Ark
Restaurants
Corp.

2000 ANNUAL REPORT

THE COMPANY

Ark Restaurants Corp. (the "Company") is a holding company which, through subsidiaries, owns and operates 23 restaurants and manages one restaurant. Eleven of the restaurants owned or managed by the Company are located in New York City, four are located in Washington, D.C., seven are located in Las Vegas, Nevada, and one is located in 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 and six food court facilities at the Aladdin Resort and Casino, both of which are located in Las Vegas. The Company's other operations include a bar at the Venetian Casino Resort and 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 September 30, 2000, including financial statements and schedules thereto, to each of the Company's shareholders of record on March 12, 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.

March 7, 2001

Dear Shareholder:

The year 2000 resulted in a loss of $5.4 million before taxes and $3.5 million after taxes. A principal reason was the $5.0 million write off of a joint venture with Sony to open four restaurants in a Southfield, Michigan multiplex cinema operation. There are no excuses; but we are in the business of opening new restaurants and some will fail or under perform. Over the years we have had good success and the very high returns on capital of the winners more than compensates for the losers.

Other significant detractors from our results were (a) losses of $1.5 million in operating and closing a restaurant at Tysons Corner, Virginia, (b) a $1.65 million settlement (inclusive of legal fees) of a wage and hour litigation which the Company believes was associated with the unsuccessful union attempt to organize our Las Vegas New York, New York facility and which the Company therefore regards as an investment in preserving the strong economics of that operation, and (c) a $300,000 write off representing the non-payment of a loan made to a restaurant for which we had an operating agreement.

With these items being absorbed in various categories of our audited income statement, we thought it would be useful for shareholders to see a reconstruction of the year exclusive of these items as follows:

Fiscal Year Ended September 30, 2000	**($,000)**
Net Sales	$ 117,639
Cost of Sales	30,585
Gross Restaurant Profit	87,054
Management Fee Income	474
	87,528
Operating Expenses:	
Payroll and payroll benefits	42,261
Occupancy	14,744
Other expenses	14,703
	71,708
Income from Restaurant Operating Expenses (before depreciation)	15,820
General & Administrative Expenses	6,767
Other Income	(437)
Earnings Before Interest, Income Taxes & Depreciation	9,490
Depreciation	4,709
Interest, Net	1,835
Earnings Before Other Items	2,946
Other Items:	
Labor settlement, inclusive of legal fees	(1,644)
America Virginia writeoff & operations	(1,474)
Southfield, Michigan writeoff	(4,988)
Accounts receivable writeoff	(280)
	(8,386)
Loss Before Income Taxes	(5,440)
Income Tax Benefit	1,906
Net Loss, as reported	($3,534)

The earnings before interest, taxes and depreciation (EBIDT) of $9.5 million have not been purged of certain items such as pre-opening losses at new and renovated restaurants which are a regular part of our business but which are themselves one-time items. So, included in that $9.5 million EBIDT is an EBIDT loss of $926,000 reflecting the conversion of B. Smith's restaurant to Jack Rose and an EBIDT loss of $767,000 for the openings of The Venetian and Desert Passage.

Same store sales for the year 2000 were up 3.6% and same store cash flows were strong. Many of our restaurants had outstanding years. At New York, New York and The Stage Deli in Las Vegas, profitability increased for the fourth consecutive year. Bryant Park continued to build its customer base and private party business while achieving record profits. The same is true of our Sequoia operations in New York and Washington, D.C. We expect the current year to be excellent.

Our unaudited results for the four months ended January 31, 2001 show same store sales up 4.0%, EBIDT of $2,468,000 vs. $16,000 a year ago, and an operating loss of $398,000 vs. an operating loss of $1,598,000 a year ago. As a highly seasonal business, we usually generate an operating loss through our first four months followed by substantial cash flow and operating profit in the June and September quarters. Our optimism for the remainder of the current year has a number of specific elements to it as follows:

1. Through January, pre-tax profitability at New York, New York was well ahead of last year and we expect this trend to continue.

2. The Venetian, Dessert Passage and Jack Rose are all expected to improve significantly in the aggregate (a fuller description follows).

3. In the four months ended January, the new 1800 seat circus in Bryant park and a 300 seat tented addition to our restaurant for corporate events resulted in a substantial incremental profit. The tent will be a permanent feature; we are hopeful that the circus will be an annual event as well.

