ELXSI Corporation

Quarterly Consolidated Financial Statements (Unaudited)

June 30, 2012

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

ASSETS

	June 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	$ 781	$ 543
Accounts receivable, less allowance for doubtful accounts of $223 and $211 in 2012 and 2011, respectively	10,660	9,832
Inventories, net	18,137	16,203
Prepaid expenses and other current assets	574	417
Total current assets	30,152	26,995
Property, buildings and equipment, net	5,663	5,106
Other	433	296
Total assets	$ 36,248	$ 32,397

(Continued)

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEETS (Continued)
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2012	December 31, 2011
Current liabilities:		
Accounts payable	$ 3,365	$ 2,956
Accrued expenses	5,871	4,835
Capital lease obligations - current	43	43
Current portion of long-term debt	1,970	1,752
Total current liabilities	11,249	9,586
Capital lease obligations - non current	315	316
Deferred financing obligations	1,273	1,316
Phantom stock option plan	2,854	2,854
Total liabilities	15,691	14,072
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, par value $0.002 per share		
Authorized--5,000,000 shares		
604,656 designated Series A Non-voting		
Convertible Preferred Stock		
Issued and outstanding--none	--	--
600,000 designated Series B Junior		
Participating Preferred Stock		
Issued and outstanding -- none	--	--
Common Stock, par value $0.001 per share		
Authorized--60,000,000 shares		
Issued and outstanding--3,985,452 shares at		
June 30, 2012 and 4,012,197 shares at		
December 31, 2011	4	4
Additional paid-in-capital	221,044	221,194
Notes receivable - related parties	(11,972)	(11,972)
Accumulated deficit	(188,559)	(190,972)
Accumulated other comprehensive income	40	71
Total stockholders' equity	20,557	18,325
Total liabilities and stockholders' equity	$ 36,248	$ 32,397

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

ELXSI CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	$ 18,930	$ 15,905	$ 32,092	$ 28,658
Costs and expenses:				
Cost of sales	13,664	11,737	22,719	21,374
Selling, general and administrative	3,509	2,735	6,455	4,953
Depreciation	178	152	338	325
	17,351	14,624	29,512	26,652
Gain (loss) on sales and disposals of property and buildings	--	--	170	(76)
Operating income	1,579	1,281	2,750	1,930
Other income (expense):				
Interest expense	(110)	(125)	(226)	(248)
Other income	9	35	9	23
Income before provision for income taxes	1,478	1,191	2,533	1,705
Provision for income taxes	(60)	(53)	(120)	(100)
Net income	1,418	1,138	2,413	1,605
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(44)	(18)	(31)	(8)
Comprehensive income	$ 1,374	$ 1,120	$ 2,382	$ 1,597
Basic and diluted income per share	$ 0.35	$ 0.28	$ 0.60	$ 0.40
Weighted average number of common and common equivalent shares:				
Basic	3,991	4,012	3,998	4,012
Diluted	3,999	4,012	4,003	4,012

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

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)
(Unaudited)

	Common Stock		Additional Paid-In-Capital	Related Party Notes	Accum-ulated Deficit	Accumulated Other Comprehensive Income
	Shares	Dollars				
Balances at December 31, 2011	4,012,197	$ 4	$ 221,194	$ (11,972)	$ (190,972)	$ 71
Foreign currency translation adjustment, net of tax	--	--	--	--	--	(31)
Purchase and retirement of common stock	(26,745)	--	(150)	--	--	--
Net income	--	--	--	--	2,413	--
Balances at June 30, 2012	3,985,452	$ 4	$ 221,044	$ (11,972)	$ (188,559)	$ 40

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

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30, 2012	2011
Cash flows provided by (used in) operating activities:		
Net income	$ 2,413	$ 1,605
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	338	325
Amortization of other assets – software development costs	155	174
Amortization of deferred debt costs	--	7
(Gain) loss on sales and disposals of property and buildings	(170)	76
(Increase) decrease in assets:		
Accounts receivable, net	(658)	(3,703)
Inventories, net	(1,934)	(47)
Prepaid expenses and other current assets	(157)	(308)
Other	(3)	--
Increase (decrease) in liabilities:		
Accounts payable	409	1,135
Accrued expenses	1,036	707
Net cash provided by (used in) operating activities	1,429	(29)
Cash flows used in investing activities:		
Purchases of property, buildings and equipment	(913)	(426)
Other assets – software development costs	(286)	(126)
Proceeds from sales of property and buildings	15	--
Net cash used in investing activities	(1,184)	(552)
Cash flows provided by financing activities:		
Net borrowings on line of credit	270	787
Principal payments on long-term debt	(52)	(52)
Deferred financing obligations	(43)	(26)
Purchase and retirement of common stock	(150)	--
Proceeds from capital lease obligations	28	--
Principal payments on capital lease obligations	(29)	(40)
Net cash provided by financing activities	24	669
Effect of exchange rate changes on cash and cash equivalents:	(31)	(8)

