $500,000 was due in installments through July 1, 2000, and the third note (Note C) for $500,000 was due on or before February 20, 2004, with mandatory prepayments based on MCF's cash flow. The notes were secured by a first lien on all of MCF's assets. However, the Company agreed to subordinate the notes to up to $1,750,000 of additional financing for MCF. Based on the estimated present value of the payments, management recorded a valuation allowance of $601,050 against the second and third notes. The 5% of MCF capital stock retained by the Company was valued at $35,000. During fiscal 1999, MCF requested a restructuring of the terms of the second and third notes. During the quarter ended October 31, 1999, the Company's Board of Directors ("Board") was advised by MCF that MCF had achieved a positive cash flow during its second quarter and pursuant to the requirements of Note C, owed the Company approximately $41,800 in interest. The Board agreed to allow MCF to make monthly payments of the said Note C interest amount with the final payment due June 1, 2000. Additionally, the Board agreed to allow MCF to continue making monthly partial payments on Note B. During the quarter ended July 30, 2000, the Note C interest was paid off as per the payment schedule.

At the May 24, 2000 Board meeting, the Board authorized management to negotiate and execute a settlement and satisfaction of the debt owed by MCF to the Company.

On June 30, 2000, the Company sold both Notes B and C and its 5% holding of MCF capital stock to MCF for a cash payment of $379,836 and the return of 233,334 shares of the Company's common stock owned by the president of MCF. The Company subsequently canceled these shares. The Company recognized a gain from discontinued operations of approximately $322,000 in its financial statements for the quarter ended July 30, 2000. The gain represented partial recoveries of the valuation allowance provided for against Notes B and C when MCF was sold in 1997.

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Unaudited)

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements regarding future performance in this Quarterly Report on Form 10-QSB constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. No assurance can be given that the future results covered by the forward-looking statements will be achieved. The Company cautions readers that important factors may affect the Company's actual results and could cause those results to differ materially from the forward-looking statements. Such factors include, but are not limited to, changing market conditions, weather, the state of the economy, the impact of competition to the Company's restaurants, pricing and acceptance of the Company's food products.

OVERVIEW

The Company's principal source of revenue is from the operations of its restaurants. The Company's cost of sales includes food and liquor costs. Operating expenses include labor costs, supplies and occupancy costs (rent and utilities), marketing and maintenance costs. General and administrative expenses include costs incurred for corporate support and administration, including the salaries and related expenses of personnel and the costs of operating the corporate office at the Company's headquarters in Point Pleasant Beach, New Jersey.

The Company currently operates nine restaurants on a year-round basis. Seven of the restaurants are free-standing seafood restaurants in New Jersey and Florida and are operated under the names "Lobster Shanty" or "Baker's Wharfside." The Company also operates a Mexican theme restaurant in New Jersey under the name "Garcia's." The Company opened its first seafood restaurant in November 1978 and opened its Garcia's restaurant in April 1996. In February 2000, the Company commenced the operation of its ninth restaurant, Moore's Tavern and Restaurant ("Moore's"), a free standing restaurant in Freehold, New Jersey serving an eclectic American food type menu. Segment information is not presented since all of the Company's revenue is attributable to a single reportable segment.

Generally, the Company's New Jersey seafood restaurants derive a significant portion of their sales from May through September. The Company's Florida seafood restaurants derive a significant portion of their sales from January through

April. The Company's Garcia's restaurant derives a significant portion of its sales during the holiday season from Thanksgiving through Christmas. During the first year of operation, Moore's experienced a seasonality factor similar to but not as dramatic as the seasonality factor of the New Jersey seafood restaurants.

The Company operated nine restaurants including Moore's, during the nine months ended October 29, 2000.

RESULTS OF OPERATIONS

SALES.

