Ark
Restaurants
Corp.

1999 ANNUAL REPORT

THE COMPANY

Ark Restaurants Corp. (the "Company") is a holding company which, through subsidiaries, owns and operates 22 restaurants and manages five restaurants owned by others. Fourteen of the restaurants owned or managed by the Company are located in New York City, four are located in Washington, D.C., four are located in Las Vegas, Nevada (one of which is within the Forum Shops at Caesar's Shopping Center and three of which are within the New York-New York Hotel & Casino), three are located in Boston, Massachusetts, and one is located in each of McLean, Virginia and Islamorada, Florida. At the New York-New York Hotel & Casino, the Company also operates the room service, banquet facilities and employee dining room and a complex of nine smaller eateries. The Company also owns and operates four food court facilities at the Venetian Casino Resort. The Company's other operations include catering businesses in New York City and Washington, D.C., as well as wholesale and retail bakeries in New York City.

The Company will provide without charge a copy of the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1999, including financial statements and schedules thereto, to each of the Company's shareholders of record on February 7, 2000 and each beneficial holder on that date, upon receipt of a written request therefor mailed to the Company's offices, 85 Fifth Avenue, New York, New York 10003, attention: Treasurer.

Dear Shareholder:

Thanks to our excellent employees we have completed another good year. A summary of our financial results follow:

	1999	1998	1997
Net Income	$4,494,731	$4,612,141	$1,737,655
Earnings per Share	1.29	1.20	.46
Shareholders' Equity	29,513,972	29,062,140	25,888,880
Shareholders' Equity per Share	8.49	7.54	6.92
Return on Equity	15.5%	17.8%	9.8%
Sales at Owned Restaurants (including Las Vegas)	110,800,913	117,398,453	104,326,386
Sales at Owned Restaurants (excluding Las Vegas)	71,362,915	79,657,707	76,048,425
Sales at Las Vegas	39,437,998	37,740,746	28,277,961*
Increase (Decrease) of Same Store Sales	-	3.1%	2.6%
Cash Position	333,621	1,023,046	722,283
Long-Term Debt	7,655,406	5,014,634	6,126,797
Capital Lease Obligations	148,657	378,438	651,945
Working Capital Deficit	3,044,204	719,343	2,373,859
General and Administrative Expenses	6,069,903	6,052,435	5,445,990
Restaurant Cash Flow (pre-tax, pre-depreciation)	17,203,092	17,659,589	11,648,992
Cost of Sales as a % of sales (all restaurants)	26.4%	26.6%	27.3%
Cost of Sales (Excluding Las Vegas)	25.6%	26.0%	26.3%
Cost of Sales at Las Vegas	27.9%	27.9%	29.8%
Operating Expenses as a % of sales (all restaurants)	62.7%	62.7%	65.9%
Operating Expenses (Excluding Las Vegas)	62.6%	63.1%	64.3%
Operating Expenses at Las Vegas	62.9%	62.0%	70.4%
Restaurant Payrolls as a % of sales (all restaurants)	35.4%	35.1%	36.9%
Restaurant Payrolls (Excluding Las Vegas)	34.7%	34.2%	35.0%
Restaurant Payrolls at Las Vegas	36.8%	36.9%	42.1%

* 9 months

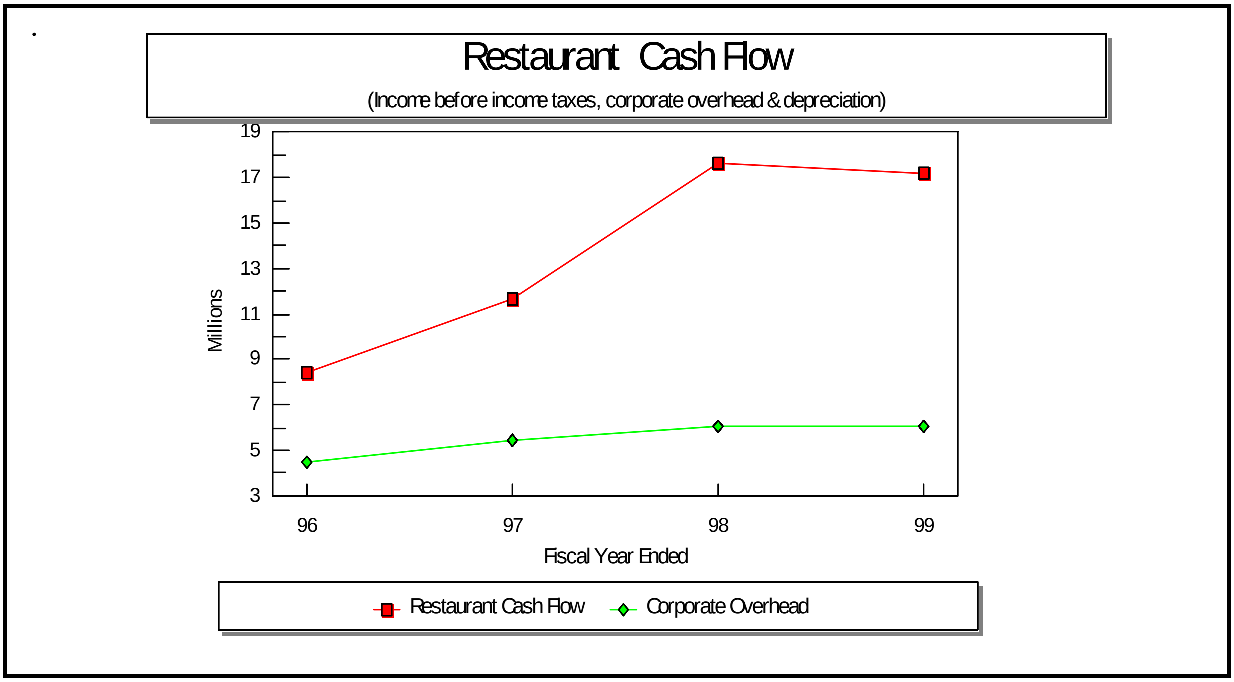
Net income of $4,494,731 was slightly below that of the prior year, while per share earnings rose to $1.29 from $1.20. We had a smaller number of shares outstanding due to our common stock buyback program; thus the increase in per share earnings.

Shareholders' equity increased by only $451,832 principally due to the common stock buyback program which totaled $4,228,162. Equity per share rose to $8.49.

Comparable sales at restaurants open longer than one year were basically unchanged. Total sales decreased due to the sale of some of our smaller restaurants as we continue to transition to an operator of high volume multi-concept food facilities. We sold two restaurants in fiscal 1999 and three in fiscal 1998.

Our cash position decreased while our long term debt and our working capital deficit increased as we invested in new restaurant projects.

Below I have charted restaurant cash flow and corporate overhead for all operations. The idea is to increase store cash flow at an accelerated rate to any increase in corporate overhead. We only opened one restaurant in fiscal 1999 — Thunder Grill which did not produce cash flow. This along with flat comparable same store sales left cash flow basically similar to the prior year.



The current year will be defined by our new projects. We have opened two restaurants in the Venetian - Lutece and Tsunami Asian Grill - along with three fast food outlets. These units are meeting our objectives. In early January 2000 we opened two restaurants - Volcano Grill and Z-Dim - at the Star Theatre Complex in Southfield, Michigan. Initial sales volumes are considerably below our expectations. Obviously, if the early trend continues, it could have a significant impact on our overall results for the current fiscal year.

As always I have attached a list of our managers and executive chefs. They all deserve special recognition. I would also like to again thank Vinny Pascal, Bob Towers, Paul Gordon, Drew Kuruc, Mitch Levy, and John Oldweiler for working so hard and effectively.

We have a strong catering and corporate party group now headed up by Walter Rauscher, a recent addition to our family. Please call them at (212) 206-8815.

You can also visit us at www.arkrestaurants.com.

Sincerely,

Michael Weinstein

February 10, 2000

ARK RESTAURANTS CORP.

CORPORATE OFFICE
Michael Weinstein, *President*
Andrew Kuruc, *Vice President-Chief Financial Officer*
Mitchell Levy, *Vice President*
Vincent Pascal, *Vice President-Operations*
Walter Rauscher, *Vice President* - *Corporate Sales & Catering*
Robert Towers, *Vice President-Chief Operating Officer*
Paul Gordon, *Vice President-Director of Las Vegas Operations*
Nancy Alvarez, *Assistant Controller*
Beth Bardin, *Director of Design*
Kirsten Borstad, *Director of Marketing*
Marilyn Guy, *Director of Human Resources*
Colleen Hennigan, *Director of Operations* - *Washington Division*
John Oldweiler, *Director of Purchasing*
Donna Palamaro, *Director of Operations* - *Michigan Division*
Jennifer Sutton, *Operations and Financial Analysis*
Joe Vazquez, *Facilities Management*