(Continued)

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS, (Continued)
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Increase in cash and cash equivalents	238	80
Cash and cash equivalents, beginning of period	543	514
Cash and cash equivalents, end of period	$ 781	$ 594

Supplemental Disclosure of Cash Flow Information:

	2012	2011
Cash paid during the period for:		
Income taxes	$ 143	$ 109
Interest	$ 138	$ 238

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

ELXSI CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012
(Unaudited)

Note 1. The Company

General. ELXSI Corporation (together with its subsidiaries, the "Company") currently operates through its two wholly-owned subsidiaries, ELXSI, a California corporation ("ELXSI"), and Bickford's Family Restaurants, Inc., a Delaware corporation ("BFRI"). Operations consist of the following business segments: a restaurant chain in New England and an equipment manufacturer headquartered in Orlando, Florida.

Restaurant Operations. As of June 30, 2012, the Company, through BFRI, had seven operating restaurants (hereinafter referred to as the "Restaurants" or "Restaurant Operations") located in Massachusetts and New Hampshire. In addition to the seven operating Restaurants, the Company leased three other Restaurant properties that were no longer being operated by the Company and were subleased or assigned to third parties.

On March 22, 2012, the Company completed a transaction to exit the closed restaurant property lease in Waltham, Massachusetts. On April 30, 2012, the lease for the closed restaurant property in Quincy, Massachusetts, which was being subleased, expired.

Equipment Manufacturer. On October 30, 1992, ELXSI acquired Cues, Inc. of Orlando, Florida and its wholly-owned subsidiaries, collectively referred to herein as "Cues" or the "Cues Division". Cues is engaged in the design, manufacturing and servicing of robotic video inspection and repair equipment and asset management software for wastewater and drainage systems primarily for municipalities, service contractors and industrial users throughout the United States of America and internationally. Cues sells and services its products in Canada through ELXSI's wholly-owned subsidiary Cues Canada, which is located in Ontario, Canada.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation. The unaudited consolidated financial statements included herein have been prepared by the Company, without audit or review, and in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the Company's audited consolidated financial statements and the notes thereto as of and for the year ended December 31, 2011. In the opinion of the Company, all adjustments (solely of a normal recurring nature) necessary to present fairly the consolidated financial position of the Company and its subsidiaries as of June 30, 2012, and the results of their operations and cash flows for the three and six months ended June 30, 2012 and 2011, have been included in these unaudited consolidated financial statements. Readers of these financial statements are cautioned, however, that the results of operations for such interim periods are not necessarily indicative of the results for the subsequent interim periods or the entire year.

Reclassifications. Certain amounts in the 2011 consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the 2012 consolidated financial statements. The results of these reclassification had no effect on previously report net income, comprehensive income or stockholders' equity.

Note 3. Income Per Share

Basic income per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the reporting period. Diluted income per share is computed in a manner consistent with that of basic income per share but also gives effect to the potential dilution that could occur if dilutive options were exercised. The weighted-average number of shares used in calculating diluted income per share was 3,991,106 and 3,997,792 for the three and six months ended June 30, 2012, respectively. The weighted-average number of shares used in calculating diluted income per share was 4,012,197 for the three and six months ended June 30, 2011, respectively. Options to purchase 12,500 shares of common stock were included in the diluted income per share calculations for the three and six months then ended June 30, 2012. Options to purchase 12,500 shares of common stock were not included in the diluted income per share calculations for the three and six months then ended June 30, 2011, since the effect of their exercise would have been anti-dilutive.

Note 4. Fair Value of Financial Instruments

The carrying amounts in the consolidated balance sheets of cash, accounts receivable, accounts payable, accrued expenses and long-term debt approximates fair value primarily due to the short-term maturity of those instruments and/or the variable, market-rate based nature of the interest rates associated with the long-term debt.

Note 5. Composition of Inventory

Inventory is summarized in the following table.

	June 30, 2012 (unaudited)	December 31, 2011
Inventories:		
Raw materials and finished goods	$ 14,525,000	$ 12,974,000
Work in process	7,274,000	6,349,000
	$ 21,799,000	$ 19,323,000
Less: reserve for slow moving and obsolete inventory	(3,662,000)	(3,120,000)
	$ 18,137,000	$ 16,203,000

Note 6. Long-Term Debt

In May 2005, the Company refinanced its senior debt with a new lender, Wachovia Bank N.A. ("Wachovia"). Wells Fargo Bank N.A. ("Wells Fargo") acquired Wachovia pursuant to a merger on December 31, 2008 and the combined company is referred to herein as the "Lender". The Loan and Security Agreement between ELXSI and the Lender (the "Wells Fargo Agreement") consists of an $8,000,000 revolving credit facility and was originally set to expire in May 2008.