4. Corporate overhead which increased $1,041,000 in 2000 as we added new properties should decrease significantly this year.

5. Our successful corporate sales and travel department is being expanded to Las Vegas.

6. We have new management and a new chef at our world famous Lutece restaurant.

This will all be partially offset by higher interest and depreciation expenses.

Below is a review of this past year's new operations.

Venetian

In the first quarter of fiscal 2000 we opened three fast food operations at this new Las Vegas hotel followed in the second quarter by two restaurants, Lutece Las Vegas and a Pan Asian concept Tsunami. In the first quarter of fiscal 2001 we opened the V Bar, and later this year we will add an additional restaurant. Although the Venetian Hotel experienced the usual early shakedown problems, it is now on all cylinders and benefiting as the center of gravity for Las Vegas conventions. We have great confidence in the Venetian management. In fiscal 2000, these operations reduced EBIDT by $212,000. Positive cash flow was achieved in the September quarter and profitability was achieved in the December quarter of fiscal 2001. The hotel is presently expanding its attractions with the addition of 1000 new rooms and the building of annexes for the Guggenheim and Hermitage museums. This should attract substantial foot traffic to this property.

Desert Passage

Desert Passage is a highly themed complex of 135 retail tenants encircling the new Aladdin Hotel on Las Vegas Boulevard. We operate six foot court facilities as well as one restaurant. Desert Passage opened in August 2000 and to date has been disappointing. In fiscal 2000 this operation reduced our EBIDT by $555,000 and another poor year is in our forecast. The presently inadequate traffic flow at Desert Passage must be increased to become successful. Better promotion, management, and cooperation between the developer and tenants should accomplish this over time. Presently, we have reduced our expenses and losses and seek opportunities to improve the sales line.

Jack Rose

Our partnership at B. Smith's restaurants in New York and Washington was terminated in 2000. As part of the financial settlement, we converted the New York asset to Jack Rose, a mid-priced steak house. While this reduced EBIDT by $926,000, the current years operation should be vastly improved.

I wish to acknowledge our able and hard working team of executives, managers and chefs at our restaurants, and the dedication of all employees to getting customers to come back for another meal. This year the quality of our organization should be apparent in our income statement.

Sincerely,

Michael Weinstein, President

ARK RESTAURANTS CORP.

CORPORATE OFFICE
Michael Weinstein, *President*
Andrew Kuruc, *Vice President-Chief Financial Officer*
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*
Kirsten Borstad, *Director of Marketing*
Kathryn Green, *Controller-Las Vegas Operations*
Marilyn Guy, *Director of Human Resources*
Colleen Hennigan, *Director of Operations – Washington Division*
John Oldweiler, *Director of Purchasing*
Jennifer Sutton, *Operations and Financial Analysis*
Joe Vazquez, *Facilities Management*

JOINT VENTURE ASSOCIATE
Andre Soltner, *Lutece*

EXECUTIVE CHEFS
Charles Brucculeri
Mike Kiernan
Chun Liao
Damien McEvoy

RESTAURANT GENERAL MANAGERS
Jennifer Baquierizo, *El Rio Grande*
Kyle Carnegie, *Sequoia, DC*
Liz Caro, *The Grill Room & Columbus Bakery III*
Jessica Fernandez, *Columbus Bakery II*
Tom Ferretti, *Ernie's*
Brian Fountain, *Gallagher's, Las Vegas*
Kelly Gallo, *Jack Rose*
Bender Ganiao, *Thunder Grill, DC*
Charles Gerbino, *Las Vegas Employee Dining Facility*
Gus Fuzman, *Village Streets, Las Vegas*
Bridgeen Hale, *Metropolitan Café*
John Hausdorf, *Las Vegas Room Service*
Halbert Hernandez, *Canyon Road Grill*
Lynn Huartson, *America, NY*
Debra Lomurno, *Sequoia, NY*
Joel Lopez, *Tsunami Grill*
John Maloughney, *Lor-e-Lei*
Mary Masa, *Gonzalez Y Gonzalez, Las Vegas*
Matt Mitchell, *America & Center Café, DC*
Christine Mundy, *Columbus Bakery*
Paul O'hearn, *Stage Deli, Las Vegas*
John Page, *Las Vegas Catering*
Bobbie Rihel, *America, Las Vegas*
Donna Simms, *Bryant Park Grill*
Robert Smythe, *Lutece, Las Vegas*
Ridgeley Trufant, *Red*
Anna Zaldarriaga, *Gonzalez Y Gonzalez*