JOINT VENTURE ASSOCIATES
Eberhard Müller, *Lutèce*
André Soltner, *Lutèce*

EXECUTIVE CHEFS
Charles Brucculeri
Mike Kiernan
Chun Liao
Damien McEvoy

RESTAURANT GENERAL MANAGERS
Jennifer Baquerizo, *The Grill*
Liz Caro, *The Grill Room*
Anna Cheeseboro, *Columbus Bakery*
Christine Allee-Escandon, *America, NY*
Tom Ferretti, *Ernie's*
Brian Fountain, *Gallagher’s, Las Vegas*
Charles Gerbino, *Las Vegas Employee Dining Facility*
Gus Guzman, *Gonzalez Y Gonzalez, Las Vegas*
Bridgeen Hale, *Metropolitan Cafe*
John Hausdorf, *Las Vegas Room Service*
Colleen Hennigan, *America, DC, Sequoia, DC and Thundergrill, DC*
Halbert Hernandez, *Canyon Road*
Shephard Lee, Columbus Bakery
Debra Lomurno, *Sequoia, NY*
John Maloughney, *Lor-e-Lei*
Tony Mehrvar, *Village Streets, Las Vegas*
James Mohn, *Marketplace Cafe, Marketplace Grill and Brewskeller Pub*
Paul O’hearn, *Stage Deli, Las Vegas*
Danny Ovalles, *Gonzalez Y Gonzalez, NY*
John Page, *Las Vegas Catering*
Donna Palamaro, *Volcano Grill, MI and Z-Dim, MI*
Ben Reid, *America, Virginia*
Bobbie Rihel, *America, Las Vegas*
Donna Simms, *Bryant Park Grill*
David Tecun, *El Rio Grande*
Ridgely Trufant, *Red*
Marty Weinstein, *Arlo*

RESTAURANT CHEFS
John Brady, *Banquet, Las Vegas*
Oscar Campos, *Thunder Grill, DC*
Henry Chung, *The Grill*
Armando Cortes, *The Grill Room*
Arvy Dumbrys, *America, Las Vegas*
Michael Foo, *America, DC*
William Foo, *America, NY*
Rosalio Fuentes, *Metropolitan Cafe*
Carlos Garcia, *Sequoia, NY, Volcano Grill, MI and Z-Dim, MI*
Raoul Juarez, *El Rio Grande*
Teow Chien Lin, *America, VA*
Chun Liao, *Sequoia, Washington, D.C.*
Kok Mun Ma, *Arlo*
John Miller, *Las Vegas Employee Dining Facility*
James Mohn, *Marketplace Cafe, Marketplace Grill and Brewskeller Pub*
Virgilio Ortega, *Columbus Bakery*
Michael Parker, *Gallagher's, Las Vegas*
Christa Partlow, *Lor-e-Lei*
Ruperto Ramirez, *Canyon Road Grill*
Sergio Salazar, *Gonzalez Y Gonzalez, Las Vegas*
Raul Santos, *Red*
Mariano Veliz, *Gonzalez Y Gonzalez, NY*
Gadi Weinreich, *Bryant Park Grill*
Craig Woisin, *Ernie’s*

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain financial data for the fiscal years ended 1995 through 1999. This information should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto appearing at page F-1.

	Year Ended				
	October 2, 1999	October 3, 1998	September 27, 1997	September 28, 1996	September 30, 1995
OPERATING DATA:					
Net Sales	$110,800,913	$117,398,453	$104,326,386	$76,795,940	$73,026,907
Gross restaurant profit	81,499,610	86,132,751	75,874,499	55,934,475	53,001,963
Operating Income	6,833,874	7,589,465	2,785,713	497,996	960,794
Other income, net	236,465	91,417	96,550	743,615	937,763
Income before provision for income taxes and extraordinary item	7,070,339	7,680,882	2,882,263	1,241,611	1,898,557
Income before extraordinary item	4,494,731	4,612,141	1,737,655	788,762	1,121,126
NET INCOME	4,494,731	4,612,141	1,737,655	788,762	1,121,126
NET INCOME PER SHARE:					
Basic	$1.30	$1.21	$.0.47	$0.24	$0.34
Diluted	$1.29	$1.20	$0.46	$0.24	$0.34
Weighted average number of shares					
Basic	3,460,865	3,826,255	3,714,116	3,238,419	3,142,400
Diluted	3,475,890	3,852,019	3,742,811	3,272,857	3,252,669
BALANCE SHEET DATA (end of period):					
Total assets	47,379,103	44,045,179	42,079,098	33,020,479	28,541,920
Working capital (deficit)	(3,044,204)	(719,343)	(2,373,859)	(1,303,920)	40,996
Long-term debt	7,655,406	5,014,634	6,126,797	6,403,866	4,014,162
Shareholders' equity	29,513,971	29,062,140	25,888,880	17,804,394	16,706,301
Shareholders' equity per share	8.49	7.54	6.92	5.44	5.14
Facilities in operation at end of year, including managed	40	42	46	32	32

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Accounting Period

The Company's fiscal year ends on the Saturday nearest September 30. The fiscal years ended October 2, 1999 and September 27, 1997 included 52 weeks while the fiscal year ended October 3, 1998 included 53 weeks.

Net Sales

Net sales at restaurants owned by the Company decreased by 5.6% from fiscal 1998 to fiscal 1999 and increased by 12.5% from fiscal 1997 to fiscal 1998. Net sales for fiscal 1999 decreased by $8,586,000 from the loss of sales at restaurants which the Company no longer operate (*B. Smith's* in Washington, D.C. and *Perretti Italian Café* were sold in fiscal 1999 and *An American Place* and the *Beekman 1766 Tavern* were sold in fiscal 1998). Additionally, fiscal 1999 included 52 weeks while fiscal 1998 included 53 weeks. This decrease in fiscal 1999 was offset in part by $3,827,000 in net sales from restaurants and food court operations which either opened in fiscal 1999 (*Thunder Grill* at Union Station in Washington, D.C. and *Rialto Deli* in the food court at the Venetian Casino Resort) or did not operate for the full fiscal 1998 year (*Stage Deli* of Las Vegas was acquired in February 1998 and *Red* opened in the fourth quarter of fiscal 1998). Same store sales were basically unchanged for the year. Same store sales for the year at the Company's Las Vegas operations increased by 2.0% offset in part by a 0.8% decrease at the Company's non-Las Vegas operations.

The increase in fiscal 1998 was substantially due to sales from the food and beverage operations in the New York-New York Hotel & Casino resort in Las Vegas (the “New York-New York facilities") which opened in January 1997. At the New York-New York facilities the Company operates a 450 seat, twenty four hour a day restaurant (*America*); a 160 seat steakhouse (named *Gallagher's* under a license agreement with the owner of the New York restaurant of that name); a 120 seat Mexican restaurant (*Gonzalez y Gonzalez*); the resort's room service, banquet facilities and an employee dining facility. The Company also operates a complex of nine smaller eateries (*Village Eateries*) in the resort which simulate the experience of walking through New York City's Little Italy and Greenwich Village. The increase in fiscal 1998 was also due in part to the acquisition of a restaurant located in the Forum Shops at Caesar's Shopping Center in Las Vegas (*Stage Deli* of Las Vegas) and to the first full operating year of a restaurant which the Company opened in fiscal 1997 (*The Grill Room*). Same store sales in fiscal 1998 increased by 3.1% principally due to increased customer counts.

Costs and Expenses

The Company's cost of sales consists principally of food and beverage costs at restaurants owned by the Company. Cost of sales as a percentage of net sales was 26.4% in fiscal 1999, 26.6% in fiscal 1998, and 27.3% in fiscal 1997. Cost of sales in fiscal 1997 were impacted by higher cost of sales experienced during the early operating period at the Company's Las Vegas operations.

Operating expenses of the Company, consisting of restaurant payroll, occupancy and other expenses at restaurants owned by the Company, as a percentage of net sales, were 62.7% in both fiscal 1999 and fiscal 1998, and 65.9% in fiscal 1997. This decrease in operating expenses in fiscal 1998 as compared to fiscal 1997 was principally due to efficiencies achieved at the Company's New York-New York facilities and to a lesser extent a benefit from the 3.1% increase in same store sales at the Company's other facilities. Operating expenses are net of gains on sale of restaurants totaling $752,000 or 0.7% of net sales in fiscal 1999, as compared to gains on sale of restaurants totaling $259,000 or 0.2% of sales in fiscal 1998. Gains on sale totaled $229,000 or 0.2% of sales in fiscal 1997. Restaurant payroll was 35.4% of sales in fiscal 1999, 35.1% in fiscal 1998, and 36.9% in fiscal 1997. Occupancy expenses (consisting of rent, rent taxes, real estate taxes, insurance and utility costs) were 12.2% of net sales in fiscal 1999, 11.7% in fiscal 1998, and 12.5% in fiscal 1997.

The Company incurred pre-opening expenses and early operating losses at newly opened restaurants of approximately $400,000 in fiscal 1999, $200,000 in fiscal 1998, and $2,000,000 in fiscal 1997. The fiscal 1997 pre-opening expenses and early operating losses were from the opening of the Company's New York-New York facilities. The Company typically incurs significant pre-opening expenses in connection with its new restaurants which are expensed as incurred. Furthermore, it is not uncommon that such restaurants experience operating losses during the early months of operation.

General and administrative expenses, as a percentage of net sales, were 5.5% in fiscal 1999 and 5.2% in both fiscal 1998 and fiscal 1997. If net sales at managed restaurants were included in consolidated net sales, general and administrative expenses as a percentage of net sales would have been 5.0% in fiscal 1999, 4.7% in fiscal 1998, and 4.6% in fiscal 1997.

