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The Dangers Of Going Dark

Mexican Restaurants' decision to "go dark" by voluntarily de-listing its shares is hardly an unusual decision. Hundreds of companies have made the same decision since Sarbanes-Oxley became law eight years ago. Yet it's hardly risk free. Such companies see a big stock decline (Mexican's stock has fallen 10%) and trading on the Pink Sheets is more limited and more volatile. Companies that go dark have a tougher time raising money and financing. They're more susceptible to shareholder lawsuits. And the company may not even save that much because it will still need to be audited. "It seems penny wise and pound foolish," said John Gordon, principal at the Pacific Management Consulting Group. Still, Mexican's share price, now at \$2.05, has fallen steadily since its \$13 a share peak in 2006. In addition, the company is losing money amid big declines in comp sales and it has all but stopped making capital expenditures. It probably needs to save money anywhere it can.

Jonathan Maze, November 2, 2010 

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