RESTAURANT CHEFS
John Brady, *Banquet, Las Vegas*
Oscar Campos, *Thunder Grill, DC*
Henry Chung, *Jack Rose*
Ken Clark, *Stage Deli, Las Vegas*
Armando Cortes, *The Grill Room*
David Cross, *America, Las Vegas*
Arvy Dumbrys, *Alakazam/Fat Anthony*
David Feau, *Lutece, NY*
Michael Foo, *America, DC*
William Foo, *America, NY*
Rosalio Fuentes, *Metropolitan Café*
Carlos Garcia, *Sequoia, NY*
Luigi Guiga, *Gallagher's, Las Vegas*
Raul Juarez, *Ernies*
Chun Liao, *Sequoia, DC*
David Mansen, *Lor-e-li*
John Miller, *Las Vegas Employee Dining Facility*
Virgilio Ortega, *Columbus Bakery*
Fermin Ramirez, *El Rio Grande*
Ruperto Ramirez, *Canyon Road*
Sergio Salazar, *Gonzalez & Gonzalez, Las Vegas*
Raul Santos, *Red*
Jose Trinidad, *Tsunami Grill*
Mariano Veliz, *Gonzalez Y Gonzalez, NY*
Gadi Weinreich, *Bryant Park Grill*

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain financial data for the fiscal years ended 1996 through 2000. This information should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto appearing at page F-1.

	Years Ended				
	September 30, 2000	October 2, 1999	October 3, 1998	September 27, 1997	September 28, 1996
OPERATING DATA:					
Net sales	$119,212,486	$110,800,913	$117,398,453	$104,326,386	$ 76,795,940
Gross restaurant profit	88,196,382	81,499,610	86,132,751	75,874,499	55,934,475
Operating income (loss)	(3,967,961)	6,833,874	7,589,465	2,785,713	497,996
Other income expense, net	(1,396,758)	236,465	91,417	96,550	743,615
Income (loss) before provision for income taxes and cumulative effect of accounting change	(5,439,719)	7,070,339	7,680,882	2,882,263	1,241,611
Income before cumulative effect on accounting change	(3,533,617)	4,494,731	4,612,141	1,737,655	788,762
NET INCOME (LOSS)	(3,723,130)	4,494,731	4,612,141	1,737,655	788,762
NET INCOME (LOSS) PER SHARE:					
Basic	$ (1.11)	$ 1.30	$ 1.21	$ 0.47	$ 0.24
Diluted	$ (1.11)	$ 1.29	$ 1.20	$ 0.46	$ 0.24
Weighted average number of shares					
Basic	3,186,496	3,460,865	3,826,255	3,714,116	3,238,419
Diluted	3,186,496	3,475,890	3,852,019	3,742,811	3,272,857
BALANCE SHEET DATA (end of period):					
Total assets	67,015,837	47,379,103	44,045,179	42,079,098	33,020,479
Working capital (deficit)	(4,919,852)	(3,044,204)	(719,343)	(2,373,859)	(1,303,920)
Long-term debt	29,520,860	7,655,406	5,014,634	6,126,797	6,403,866
Shareholders' equity	24,784,178	29,513,971	29,062,140	25,888,880	17,804,394
Shareholders' equity per share	7.78	8.49	7.54	6.92	5.44
Facilities in operations, end of year, including managed	49	42	42	46	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 September 30, 2000 and October 2, 1999 included 52 weeks while the fiscal year ended October 3, 1998 included 53 weeks.

Net Sales

Net sales at restaurants owned by the Company increased by 7.6% from fiscal 1999 to fiscal 2000 and decreased by 5.6% from fiscal 1998 to fiscal 1999. Net sales increased by $8,749,000 from sales at restaurants which the Company either opened this year or did not operate for the full period last year (The Venetian Casino Resort concepts: *Lutece, Tsunami* and four food court outlets; the Aladdin Resort and Casino concepts: *Fat Anthony's* and the *Alakazam Food Court;* and *Thunder Grill* in Washington, DC). Net sales also increased by $3,764,000 from a 3.6% increase in same store sales. The components of this increase consisted of a 4.4% increase in the Company's Las Vegas operations along with a 3.1% increase in the Company's other operations. The increase in net sales in fiscal 2000 was offset in part by the loss of sales totaling $4,102,000 at restaurants that the Company no longer operates (*B. Smith's DC, Perretti Italian Café, Louisiana Community Bar & Grill* and *B. Smith's New York*).