As of October 2, 1999 the Company managed five restaurants owned by others (*El Rio Grande* and *Arlo* in Manhattan, the *Marketplace Cafe*, the *Marketplace Grill*, and the *Brewskeller Pub* in Boston, Massachusetts). Net sales of these restaurant facilities, which are not included in consolidated net sales were $9,804,000 in fiscal 1999, $12,390,000 in fiscal 1998, and $14,151,000 in fiscal 1997. The decrease in net sales at managed operations is principally due to the termination in fiscal 1998 of two management contracts at corporate dining facilities.

Interest expense was $526,000 in fiscal 1999, $608,000 in fiscal 1998, and $931,000 in fiscal 1997. The decrease in fiscal 1999 from fiscal 1998 and the decrease in fiscal 1998 from fiscal 1997 is principally due to repayments of borrowings incurred in fiscal 1997. Such borrowings financed the construction costs and working capital requirements of the New York-New York facilities which opened in January 1997.

Interest income was $226,000 in fiscal 1999, $210,000 in fiscal 1998, and $72,000 in fiscal 1997. The increase in fiscal 1999 and fiscal 1998 as compared to fiscal 1997 is due to interest earned on notes issued in connection with restaurants sold in fiscal 1997 and fiscal 1998.

Other income, which generally consists of purchasing service fees, and the sale of logo merchandise at various restaurants, was $436,000 in fiscal 1999, $490,000 in fiscal 1998, and $780,000 in fiscal 1997. A significant portion of the amounts received in fiscal 1997 was principally due to amounts the Company received by a third party due to the temporary closing in fiscal 1994 and fiscal 1995 of a restaurant (*Ernie's*).

Income Taxes

The provision for income taxes reflects Federal income taxes calculated on a consolidated basis and state and local income taxes calculated by each New York subsidiary on a non consolidated basis. Most of the restaurants owned or managed by the Company are owned or managed by a separate subsidiary.

For state and local income tax purposes, the losses incurred by a subsidiary may only be used to offset that subsidiary's income with the exception of the restaurants which operate in the District of Columbia. Accordingly, the Company's overall effective tax rate has varied depending on the level of losses incurred at individual subsidiaries. The Company's overall effective tax rate was 36.4% in fiscal 1999 and 40% in both fiscal 1998 and fiscal 1997.

The Company's overall effective tax rate in the future will be affected by factors such as the level of losses incurred at the Company's New York facilities (which cannot be consolidated for state and local tax purposes), pre-tax income earned outside of New York City (Nevada has no state income tax and other states in which the Company operate have income tax rates substantially lower in comparison to New York) and the utilization of state and local net operating loss carry forwards. In order to more effectively utilize tax loss carry forwards at restaurants that were unprofitable, the Company has merged certain profitable subsidiaries with certain loss subsidiaries.

As a result of the enactment of the Revenue Reconciliation Act of 1993, the Company is entitled, commencing January 1, 1994, to a tax credit based on the amount of FICA taxes paid by the Company with respect to the tip income of restaurant service personnel. The net benefit to the Company was $512,000 in fiscal 1999, $506,000 in fiscal 1998 and $373,000 in fiscal 1997.

The Internal Revenue Service is currently examining the Company's Federal Income Tax returns for the fiscal years ended September 28, 1991 through October 1, 1994, and has proposed certain adjustments, all of which are being contested by the Company. The adjustments primarily relate to (i) pre-opening, legal and accounting expenses incurred in connection with new or acquired restaurants that the Internal Revenue Service asserts should have been capitalized and amortized rather than currently expensed and (ii) travel and meal expenses for which the Internal Revenue Service asserts the Company did not comply with certain record keeping requirements of the Internal Revenue Code. The Company has reached an agreement in principle with the Internal Revenue Service to resolve the proposed adjustments. The Company does not believe that the final adjustments contemplated by the agreement in principle will have a material effect on the Company's financial condition.

Liquidity and Sources of Capital

The Company's primary source of capital is cash provided by operations and funds available from the revolving credit agreement with its main bank, Bank Leumi USA. The Company from time to time also utilizes equipment financing in connection with the construction of a restaurant and seller financing in connection with the acquisition of a restaurant. The Company utilizes capital primarily to fund the cost of developing and opening new restaurants and acquiring existing restaurants.

The net cash used in investing activities in fiscal 1999 ($6,096,027), fiscal 1998 ($4,179,043) and fiscal 1997 ($10,445,385) was principally from the Company's continued investment in fixed assets associated with constructing new restaurants and acquiring existing restaurants. In fiscal 1999, the Company opened a restaurant in Union Station in Washington, D.C. (*Thunder Grill*) and began constructing three restaurants and four food court outlets at the Venetian Casino Resort in Las Vegas, Nevada. In fiscal 1998, the Company acquired an existing restaurant in Las Vegas (the *Stage Deli*) and opened a new restaurant in Manhattan (*Red*). In fiscal 1997, the Company finished and opened the New York-New York facilities.

The net cash used in financing activities in fiscal 1999 ($1,631,906) was due to the repurchase of 422,700 shares of the Company's outstanding common stock offset by a net increase in long-term debt in excess of debt repayments. The net cash used in financing activities in fiscal 1998 ($2,824,552) was principally due to the repurchase of 159,000 shares of the Company's outstanding common stock and repayments of debt on the Company's main credit facility in excess of borrowings on such facility. The net cash provided by financing activities in fiscal 1997 ($5,643,505) was principally due to proceeds of a private placement of 551,454 shares of the Company's common stock.

At October 2, 1999, the Company had a working capital deficit of $3,044,204 as compared to working capital deficit of $719,343 at October 3,1998. Working capital deficit in fiscal 1999 was significantly impacted by cash expended for the construction of three restaurants and four food court outlets in the Venetian Casino Resort in Las Vegas, Nevada and four restaurants in Star Theatres entertainment center in Southfield, Michigan. The restaurant business does not require the maintenance of significant inventories or receivables, thus the Company is able to operate with negative working capital.

The Company's Revolving Credit and Term Loan Facility with its main bank includes an $16,000,000 facility for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. The facility allows the Company to borrow up to $16,000,000 (less the amount of any outstanding letters of credit) until April 2001 at which time outstanding loans mature. The loans bear interest at a rate of prime plus ½%. At October 2, 1999 the Company had borrowings of $5,850,000 outstanding on the facility. For each 1% change in the prime rate, the impact on the Company will be $60,000 based on the outstanding borrowings at October 2, 1999. The facility was amended in December 1999 to increase the Company’s borrowing capacity. See “Recent Developments.”

The Company also has a $4,000,000 equipment financing line with its main bank, Bank Leumi for the acquisition of various kitchen equipment at the projects currently under construction in Las Vegas and Southfield, Michigan. The loans are repayable in 60 equal installments. As of October 2, 1999 the Company had no borrowings on this facility.

The Revolving Credit and Term Loan Facility also includes a two year $2,000,000 Letter of Credit Facility for use in lieu of lease security deposits. At October 2, 1999 the Company had delivered $489,000 in irrevocable letters of credit on this facility.

In December 1996, the Company raised net proceeds of $6,028,000 through a private placement of 551,454 shares of its common stock at $11 per share. The proceeds were used to repay a portion of the Company's outstanding borrowings on its Revolving Credit and Term Loan Facility and for the payment of capital expenditures on the Las Vegas restaurant facilities.

The amount of indebtedness that may be incurred by the Company is limited by the revolving credit agreement with its main bank. Certain provisions of the agreement may impair the Company's ability to borrow funds.

Restaurant Expansion

The Company is constructing three restaurants in the recently opened Venetian Casino Resort in Las Vegas, Nevada. One restaurant is scheduled to open in the first quarter of fiscal 2000 and the other two will follow thereafter in fiscal 2000. The Company also opened one food court facility in May 1999 and three additional food court facilities opened in the first quarter of fiscal 2000. The Company expects to spend up to $15,000,000 to open and operate the restaurants and food court facilities at the Venetian Casino Resort.

The Company is also constructing four restaurants, which are scheduled to open in the second quarter of fiscal 2000, at a large theatre development in Southfield, Michigan under a joint venture agreement with Sony Theatres' Loeks Star Partners and Millennium Partners. The Company anticipates that its share of the required capital contributions to meet the construction costs, initial inventories and pre-opening expenses will be $8,500,000.

The Company has also signed leases to open one large restaurant along with a number of food court outlets at the new Aladdin Resort and Casino in Las Vegas, Nevada. This casino is currently under construction and is expected to open in the later part of fiscal 2000. The Company expects to spend up to $12,000,000 to open and operate these facilities.

Although the Company is not currently committed to any other projects, the Company is exploring additional opportunities for expansion of its business. The Company expects to fund its projects through cash from operations and existing credit facilities. Additional expansion may require additional external financing.

Recent Developments

In December 1999, the Company entered into a new credit agreement with its main bank, Bank Leumi USA. The new agreement allows the Company to borrow up to $28,000,000 for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. After two years, the revolving loans will be converted into term loans payable over 36 months. Outstanding loans bear interest at prime plus ½%. The new facility also includes a five-year $2,000,000 Letter of Credit Facility for use at the Company's restaurants in lieu of lease security deposits. At December 28, 1999, the Company had borrowings outstanding under the new facility in the amount of $16,800,000.