Sales for the nine months ended October 28, 2001 ("fiscal 2002") were $16,899,500, an increase of $505,700 or 3.1%, as compared to $16,393,800 for the nine months ended October 29, 2000 ("fiscal 2001"). For the third quarter ended October 28, 2001, sales were $5,389,100, an increase of $37,800 or .7% , as compared to last year's third quarter. The increases include increases in sales of $262,900 or 14.8% and $83,500 or 22.6% for the nine and three month periods at the Vero Beach, Florida restaurant ("Vero") due to the completion of a municipal park ("Vero Park") adjacent to the restaurant and sales increases of $293,100 or 21.0% and $34,700 or 6.3% at Moore's compared to the same periods for fiscal 2001. Moore's operated for the entire thirteen weeks of the first quarter this year as compared to ten weeks for last year's first quarter, whereas the comparable second and third quarter periods each include thirteen weeks of operations. The other seven restaurants combined had decreased sales of approximately $50,300 and $80,400 for the nine and three month

periods last year primarily due to the September 11, 2001 tragedy ("9/11") and the weakening national economy. The 9/11 tragedy has had the greatest impact on the Company's Cocoa Beach, Florida restaurant ("Cocoa") because the location of Patrick Air Force Base, a military base south of the restaurant, has resulted in the indefinite closure of Route A1A, the sole access highway to the restaurant from the south. Since 9/11, weekly sales at Cocoa are down approximately 33% versus last year and for the quarter Cocoa is down approximately $86,200 or 17.6% in sales versus last year. The number of customers served in the nine restaurants increased by .3% for the nine months and decreased by 2.2% for the third quarter, while the check average paid per customer increased this year by 2.8% and 3.0% for the respective nine and three month periods.

GROSS PROFIT; GROSS MARGIN.

Gross profit was $11,547,100 or 68.3% of sales for the nine month period and $3,679,400 or 68.3% of sales for the quarter ended October 28, 2001, compared to $11,113,800 or 67.8% and $3,631,000 or 67.9% for the comparable periods of fiscal 2001. The primary reason for the improvement was lower costs of high volume seafood items including shrimp, flounder, lobsters and scallops which are primary components of the Company's menus. Management was able to secure favorable pricing on bulk shrimp purchases for the balance of fiscal 2002 which should translate into improved gross profit margins for the fourth quarter. Additionally, Moore's gross profit has improved versus last year.

OPERATING EXPENSES.

Total operating expenses increased by 4.9% from $10,143,300 during the nine months of fiscal 2001 to $10,640,500 during the nine months of fiscal 2002, and by 5.6% from $3,384,300 during the third quarter of fiscal 2001 to $3,572,800 for the third quarter of fiscal 2002. Payroll and related expenses were 29.1% of sales for the nine months and 29.5% for the third quarter this year compared to

28.8% and 28.9% respectively for the comparable periods last year. The increase in payroll expenses as a percent of sales during the third quarter this year is partially attributable to the 9/11 impact at Cocoa as management has maintained employee salaries at such location despite the substantial decrease in sales. Other operating expenses increased to 20% of sales versus 19.7% of sales for the nine month comparison and to 20.4% versus 20% for the three month comparison primarily due to increases in utility costs, higher occupancy costs due to higher property insurance premiums and rent expenses, and to a one-time special property assessment of $62,700 at Vero for its portion of the Vero Park project. Depreciation and amortization expenses were essentially the same as last year for the comparable periods. The increase in this year's general and administrative expenses of $155,000 and $121,700 for the nine and three month periods are primarily attributed to increased worker compensation and group insurance costs of $26,200, higher salaries of $35,700, $18,500 more in training and recruiting costs and $80,000 to terminate an agreement with Garcimex of New Jersey. In 1995, the Company entered into an agreement with Garcimex to open Mexican restaurants in New Jersey under the trade name of Garcia's in exchange for royalty payments of 3% or gross sales. The Company opened its only Garcia's Mexican Restaurant at the Monmouth Mall in Eatontown, New Jersey in April 1996. The Company will continue to operate the Monmouth Mall as a Garcia's and pay the royalty fees until the end of the current fiscal year (see "Liquidity and Capital Resources").

OTHER INCOME AND EXPENSE.

Interest expense decreased by $7,900 for the nine month period compared to last year due to debt repayment. However, during the third quarter ended October 28, 2001, interest expense was approximately $7,100 higher than last year due to interest expenses associated with a $1,200,000 bank loan the Company borrowed from its primary bank to finance the renovation of a building adjacent to Moore's ("Building B"), which management expects to open early next year as a Mexican theme type restaurant. The loan is repayable in monthly installments of principal with interest at an annual rate of 7.57% through September 2011. Investment income was approximately the same as last year for the comparable nine month periods and $15,400 higher this year during the third quarter primarily due to the increase in dividends received on Company investments this year.

NET INCOME.