The credit facility is collateralized by accounts receivable, inventories, fixed assets and other assets of ELXSI, excluding BFRI assets. The amount available for borrowings depends on monthly calculations of eligible accounts receivable, inventories and certain property of Cues. The Wells Fargo Agreement has been amended numerous times since it was originally executed (the Wells Fargo Agreement, as amended by these amendments is referred to herein as the "Wells Fargo Amended Agreement").

Under the terms of the Wells Fargo Amended Agreement: (1) the credit facility expires on December 31, 2013; (2) the amounts outstanding under the credit facility bear interest at either the prime rate plus 1.75% or the LIBOR market index rate plus 2.75% depending upon the Company's election, subject to adjustments depending upon whether there is a default under the terms of the Wells Fargo Amended Agreement (as of June 30, 2012, the Company elected the LIBOR based rate resulting in an interest rate of 3.0%); (3) there is a commitment fee of 0.50% on the unused portion of the credit facility: (4) the Company is required to pay an early termination fee of 0.50% of the loan commitment under the credit facility if it is terminated by the Company before January 1, 2013 and 0.25% if the credit facility is terminated by the Company after that date; (5) there is a monthly fixed charge coverage ratio for ELXSI and Cues; (6) the Company is prohibited from declaring or paying cash dividends; (7) the Company is permitted to make loans and advances to the Restaurant Operations up to a limit of $9,600,000, subject to certain requirements; (8) the Company is permitted to make principal payments pursuant to its phantom stock option plan and purchase Company common stock up to a limit of $1,500,000 per year subject to minimum availability limits. Any payments pursuant to the Company phantom stock option plan are, however, still restricted as discussed in Note 8 of the Company's audited consolidated financial statements and the notes thereto as of and for the year ended December 31, 2011.

The June 30, 2012 borrowing base under the Wells Fargo Amended Agreement resulted in a maximum facility for borrowing and letters of credit of $8,000,000. As of June 30, 2012, there was approximately $1,941,000 of borrowings outstanding under the credit facility and the Company had approximately $6,059,000 available for borrowings under the Wells Fargo Amended Agreement.

This loan is classified as current in accordance with ASC 470-10-45, *Classifications of Revolving Credit Agreements Subject to Lock-Box Arrangements and Subjective Accelerations Clauses*, which requires bank lines of credit with subjective accelerations clauses and lockbox arrangements to be classified as a current liability.

Note 7. Segment Reporting.

The Company is primarily organized into two strategic business units or reportable segments, which have separate management teams and infrastructures and that offer different products and services. Each business requires different employee skills, technology and marketing strategies. The restaurant operations segment includes the seven Restaurants located in Massachusetts and New Hampshire operating under the Bickford's brand name. The equipment manufacturing segment produces sewer inspection equipment for sale to municipalities, contractors, and foreign governments.

The Company evaluates the performance of each segment based upon profit or loss from operations before income taxes, non-recurring gains and losses and foreign exchange gains and losses.

Summarized financial information by business segment for the six months ended June 30, 2012 and 2011 is summarized in the following table. The "Other" lines include corporate related items, results of insignificant operations.

	2012	2011
Net Sales to External Customers:		
Restaurants	$ 3,924,000	$ 4,362,000
Equipment	28,168,000	24,296,000
	$ 32,092,000	$ 28,658,000
Segment Assets:		
Restaurants	$ 2,388,000	$ 2,224,000
Equipment	33,201,000	30,368,000
Other	659,000	595,000
	$ 36,248,000	$ 33,187,000
Capital Expenditures for Segment Assets:		
Restaurants	$ 161,000	$ 29,000
Equipment	752,000	397,000
	$ 913,000	$ 426,000
Depreciation:		
Restaurants	$ 64,000	$ 107,000
Equipment	269,000	213,000
Other	5,000	5,000
	$ 338,000	$ 325,000
Interest Expense:		
Restaurants	$ 88,000	$ 82,000
Equipment	--	2,000
Other	138,000	164,000
	$ 226,000	$ 248,000

Summarized financial information by business segment for the three months ended June 30, 2012 and 2011 is summarized in the following table.

	2012	2011
Net Sales to External Customers:		
Restaurants	$ 1,977,000	$ 2,138,000
Equipment	16,953,000	24,296,000
	$ 18,930,000	$ 15,905,000
Depreciation:		
Restaurants	$ 36,000	$ 36,000
Equipment	142,000	113,000
Other	3,000	3,000
	$ 181,000	$ 152,000

	2012	2011
Interest Expense:		
Restaurants	$ 39,000	$ 42,000
Equipment	--	1,000
Other	71,000	82,000
	$ 110,000	$ 125,000

There were no inter-segment sales or transfers during the three six months ended June 30, 2012 and 2011. Foreign assets and export sales each represent less than 10% of the Company's total assets and sales as the case may be. No material amounts of the Company's sales are depended upon a single customer.