The Financial Accounting Standards Board has recently issued several new accounting pronouncements:

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that the Company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designed as a hedge of the exposure to changes in fair value of a recognized asset or liability or hedge of the exposure to variable cash flows of a forecasted transaction. The accounting for changes in fair value of a derivative (e.g. through earnings or outside earnings, through comprehensive income) depends on the intended use of the derivative and the resulting designation, SFAS No. 137 extends the effective date until fiscal years beginning after June 15, 2001.

Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, requires costs of start-up activities and organization costs to be expensed as incurred. The Statement is effective for fiscal years beginning after December 15, 1998. The Company currently expenses all start-up costs as incurred while organization costs are capitalized and amortized over five years. The initial application of this Statement will be reported by the Company in fiscal 2000 as a cumulative effect of a change in accounting principle. The Company had net deferred organization expenses of $300,513 in intangible assets as of October 2, 1999.

SFAS No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, SFAS No. 135, Rescission of FASB Statement No. 75 and Technical Corrections, SFAS No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, and SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities have been issued in the current year.

Year 2000

The Company has assessed and continues to assess the impact of the Year 2000 issue on its reporting systems and operations. The Year 2000 issue exists because many computer systems and applications currently use two-digit fields to designate a year. When the century date occurs, date-sensitive systems may recognize the year 2000 as 1900 or not at all. This inability to recognize or properly treat the year 2000 may cause systems to process critical financial and operational information incorrectly.

The Company's centralized financial accounting and reporting software system which processes information generated daily at each of the Company's restaurants is Year 2000 compliant. Additionally all hardware which processes such information is compliant at both corporate headquarters and the applicable restaurants. Several of the Company's restaurants had non-compliant point-of-sale systems. These systems process customer orders and generate billing information. The Company has modified those systems and or replaced the non-compliant systems. The Company's centralized purchasing system which process numerous orders from the Company's restaurants is Year 2000 compliant.

All critical non-compliant systems have been remedied. The Company has contingency plans in place should there be a Year 2000 problem. Backup manual procedures are in place should the restaurant systems fail to properly address the Year 2000 date. The Company has spent to date approximately $115,000 and estimates that the additional cost of remediation will not exceed $10,000.

The Company has had communications with its significant vendors and service providers to determine the extent to which the Company's systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. At the Company's facilities at the New York-New York Hotel and Casino, for example, the Company utilizes and interfaces with systems provided by the Hotel and failure of the Hotel's computer systems to adequately address the Year 2000 issue may have a material adverse effect upon the Company. The Company has been advised by the Hotel that its systems are expected to be Year 2000 compliant.

The Company is dependent upon major credit card issuers for the remittance to the Company of charges incurred by customers. The Company has been advised that the major credit card issuers in the United States have addressed the Year 2000 issues they confront and do expect that their systems will function properly in the Year 2000.

Other vendors and service providers with which the Company does business may not have adequately addressed the year 2000 issue. However, the Company believes that there are numerous sources for the various products and services used by the Company and does not anticipate that Year 2000 compliance issues confronted by its vendors and service providers will have a material effect upon the Company.

Market Information

The Company's Common Stock, $.01 par value, is traded in the over-the-counter market on the Nasdaq National Market ("Nasdaq") under the symbol "ARKR". The high and low sale prices for the Common Stock from October 4, 1998 through October 2, 1999 are as follows:

Calendar 1997		
Third Quarter	11 ½	8 1/4
Fourth Quarter	12 ½	10 ¾
Calendar 1998		
First Quarter	13 ⅛	11 ½
Second Quarter	12 ⅛	11
Third Quarter	12 ⅜	9 ¼
Fourth Quarter	11 5/8	8 1/4
Calendar 1999		
First Quarter	10 1/4	9 ½
Second Quarter	11	9 3/8
Third Quarter	11 5/8	9 3/8

Dividends

The Company has not any paid cash dividends since its inception and does not intend to pay dividends in the foreseeable future. Under the terms of the Credit Agreement between the Company and its main lender, the Company may pay cash dividends and redeem shares of Common Stock in any fiscal year only to the extent of an aggregate amount equal to 20% of the Company's consolidated operating cash flow for such fiscal year.

Number of Shareholders

As of December 27, 1999, there were 80 holders of record of the Company's Common Stock.

Deloitte & Touche

Deloitte & Touche LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ark Restaurants Corp.

We have audited the accompanying consolidated balance sheets of Ark Restaurants Corp. and its subsidiaries as of October 2, 1999 and October 3, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended October 2, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ark Restaurants Corp. and subsidiaries as of October 2, 1999 and October 3, 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended October 2, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

New York, New York
November 22, 1999

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	October 2, 1999	October 3, 1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 333,621	$ 1,023,046
Accounts receivable	3,073,615	3,450,307
Current portion of long-term receivables (Note 2)	446,043	415,755
Inventories	1,916,436	1,950,146
Deferred income taxes (Note 12)	710,095	908,468
Prepaid expenses and other current assets	336,041	491,129
Total current assets	6,815,851	8,238,851
LONG-TERM RECEIVABLES (Note 2)	1,184,331	1,119,110
ASSETS HELD FOR SALE (Note 3)	988,004	1,767,782
FIXED ASSETS - At cost		
Leasehold improvements	23,500,280	22,464,922
Furniture, fixtures and equipment	19,352,078	18,591,938
Leasehold improvements in progress	4,408,071	18,906
	47,260,429	41,075,766
Less accumulated depreciation and amortization	18,162,614	15,833,403
	29,097,815	25,242,363
INTANGIBLE ASSETS - Net (Note 4)	5,294,531	5,514,932
DEFERRED INCOME TAXES (Note 12)	846,657	1,030,908
OTHER ASSETS (Note 5)	3,151,914	1,131,233
	$ 47,379,103	$ 44,045,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 3,815,760	$ 3,563,068
Accrued expenses and other current liabilities (Note 6)	4,736,897	3,850,766
Current maturities of capital lease obligations (Note 8)	148,657	229,944
Current maturities of long-term debt (Note 7)	972,330	609,283
Accrued income taxes (Note 12)	186,411	705,133
Total current liabilities	9,860,055	8,958,194
OBLIGATIONS UNDER CAPITAL LEASES (Note 8)	-	148,494
LONG-TERM DEBT - Net of current maturities (Notes 4 and 7)	6,683,076	4,405,351
OPERATING LEASE DEFERRED CREDIT (Notes 1 and 8)	1,322,000	1,471,000
COMMITMENTS AND CONTINGENCIES (Notes 5, 7 and 8)	-	-
SHAREHOLDERS' EQUITY (Notes 7, 9 and 10):		
Common stock, par value $.01 per share - authorized, 10,000,000 shares; issued, 5,208,336 and 5,187,836 shares, respectively	52,084	51,879
Additional paid-in capital	14,399,956	14,214,898
Retained earnings	22,059,989	17,565,258
	36,512,029	31,832,035
Less treasury stock, 1,927,037 and 1,504,337 shares	6,998,057	2,769,895
	29,513,972	29,062,140
	$ 47,379,103	$ 44,045,179

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		
	October 2, 1999	October 3, 1998	September 27, 1997
NET SALES	$110,800,913	$117,398,453	$104,326,386
COST OF SALES	29,301,303	31,265,702	28,451,887
Gross restaurant profit	81,499,610	86,132,751	75,874,499
MANAGEMENT FEE INCOME (Note 11)	869,254	1,139,799	1,153,264
	82,368,864	87,272,550	77,027,763
OPERATING EXPENSES:			
Payroll and payroll benefits	39,254,439	41,171,865	38,520,986
Occupancy	13,492,931	13,788,992	13,031,811
Depreciation and amortization	4,062,849	3,998,272	3,320,739
Other	12,654,868	14,671,521	13,922,524
	69,465,087	73,630,650	68,796,060
GENERAL AND ADMINISTRATIVE EXPENSES	6,069,903	6,052,435	5,445,990
	75,534,990	79,683,085	74,242,050
OPERATING INCOME	6,833,874	7,589,465	2,785,713
OTHER EXPENSE (INCOME):			
Interest expense (Note 7)	425,141	608,278	755,383
Interest income	(225,996)	(209,577)	(71,652)
Other income (Note 13)	(435,610)	(490,118)	(780,281)
	(236,465)	(91,417)	(96,550)
INCOME BEFORE PROVISION FOR INCOME TAXES	7,070,339	7,680,882	2,882,263
PROVISION FOR INCOME TAXES (Note 12)	2,575,608	3,068,741	1,144,608
NET INCOME	$ 4,494,731	$ 4,612,141	$ 1,737,655
NET INCOME PER SHARE - BASIC	$ 1.30	$ 1.21	$ .47
NET INCOME PER SHARE - DILUTED	$ 1.29	$ 1.20	$ .46
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC	3,460,865	3,826,255	3,714,116
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED	3,475,980	3,852,019	3,742,811

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED OCTOBER 2, 1999, OCTOBER 3, 1998 AND SEPTEMBER 27, 1997

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Amount				
BALANCE, SEPTEMBER 28, 1996	4,608,882	$ 46,089	$ 7,790,242	$ 11,215,462	$ (1,247,399)	$ 17,804,394
Common stock private placement	551,454	5,515	6,023,111	-	-	6,028,626
Issuance of warrants	-	-	175,000	-	-	175,000
Exercise of stock options	17,500	175	85,450	-	-	85,625
Tax benefit on exercise of options	-	-	57,580	-	-	57,580
Net income	-	-	-	1,737,655	-	1,737,655
BALANCE, SEPTEMBER 27, 1997	5,177,836	51,779	14,131,383	12,953,117	(1,247,399)	25,888,880
Exercise of stock options	10,000	100	64,900	-	-	65,000
Purchase of treasury stock	-	-	-	-	(1,522,496)	(1,522,496)
Tax benefit on exercise of options	-	-	18,615	-	-	18,615
Net income	-	-	-	4,612,141	-	4,612,141
BALANCE, OCTOBER 3, 1998	5,187,836	51,879	14,214,898	17,565,258	(2,769,895)	29,062,140
Exercise of stock options	20,500	205	163,795	-	-	164,000
Purchase of treasury stock	-	-	-	-	(4,228,162)	(4,228,162)
Tax benefit on exercise of options	-	-	21,263	-	-	21,263
Net income	-	-	-	4,494,731	-	4,494,731
BALANCE, OCTOBER 2, 1999	5,208,336	$ 52,084	$ 14,399,956	$ 22,059,989	$ (6,998,057)	$ 29,513,972

See notes to consolidated financial statements.