For the nine months ended October 28, 2001, net income from continuing operations was $2,100,100 or $.50 per share compared to net income from continuing operations of $923,200 or $.21 per share and net income of $1,245,400 or $.28 per share for the nine months ended October 29, 2000. Net income for the nine months ended October 28, 2001 includes the recognition of a deferred tax asset of

8

$1,223,000 relating to the Company's net operating loss carryforwards (see note 4). Last year's net income included a gain of approximately $322,200 from discontinued operations (see note 5). For the quarter ended October 28, 2001, net income was $1,346,800 or $.33 per share compared to net income of $238,600 or $.06 per share for last year's third quarter. This year's third quarter net income includes income relating to the recognition of the deferred tax asset for $1,223,000 and a reduction of approximately $51,800 in income at Cocoa versus last year.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations primarily from revenues derived from its restaurants.

The Company's ratio of current assets to current liabilities was 2.69:1 at October 28, 2001 compared to 2.15:1 at the year ended January 28, 2001. Working capital was $3,557,600 at October 28, 2001 versus $2,109,000 at the year-end, an increase of $1,448,600. During the nine months ended October 28, 2001, net cash increased by $1,047,000. The primary components of this year's cash flow were net income, after adjustments for depreciation, amortization and deferred taxes, of $1,704,000, capital expenditures of $500,600 for restaurants improvements and Company vehicles and approximately $98,100 in design and construction costs associated with Building B, investment purchases of $832,200 for available-for-sale securities consisting of convertible bonds, mutual funds and equity securities, debt repayment of $150,300, the new bank loan proceeds of $1,200,000 to be used to finance Building B renovation costs, and $569,900 to repurchase a block of an aggregate 262,603 shares of the Company's outstanding common stock from three stockholders and their affiliates at $2.10 per share, for cash. The repurchase was authorized by the Company's Board of Directors and the shares were subsequently canceled. Additionally, approximately $17,200 was paid by the Company to repurchase 17,916 shares of the Company's outstanding stock pursuant to a Stock Repurchase Plan ("Stock Plan") authorized by the Board in May, 2000. During the nine months ended October 28, 2001, the Company canceled a total of 24,641 of the repurchased shares, including repurchases incurred during fiscal 2001.

During the corresponding nine month period ended October 29, 2000, working capital increased by $806,100 and net cash increased by $161,400. The primary components of last year's cash flow statement were net income, after adjustments for depreciation, amortization and gain on disposal of discontinued business, of $1,749,000, an increase in inventories of $231,400 resulting from bulk seafood purchases due to favorable market pricing, an increase of $226,500 in accrued expenses, capital expenditures of $1,232,200, including approximately $688,200 for the purchase of a liquor license and furniture, fixtures and equipment for Moore's and debt repayment of $320,600. Additionally, last year's cash flow included $570,300 of payments attributable to the February 1997 sale of MCF (see note 5).

During the third quarter ended October 28, 2001, the Company's $500,000 bank line of credit ("bank line") was modified to extend the termination date from June 30, 2002 to June 30, 2003. The interest rate is variable, equal to the monthly LIBOR Market Index Rate plus 2.00%. The entire $500,000 is currently available for use.

Subsequent to the quarter ended October 28, 2001, management engaged a market research firm to determine a tradename for the new Mexican restaurant at Building "B" and Garcia's. After extensive focus group marketing analysis and legal review and research, management chose Escondido's Mexican Restaurant ("Escondido's") as the new tradename. Additionally, trademark applications have been filed to register federal service marks for both Escondido's Mexican Restaurant and Escondido's A Mexican Cantina. Garcia's will begin to operate as Escondido's on February 1, 2002.

Management believes that funds from operations and the Company's $500,000 bank line of credit will be sufficient to meet obligations for the nine restaurants for the balance of fiscal 2002, including planned capital expenditures of approximately $103,000 in addition to those incurred during the nine months and any additional common stock repurchases pursuant to the Stock Plan.

INFLATION.

It is not possible for the Company to predict with any accuracy the effect of inflation upon the results of

its operations in future years. The price of food is extremely volatile and projections as to its performance in the future vary and are dependent upon a complex set of factors.

CHEFS INTERNATIONAL, INC. AND SUBSIDIARIES

PART II

None

SIGNATURE

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

CHEFS INTERNATIONAL, INC.

/s/ ANTHONY C. PAPALIA

ANTHONY C. PAPALIA
Principal Executive and Financial Officer

DATED: December 12, 2001