ARK RESTAURANT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	October 2, 1999	October 3, 1998	September 27, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,494,731	$ 4,612,141	$ 1,737,655
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	3,330,568	3,432,104	3,047,422
Amortization of intangibles	732,281	566,168	445,123
Gain on sale of restaurants	(752,274)	(258,684)	(229,000)
Operating lease deferred credit	(149,000)	(57,000)	(19,000)
Deferred income taxes	382,624	57,164	(431,966)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	376,692	(663,873)	(682,935)
Decrease (increase) in inventories	33,710	(17,020)	(890,567)
Increase (decrease) in prepaid expenses and other current assets	155,088	(58,313)	112,961
(Increase) decrease in other assets, net	(2,111,012)	(543,820)	60,008
Increase in accounts payable - trade	252,692	2,818	1,194,311
Decrease (increase) in accrued income taxes	(518,722)	291,263	89,476
Increase (decrease) in accrued expenses and other current liabilities	811,130	(58,590)	183,672
Net cash provided by operating activities	7,038,508	7,304,358	4,617,160
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed assets	(6,989,405)	(1,713,847)	(11,006,116)
Additions to intangible assets	(384,880)	(229,524)	(11,639)
Issuance of demand notes and long-term receivables	(95,611)	(81,580)	-
Payments received on demand notes and long-term receivables	398,869	315,908	264,370
Restaurant sales	975,000	265,000	308,000
Restaurant acquisitions	-	(2,735,000)	-
Net cash used in investing activities	(6,096,027)	(4,179,043)	(10,445,385)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payment on long-term debt	(5,659,226)	(8,012,164)	(10,277,900)
Issuance of long-term debt	8,300,000	6,900,000	10,000,831
Exercise of stock options	185,263	83,615	143,205
Principal payment on capital lease obligations	(229,781)	(273,507)	(251,257)
Purchase of treasury stock	(4,228,162)	(1,522,496)	-
Proceeds from common stock private placement	-	-	6,028,626
Net cash provided by (used in) financing activities	(1,631,906)	(2,824,552)	5,643,505
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(689,425)	300,763	(184,720)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,023,046	722,283	907,003
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 333,621	$ 1,023,046	$ 722,283
SUPPLEMENTAL INFORMATION:			
Cash payments for the following were:			
Interest	$ 526,382	$ 608,278	$ 931,383
Income taxes	$ 2,690,443	$ 2,699,651	$ 1,502,643

See notes to consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ark Restaurants Corp. and subsidiaries (the “Company”) own and operate 22 restaurants, and manage five restaurants, of which 14 are in New York City, four in Washington, D.C., four in Las Vegas, Nevada (three within the New York New York Hotel and Casino Resort), three in Boston, Massachusetts and one each in McLean, Virginia; and Islamorada, Florida. Along with the three restaurants within the New York New York Hotel & Casino Resort, the Company also operates the Resort’s room service, banquet facilities, employee dining room and a complex of nine smaller cafes and food operations. The Company also operates four food court operations within the Venetian Casino Resort in Las Vegas, Nevada.

The Company’s other operations include catering businesses in New York City and Washington, D.C. as well as wholesale and retail bakeries in New York City.

***Accounting Period* -** The Company’s fiscal year ends on the Saturday nearest September 30. The fiscal years ended October 2, 1999, and September 27, 1997, included 52 weeks and the fiscal year ended October 3, 1998, included 53 weeks.

***Significant Estimates* -** In the process of preparing its consolidated financial statements, the Company estimates the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. The primary estimates underlying the Company’s financial statements include allowances for potential bad debts on accounts and notes receivable, the useful lives and recoverability of its assets, such as property and intangibles, fair values of financial instruments, the realizable value of its tax assets and other matters. Management bases its estimates on certain assumptions, which they believe are reasonable in the circumstances, and while actual results could differ from those estimates, management does not believe that any change in those assumptions in the near term would have a material effect on the Company’s consolidated financial position or the results of operation.

***Principles of Consolidation* -** The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliated companies where the Company is able to exercise significant influence over operating and financial policies even though the Company holds 50% or less of the voting stock, are accounted for under the equity method.

***Cash Equivalents* -** Cash equivalents include instruments with original maturities of three months or less.

***Accounts Receivable* -** Included in accounts receivable are amounts due from employees of $994,915 and $1,069,852 at October 2, 1999 and October 3, 1998, respectively. Such amounts, which are due on demand, are principally due from various employees exercising stock options in accordance with the Company’s Stock Option Plan (see Note 10).

***Inventories* -** Inventories are stated at the lower of cost (first-in, first-out) or market, and consist of food and beverages, merchandise for sale and other supplies.

***Fixed Assets* -** Leasehold improvements and furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment (including equipment under capital leases) is computed using the straight-line method over the estimated useful lives of the respective assets (seven years). Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is less, and ranges from 5 to 35 years.

The Company includes in leasehold improvements in progress restaurants that are under construction. Once the projects have been completed the Company will begin depreciating the assets.

The Company annually assesses any impairments in value of long-lived assets and certain identifiable intangibles to be held and used. For the year ending October 2, 1999, no impairments were deemed necessary.

Costs incurred during the construction period of restaurants, including rental of premises, training and payroll, are expensed as incurred.

***Intangible and Other Assets* -** Costs associated with acquiring leases and subleases, principally purchased leasehold rights, have been capitalized and are being amortized on the straight-line method based upon the initial terms of the applicable lease agreements, which range from 10 to 21 years.

Goodwill recorded in connection with the acquisition of shares of the Company's common stock from a former shareholder, as discussed in Note 4, is being amortized over a period of 40 years. Goodwill arising from restaurant acquisitions is being amortized over periods ranging from 10 to 15 years.

Legal and other costs incurred to organize restaurant corporations are capitalized as organization costs and are amortized over a period of 5 years (See Future Impact of Recently Issued Accounting Standards).

Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period of 5 years.

Certain legal and bank commitment fees incurred in connection with the Company's Revolving Credit and Term Loan Facility, as discussed in Note 7, were capitalized as deferred financing fees and are being amortized over four years, the term of the facility.

***Operating Lease Deferred Credit* -** Several of the Company's operating leases contain predetermined increases in the rentals payable during the term of such leases. For these leases, the aggregate rental expense over the lease term is recognized on a straight-line basis over the lease term. The excess of the expense charged to operations in any year and amounts payable under the leases during that year are recorded as a deferred credit. The deferred credit subsequently reverses over the lease term (Note 8).

***Occupancy Expenses* -** Occupancy expenses include rent, rent taxes, real estate taxes, insurance and utility costs.

***Income Per Share of Common Stock* -** Net income per share is computed in accordance with Statement of Financial Accounting Standard ("SFAS") No. 128, *Earnings Per Share*, and is calculated on the basis of the weighted average number of common shares outstanding during each period plus the additional dilutive effect of common stock equivalents. Common stock equivalents consist of dilutive stock options.

Stock Options **-** The Company accounts for its stock options granted to employees under the intrinsic value-based method for employee stock-based compensation and provides pro forma disclosure of net income and earnings per share as if the accounting provision of SFAS No.123 had been adopted. The Company generally does not grant options to outsiders.

Impact of Recently Issued Accounting Standards **-** The Financial Accounting Standard Board has issued SFAS No. 130, *Reporting Comprehensive Income*, which is effective for fiscal years beginning after December 15, 1997 and establishes standards for reporting and display of comprehensive income and its components. There are no items that would require presentation in a separate statement of comprehensive income.

SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information* established standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also established standards for related disclosures about products and services, geographic areas, and major customers. Management views its operations as one segment. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997.

The Financial Accounting Standards Board has issued SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which revises employers' disclosures about pension and other postretirement benefit plans. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. This statement has no impact on the Company.

Future Impact of Recently Issued Accounting Standards – The Financial Accounting Standards Board has recently issued several new accounting pronouncements. SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that the Company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designed as a hedge of the exposure to changes in fair value of a recognized asset or liability or hedge of the exposure to variable cash flows of a forecasted transaction. The accounting for changes in fair value of a derivative (e.g., through earnings or outside earnings, through comprehensive income) depends on the intended use of the derivative and the resulting designation. SFAS No. 137 extends the effective date until fiscal years beginning after June 15, 2001.

Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" requires costs of start-up activities and organization costs to be expensed as incurred. The Statement is effective for fiscal years beginning after December 15, 1998. The company currently expenses all start-up costs as incurred while organization costs are capitalized and amortized over five years. The initial application of this Statement will be reported by the Company in 2000 as a cumulative effect of a change in accounting principle. The Company carried approximately $300,000 of net deferred organizational expenses on its books as of October 2, 1999.

SFAS No. 134, *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise,* SFAS No. 135, *Rescission of FASB Statement No. 75 and Technical Corrections,* SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,* and SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities* have all been issued in the current year. The effect of the adoption of the statements on the Company's consolidated financial statements is not expected to be material.

***Reclassifications* -** Certain reclassifications have been made to the 1998 and 1997 financial statements to conform to the 1999 presentation.

2. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	October 2, 1999	October 3, 1998
Note receivable secured by fixed assets and lease at a restaurant sold by the Company, at 8% interest; due in monthly installments through December 2006 (a)	$ 514,706	$ 564,769
Note receivable secured by fixed assets and lease at a restaurant sold by the Company, at 7.5% interest; due in monthly installments through March 2002 (b)	112,571	153,187
Note receivable secured by fixed assets and lease at a restaurant sold by the Company, at 7.5% interest; due in monthly installments through April 2000 (c)	126,796	331,700
Note receivable secured by fixed assets and lease at a restaurant sold by the Company, at 7.5% interest; due in monthly installments commencing May 2000 through December 2008 (c)	445,118	207,983
Note receivable secured by fixed assets and lease at a restaurant sold by the Company, at 10.0% interest; due in monthly installments through April 2004 (d)	244,565	-
Advances for construction and working capital, at one of the Company's managed locations, at 15% interest; due in monthly installments through December 2000	98,110	164,446
Advances for construction, at one of the Company's managed locations, at prime plus 1%; due in monthly installments through December 1999	9,390	33,662
Note receivable, secured by personal guarantees of officers of a managed restaurant and fixed assets at that location, at 15% interest; due in monthly installments, through September 2000	79,118	79,118
	1,630,374	1,534,865
Less current portion	446,043	415,755
	$1,184,331	$1,119,110

(a) In December 1996, the Company sold a restaurant for $900,000. Cash of $50,000 was received on sale and the balance is due in installments through December 2006.

(b) In October 1996, the Company sold a restaurant for $258,500. Cash of $50,000 was received on sale and the balance is due in installments through March 2002. The Company recognized a gain of $134,000 on this sale in the fiscal year ended September 27, 1997.

(c) In October 1997, the Company sold a restaurant for $1,750,000, of which $200,000 was paid in cash and the balance is due in monthly installments under the terms of two notes bearing interest at a rate of 7.5%. One note, with an initial principal balance of $400,000, is being paid in 24 monthly installments of $18,569 through April 2000. The second note, with an initial principal balance of $1,150,000, will be paid in 104 monthly installments of $14,500 commencing May 2000 and ending December 2008. At December 2008, the then outstanding balance of $519,260 matures.

The Company recognized a gain on sale of approximately $142,000, and $185,000 in the fiscal years ended October 2, 1999 and October 3, 1998, respectively. Additional deferred gains totaling $882,000 and $1,024,000 for the fiscal years ended October 2, 1999 and October 3, 1998, respectively, could be recognized in future period as the notes are collected. The Company deferred recognizing this additional gain and recorded an allowance for possible uncollectible note against the second outstanding note. This uncertainty is based on the significant length of time of this note (over 10 years) and the substantial balance which matures in December 2008 ($519,260).

(d) In December 1998, the company sold a restaurant for $500,000, of which $250,000 was paid in cash and the balance of $250,000 was financed by a note. The note is due in monthly installments of $5,537, inclusive of interest at 10%, from May 1999 through April 2004. The Company recognized a gain of $207,220 on this sale in the fiscal year ended October 2, 1999.

The carrying value of the Company's long-term receivables approximates its current aggregate fair value.

3. ASSETS HELD FOR SALE

At October 2, 1999, the Company was actively pursuing the sale of one restaurant and accordingly reclassified the net fixed assets ($935,097) and inventories($52,907) as assets held for sale.

At October 3, 1998, the Company was actively pursuing the sale of two restaurants and accordingly reclassified the net fixed assets($1,625,834) and inventories($141,948) as assets held for sale.

4. INTANGIBLE ASSETS

Intangible assets consist of the following:

	October 2, 1999	October 3, 1998
Goodwill (a)	$6,222,877	$6,222,877
Purchased leasehold rights (b)	750,740	652,740
Noncompete agreements and other (c)	790,000	790,000
Organization costs	789,521	678,491
	8,553,138	8,344,108
Less accumulated amortization	3,258,607	2,829,176
	$5,294,531	$5,514,932

(a) In August 1985, certain subsidiaries of the Company acquired approximately one-third of the then outstanding shares of common stock (964,599 shares) from a former officer and director of the Company for a purchase price of $3,000,000. The consolidated balance sheets reflect the allocation of $2,946,000 to goodwill.

(b) Purchased leasehold rights arise from acquiring leases and subleases of various restaurants.

(c) During fiscal 1998, the Company acquired a restaurant for $2,735,000 in cash. The acquisition was accounted for as a purchase transaction with the purchase price allocated as follows: leasehold improvements $200,000; furniture, fixtures and equipment $300,000; and goodwill $2,235,000.

5. OTHER ASSETS

Other assets consist of the following:

	October 2, 1999	October 3, 1998
Deposits	$ 313,142	$ 353,674
Deferred financing fees	144,195	214,192
Investments in and advances to affiliates (a)	2,694,577	563,367
	$3,151,914	$1,131,233

(a) The Company, through a wholly owned subsidiary, became a general partner with a 19% interest in a partnership which acquired on July 1, 1987 an existing Mexican food restaurant, El Rio Grande, in New York City. Several related parties also participate as limited partners in the partnership. The Company's equity in earnings of the limited partnership was $65,000, $80,000 and $40,000, for the years ended October 2, 1999, October 3, 1998 and September 27, 1997, respectively.

The Company also manages El Rio Grande through another wholly owned subsidiary on behalf of the partnership. Management fee income relating to these services was $358,000, $421,000 and $311,000 for the years ended October 2, 1999, October 3, 1998 and September 27, 1997, respectively (Note 11).

The Company, through a wholly owned subsidiary, became a partner with a 50% interest in a partnership to construct and develop four restaurants at a large theatre development in Southfield, Michigan. At October 2, 1999 and October 3, 1998 the Company's investment in the partnership was $2,691,000 and $567,000, respectively. The Company is committed to investing $6,000,000 in the partnership, and also anticipates loaning an additional $2,500,000 to open the restaurants, which are expected to open in the March 2000 fiscal quarter.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	October 2, 1999	October 3, 1998
Sales tax payable	$ 782,365	$ 928,225
Accrued wages and payroll related costs	877,758	675,520
Customer advance deposits	1,083,000	943,000
Accrued and other liabilities	1,993,774	1,304,021
	$4,736,897	$3,850,766

7. LONG-TERM DEBT

Long-term debt consists of the following:

	October 2, 1999	October 3, 1998
Revolving Credit and Term Loan Facility with interest at the prime rate, plus 1/2%, payable on April 30, 2001 (a)	$5,850,000	$2,600,000
Notes issued in connection with refinancing of restaurant equipment, at 8.75%, payable in monthly installments through January 2002 (b)	1,439,171	1,990,827
Note issued in connection with acquisition of restaurant site, at 7.25%, payable in monthly installments through January 1, 2000 (c)	366,235	423,807
	7,655,406	5,014,634
Less current maturities	972,330	609,283
	$6,683,076	$4,405,351

(a) The Company's Revolving Credit and Term Loan Facility with its main bank (Bank Leumi USA), as amended September 1999, includes a $16,000,000 facility to finance the development and construction of new restaurants and for working capital purposes at the Company's existing restaurants. Outstanding loans bear interest at ½% above the bank's prime rate. Any outstanding loans on April 2001 are due in full. The Facility also includes a two-year Letter of Credit Facility for use in lieu of lease security deposits. The Company generally is required to pay commissions of 1½% per annum on outstanding letters of credit.

The Company's subsidiaries each guaranteed the obligations of the Company under the foregoing facilities and granted security interests in their respective assets as collateral for such guarantees. In addition, the Company pledged stock of such subsidiaries as security for obligations of the Company under such facilities.

The agreement includes restrictions relating to, among other things, indebtedness for borrowed money, capital expenditures, advances to managed businesses, mergers, sale of assets, dividends and liens on the property of the Company. The agreement also contains financial covenants requiring the Company to maintain a minimum ratio of debt to net worth, minimum shareholders' equity and a minimum ratio of cash flow prior to debt service. The Company is in compliance with all covenants.

(b) In January 1997, the Company borrowed from its main bank, $2,851,000 to refinance the purchase of various restaurant equipment at its food and beverage facilities in a hotel and casino in Las Vegas, Nevada. The notes bear interest at 8.75% per annum and are payable in 60 equal monthly installments of $58,833 inclusive of interest, until maturity in January 2002. The Company granted the bank a security interest in such restaurant equipment. In connection with such financing, the Company granted the bank the right to purchase 35,000 shares of the Company's common stock at the exercise price of $11.625 per share through December 2001. The fair value of the warrants was estimated at the date of grant, credited to additional paid-in capital and is being amortized over the life of the warrant.

(c) In November 1994, the Company issued a $600,000 note in connection with the acquisition of a restaurant in the Florida Keys. The Company remits monthly payments of $7,044 inclusive of interest until January 1, 2000, at which time the outstanding balance of $358,511 is due. The debt is secured by the leasehold improvements and tangible personal property at the restaurant.

Required principal payments on long-term debt are as follows:

Year	Amount
2000	$ 972,330
2001	6,509,122
2002	173,954
	$7,655,406

During the fiscal years ended October 2, 1999, October 3, 1998 and September 27, 1997, interest expense was $526,411, $608,278 and $931,383, respectively, of which $101,000 and $176,000 was capitalized during the fiscal years ended October 2, 1999 and September 27, 1997, respectively.

The carrying value of the Company's long-term debt approximates its current aggregate fair value.

8. COMMITMENTS AND CONTINGENCIES

***Leases* -** The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2029. Most of the leases provide for the payment of base rents plus real estate taxes, insurance and other expenses and, in certain instances, for the payment of a percentage of the restaurants' sales in excess of stipulated amounts at such facility.

As of October 2, 1999, future minimum lease payments, net of sublease rentals, under noncancelable leases are as follows:

Year	Operating Leases	Capital Leases
2000	$ 7,147,104	$ 154,281
2001	7,353,938	-
2002	7,406,725	-
2003	7,406,003	-
2004	6,845,236	-
Thereafter	24,392,535	-
Total minimum payments	$ 60,551,541	154,281
Less amount representing interest		5,624
Present value of net minimum lease payments		$ 148,657

In connection with the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of $488,750 as security deposits under such leases.

Rent expense was $9,638,551, $9,940,639 and $9,102,267 during the fiscal years ended October 2, 1999, October 3, 1998 and September 27, 1997, respectively. Rent expense for the fiscal years ended October 2, 1999, October 3, 1998 and September 27, 1997 includes approximately $149,000, $57,000 and $19,000 operating lease deferred credits, representing the difference between rent expense recognized on a straight-line basis and actual amounts currently payable. Contingent rentals, included in rent expense, were $2,799,585, $2,769,721 and $2,432,404 for the fiscal years ended October 2, 1999, October 3, 1998 and September 27, 1997, respectively.

***Legal Proceedings* -** In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and workmen’s compensation claims, which are generally handled by the Company’s insurance carriers.

The employment by the Company of management personnel, waiters, waitresses and kitchen staff at a number of different restaurants has resulted in the institution, from time to time, of litigation alleging violation by the Company of employment discrimination laws. The Company does not believe that any of such suits will have a materially adverse effect upon the Company, its financial condition or operations.

A lawsuit was commenced against the Company in October 1997 in the District Court for the Southern District of New York by 44 present and former employees alleging various violations of Federal wage and hour laws. The complaint seeks an injunction against further violations of the labor laws and payment of unpaid minimum wages, overtime and other allegedly required amounts, liquidated damages, penalties and attorneys’ fees. The Company believes that most of the claims asserted in this litigation, including those with respect to minimum wages, are insubstantial. The Company believes that there were certain violations of overtime requirements, which have today been largely corrected, for which the Company will have liability. The period of time in which affected employees could “opt-in” to the lawsuit asserting similar violations has expired and a total of 214 individuals have so elected. Discovery in this action has not been completed. This uncertainty prevents the Company from making any reasonable estimate of its ultimate liability. However, based upon information available to the Company at this time, the Company does not believe that the amount of liability which may be sustained in this action will have a materially adverse effect on the Company’s business or financial condition.

A lawsuit was commenced against the Company in April 1997 in the District Court for Clark County, Nevada by one former employee and one current employee of the Company's Las Vegas subsidiary alleging that: (i) the Company forced food service personnel at the Company's Las Vegas facilities to pay a portion of their tips back to the Company in violation of Nevada law and (ii) the Company failed to timely pay wages to terminated employees. The action was brought as a class action on behalf of all similarly situated employees. The Company believes that the first allegation is entirely without merit and that the Company has no liability. The Company also believes that its liability, if any, from an adverse result in connection with the second allegation would be inconsequential. The Company intends to vigorously defend against these claims.

In addition, several unfair labor practice charges have been filed against the Company before the National Labor Relations Board with respect to the company's Las Vegas subsidiary. One consolidated complaint alleged that the Company unlawfully terminated seven employees and disciplined seven other employees allegedly in retaliation for their union activities. An Administrative Law Judge (ALJ) found that five employees were terminated unlawfully and two were discharged for valid reasons. As far as the discipline, the judge found that the Company acted legally in disciplining four employees but not lawfully with respect to three employees. The Company has appealed the adverse rulings of the ALJ to the National Labor Relations Board in Washington, D.C. The Company believes that there are reasonable grounds for obtaining a reversal of the unfavorable findings by the ALJ and does not believe that an adverse outcome in this proceeding will have a material adverse effect upon the Company's financial condition or results of operations. In May 1999, the ALJ issued a favorable decision involving unfair labor practice charges filed against the Company before the National Labor Relations Board with respect to the Company's Las Vegas subsidiary. The complaint alleged that four employees were terminated and three other employees disciplined because of their union activities. The ALJ found that none of the employees were terminated or disciplined for inappropriate reasons. The ALJ found two violations of management communications rules for which non-economic remedies were proposed. A second unfair labor practice matter is pending before the full National Labor Relations Board. The company does not believe that an adverse outcome in any of the unfair practice charges will have a material adverse effect upon the Company's financial condition or results of operations.

The Company believes that these unfair labor practice charges and the litigation described above are part of an ongoing campaign by the Culinary Workers Union which is seeking to represent employees at the Company's Las Vegas restaurants. However, rather than pursue the normal election process pursuant to which employees are given the freedom to choose whether they should be represented by a union, a process which the Company support. The Company believes the union is seeking to achieve recognition as the bargaining agent for such employees through a campaign directed not at the Company's employees but at the Company and its stockholders. The Company intends to continue to support the right of its employees to decide such matters and to oppose the efforts of the Culinary Workers Union to circumvent that process.

An action was commenced in May 1998 in Superior Court of the District of Columbia against the Company and its Washington, D.C. subsidiaries by 7 present and former employees of the restaurants owned by such subsidiaries alleging violations of the District of Columbia Wage & Hours Act relating to minimum wages and overtime compensation. The Company does not believe that its liability, if any, from an adverse result in this matter would have a material adverse effect upon its business or financial condition.

9. SHAREHOLDERS' EQUITY

Common Stock Private Placement **-** In December 1996, the Company raised net proceeds of $6,028,626 in a private placement of 551,454 shares of its common stock at $11 per share. The proceeds of such offering were used to repay a portion of the Company's outstanding bank borrowings and for the payment of capital expenditures on its Las Vegas restaurant facilities at the New York New York Hotel & Casino in Las Vegas which opened in January 1997.

Common Stock Repurchase Plan **-** In August 1998, the Company authorized the repurchase of up to 500,000 shares of the Company's outstanding common stock. In April 1999, the Company authorized the repurchase of an additional 300,000 shares of the Company's outstanding common stock. For the years ended October 2, 1999 and October 3, 1998 the Company repurchased 422,700 and 159,000 shares at a total cost of $4,228,162 and $1,522,496, respectively.

10. STOCK OPTIONS

On October 15, 1985, the Company adopted a Stock Option Plan (the "Plan") pursuant to which the Company reserved for issuance an aggregate of 175,000 shares of common stock. In May 1991 and March 1994, the Company amended such Plan to increase the number of shares issuable under the Plan to 350,000 and 447,650, respectively. In March 1996, the Company adopted a second plan and reserved for issuance an additional 135,000 shares. In March 1997, the Company amended this plan to increase the number of shares included under the plan to 270,000. Options granted under the Plans to key employees are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire five years after the date of grant and are generally exercisable as to 25% of the shares commencing on the first anniversary of the date of grant and as to an additional 25% commencing on each of the second, third and fourth anniversaries of the date of grant.

Additional information follows:

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	311,500	$10.86	227,500	$10.38	105,625	$ 7.18
Options:						
Granted	214,000	10.00	100,000	11.38	150,000	11.71
Exercised	(20,500)	8.00	(10,000)	6.50	(17,500)	4.89
Canceled or expired	(16,500)	9.24	(6,000)	8.63	(10,625)	6.37
Outstanding, end of year (a)	488,500	10.65	311,500	10.86	227,500	10.38
Price Range, Outstanding Shares	$8.00 - $12.00		$8.00 - $12.00		$6.50 - $12.00	
Weighted Average Years	3.3 years		3.2 years		3.53 years	
Shares available for future grant	22,500		20,000		120,000	
Options exercisable (a)	178,917	10.78	117,583	10.13	47,500	7.65

(a) Options become exercisable at various times until expiration dates ranging from October 1999 through April 2004.

Statement of Financial Accountings Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), requires the Company to disclose pro forma net income and pro forma earnings per share information for employee stock option grants to employees as if the fair-value method defined in SFAS No. 123 had been applied. The fair value of each stock-option grant is estimated on the date of grant using the Black-Scholes option pricing. The assumptions for fiscal 1999 include: risk-free interest rate of 6.25%; no dividend yield; expected life of four years; and expected volatility of 38%. The assumptions for fiscal 1998 include; risk free interest rate of 5.5%; no dividend yield; expected life of four years; and expected volatility of 75%. The assumptions for fiscal 1997 include; risk-free interest rate of 6.5%; no dividend yield; expected life of 4 years and expected volatility of 38%.

The pro forma impact was as follows:

	Year Ended		
	October 2, 1999	October 3, 1998	September 27, 1997
Net earnings as reported	$4,494,731	$4,612,141	$1,737,655
Net earnings - pro forma	4,307,357	4,464,576	1,694,991
Earnings per share as reported - basic	$ 1.30	$ 1.21	$ 0.47
Earnings per share as reported - diluted	1.29	1.20	0.46
Earnings per share pro forma - basic	1.24	1.17	0.46
Earnings per share pro forma - diluted	1.24	1.16	0.45

The exercise of nonqualified stock options in the fiscal years ended October 2, 1999, October 3, 1998 and September 27, 1997 resulted in income tax benefits of $21,263, $18,615 and $57,580, respectively, which were credited to additional paid-in capital. The income tax benefits result from the difference between the market price on the exercise date and the option price.

11. MANAGEMENT FEE INCOME

As of October 2, 1999, the Company provides management services to five restaurants owned by outside parties. In accordance with the contractual arrangements, the Company earns fixed fees and management fees based on restaurant sales and operating profits as defined by the various management agreements.

Restaurants managed had net sales of $9,803,693, $12,738,639 and $14,151,888 during the management periods within the years ended October 2, 1999, October 3, 1998 and September 27, 1997, respectively, which are not included in consolidated net sales of the Company.

12. INCOME TAXES

The provision for income taxes reflects Federal income taxes calculated on a consolidated basis and state and local income taxes calculated by each subsidiary on a nonconsolidated basis. For New York State and City income tax purposes, the losses incurred by a subsidiary may only be used to offset that subsidiary's income.

The provision for income taxes consists of the following:

	Year Ended		
	October 2, 1999	**October 3, 1998**	**September 27, 1997**
Current provision:			
Federal	$ 1,298,451	$ 1,892,997	$ 668,391
State and local	894,533	1,117,363	908,183
	2,192,984	3,010,360	1,576,574
Deferred provision (credit):			
Federal	349,299	100,486	(329,602)
State and local	33,325	(42,105)	(102,364)
	382,624	58,381	(431,966)
	$ 2,575,608	$ 3,068,741	$ 1,144,608

The provision for income taxes differs from the amount computed by applying the Federal statutory rate due to the following:

	Year Ended		
	October 2, 1999	**October 3, 1998**	**September 27, 1997**
Provision for Federal income taxes (34%)	$ 2,404,000	$ 2,612,000	$ 980,000
State and local income taxes net of Federal tax benefit	612,000	710,000	532,000
Amortization of goodwill	26,000	26,000	26,000
Tax credits	(512,000)	(506,000)	(373,000)
Other	45,608	226,741	(20,392)
	$ 2,575,608	$ 3,068,741	$ 1,144,608

Deferred tax assets or liabilities are established for (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss carryforwards. The tax effects of items comprising the Company's net deferred tax asset are as follows:

	October 2, 1999	**October 3, 1998**
Deferred tax assets:		
Operating loss carryforwards	$ 1,035,396	$ 839,253
Operating lease deferred credits	570,370	634,516
Carryforward tax credits	976,725	1,086,025
Depreciation and amortization	114,662	22,104
Deferred Gains	(270,112)	-
Valuation allowance	(870,289)	(642,522)
	$ 1,556,752	$ 1,939,376

A valuation allowance for deferred taxes is required if, based on the evidence, it is more likely than not that some of the deferred tax assets will not be realized. The Company believes that uncertainty exists with respect to future realization of certain operating loss carryforwards and operating lease deferred credits. Therefore, the Company provided a valuation allowance of $870,289 at October 2, 1999 and $642,522 at October 3, 1998. The Company has state operating loss carryforwards of $11,671,000 and local operating loss carryforwards of $8,270,000, which expire in the years 2002 through 2014.

The Internal Revenue Service is currently examining the Company's federal income tax returns for fiscal years ended September 28, 1991 through October 1, 1994, and the Internal Revenue Service has proposed certain adjustments, all of which are being contested by the Company. The adjustments primarily relate to (i) pre-opening, legal and accounting expenses incurred in connection with new or acquired restaurants that the Internal Revenue Service asserts should have been capitalized and amortized rather than currently expensed and (ii) travel and meal expenses for which the Internal Revenue Service asserts the Company did not comply with certain record keeping requirements of the Internal Revenue Code. The Company has reached an agreement in principle with the Internal Revenue Service to resolve the proposed adjustments.

The Company does not believe that the final adjustments contemplated by the agreement in principle will have a material effect on the Company's financial condition.

13. OTHER INCOME

Other income consists of the following:

	Year Ended October 2, 1999	Year Ended October 3, 1998	Year Ended September 27, 1997
Purchasing service fees	$ 88,061	$ 124,455	$ 86,073
Insurance proceeds (a)	-	-	377,427
Sales of logo T-shirts and hats	133,819	160,596	171,259
Other	213,730	205,067	145,522
	$ 435,610	$ 490,118	$ 780,281

(a) In July 1994, the Company was required to close a restaurant in Manhattan (Ernie's) on a temporary basis to enable structural repairs to be made to the ceiling of the restaurant. The cost of such repairs, other ongoing restaurant operating expenses and a guaranteed profit were borne by a third party. The restaurant reopened in February 1995 and the agreement provided that the third party continue to guarantee some level of operating profits through January 1998. During the fiscal year ended September 27, 1997, the Company received $377,427 in excess of the continuing restaurant operating expenses.

14. INCOME PER SHARE OF COMMON STOCK

The Company adopted in the first quarter of fiscal 1998, Financial Accounting Standards Board Statement No. 128, "Earnings per Share," which established new standards for computing and presenting earnings per share. The Company now discloses "Basic Earnings per Share," which is based upon the weighted average number of shares of common stock outstanding during each period and "Diluted Earnings per Share," which requires the Company to include common stock equivalents consisting of dilutive stock options and warrants. The Company also retroactively applied the new standard to all periods presented.

A reconciliation of the numerators and denominators of the basic and diluted per share computations follow.

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Year ended October 2, 1999:			
Basic EPS	$4,494,731	3,460,865	$ 1.30
Stock options and warrants	-	15,115	0.01
Diluted EPS	4,494,731	3,475,980	1.29
Year ended October 3, 1998:			
Basic EPS	4,612,141	3,826,255	1.21
Stock options and warrants	-	25,764	0.01
Diluted EPS	4,612,141	3,852,019	1.20
Year ended September 27, 1997:			
Basic EPS	1,737,655	3,714,116	0.47
Stock options and warrants	-	28,695	0.01
Diluted EPS	1,737,655	3,742,811	0.46

15. QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth certain quarterly operating data.

	Fiscal Quarter Ended			
	January 2 1999	April 3 1999	July 3 1999	October 2, 1999
1999				
Net sales	$26,933,489	$23,344,731	$31,563,976	$28,958,717
Gross restaurant profit	19,823,052	16,983,679	23,408,382	21,284,497
Net income (loss)	1,025,576	(156,178)	2,115,333	1,510,000
Net income (loss) per share - basic	$ 0.28	$ (0.04)	$ 0.63	$ 0.46
Net income (loss) per share - diluted	$ 0.28	$ (0.04)	$ 0.63	$ 0.45

	Fiscal Quarter Ended			
	December 27, 1997	March 28, 1998	June 27, 1998	October 3, 1998
1998				
Net sales	$26,940,384	$25,198,012	$33,029,512	$32,230,545
Gross restaurant profit	19,692,165	18,345,554	24,432,866	23,662,166
Net income (loss)	727,441	(254,154)	2,428,676	1,710,178
Net income (loss) per share - basic and diluted	$ 0.19	$ (0.07)	$ 0.63	$ 0.45

1997	Fiscal Quarter Ended December 28, 1996	March 29, 1997	June 28, 1997	September 27, 1997
Net sales	$18,166,656	$24,887,795	$31,469,304	$29,802,631
Gross restaurant profit	13,068,926	17,775,683	22,922,594	22,107,296
Net income (loss)	(552,503)	(1,108,203)	1,947,476	1,450,885
Net income (loss) per share basic and diluted	$ (0.16)	$ (0.29)	$ 0.51	$ 0.38

16. SUBSEQUENT EVENTS (UNAUDITED)

In December 1999 the Company entered into a new credit agreement with its main bank, Bank Leumi USA. The new amendment allows the Company to borrow up to $28,000,000 for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. After two years, the revolving loans will be converted into term loans payable over 36 months. Outstanding loans bear interest at prime + ½%. The agreement also includes a five year $2,000,000 Letter of Credit Facility for use at the Company's restaurants in lieu of lease security deposits.

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CORPORATE INFORMATION

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Chairman

Michael Weinstein
President

Paul Gordon
Vice President – Director of Las Vegas Operations

Andrew Kuruc
Vice President – Chief Financial Officer

Vincent Pascal
Vice President - Operations

Robert Towers
Vice President – Chief Operating Officer

Donald D. Shack
Shack & Siegel, P.C.

Jay Galin
President, G.&G. Shops, Inc.

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