Net sales for fiscal 1999 decreased by $8,586,000 from the loss of sales at restaurants which the Company no longer operates (*B. Smith's DC* 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* and *Rialto Deli*) or did not operate for the full fiscal 1998 year (*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 by a 0.8% decrease at the Company's non-Las Vegas operations.

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 26.0% in fiscal 2000, 26.4% in fiscal 1999, and 26.6% in fiscal 1998.

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 67.6% in fiscal 2000 and 62.7% in both fiscal 1999 and fiscal 1998. Operating expenses for fiscal 2000 were adversely affected by an impairment charge of $811,000 associated with the anticipated sale of a restaurant (*America* in McLean, Virginia), expenses of $280,000 from the sale of a managed restaurant (*Arlo*) and a $1,300,000 charge associated with a wage and hour lawsuit. Operating expenses in the fiscal 1999 are net of gains on sale of restaurants totaling $752,000 while gains on sales in the fiscal 2000 year totaled $87,000.

Restaurant payroll was 36.1% of sales in fiscal 2000, 35.4% in fiscal 1999, and 35.1% in fiscal 1998, while occupancy expenses were 12.8% of sales in fiscal 2000, 12.2% in fiscal 1999 and 11.7% in fiscal 1998. Restaurant payroll and occupancy expenses were both impacted by expenses associated with newly opened restaurant operations in fiscal 2000. Other operating expenses were 14.6% of sales in fiscal 2000, 11.4% in fiscal 1999 and 12.5% in fiscal 1998. Other operating expenses were adversely affected by the impairment charge associated with the anticipated sale of *America* in McLean, Virginia, expenses from the sale of the managed restaurant *Arlo* and the charge associated with the wage and hour lawsuit.

The Company incurred pre-opening expenses and early operating losses at newly opened restaurants of approximately $2,393,000 in fiscal 2000, $400,000 in fiscal 1999 and $200,000 in fiscal 1998. The fiscal 2000 expenses and losses were from opening restaurants and food court operations within two Las Vegas casinos (*Lutece* and *Tsunami* in the Venetian Casino Resort along with four food court outlets; and *Fat Anthony's* and the food court outlets in the Aladdin Resort and Casino). The Company also converted an existing restaurant in New York City (*B. Smith's New York* was changed to *Jack Rose*). 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 6.0% in fiscal 2000, 5.5% in fiscal 1999 and 5.2% in 1998. 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 5.6% in fiscal 2000, 5.0% in fiscal 1999, and 4.7% in fiscal 1998. A significant portion of the increase in fiscal 2000 as compared to fiscal 1999 is due to costs associated with the expansion of the Company's corporate sales department, travel expenditures associated with the new openings in Las Vegas and legal expenditures from the wage and hour lawsuit.

As of September 30, 2000, the Company managed four restaurants owned by others (*El Rio Grande* 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 $8,867,000 in fiscal 2000, $9,804,000 in fiscal 1999, and $12,740,000 in fiscal 1998. The decrease in net sale of managed operations is principally due to the termination of a management contract. The management agreement for the three Boston restaurants will expire on December 31, 2000 and will not be renewed. The contribution of these restaurants to management fee income was $278,000 in fiscal 2000, $496,000 in fiscal 1999 and $446,000 in fiscal 1998.

The Company was a partner with a 50% interest in a partnership that was formed to develop and construct four restaurants at a large theatre development in Southfield, Michigan. In March 2000, the Company withdrew form the project and incurred charges, during fiscal 2000, of $4,988,000 from the write-off of advances for construction costs and working capital needs on the project. Such charges are reflected as "Joint Venture Loss" on the Consolidated Statement of Operations.

Interest expense was $2,007,000 in fiscal 2000, $425,000 in fiscal 1999, and $608,000 in fiscal 1998. The significant increase is principally due to borrowings to finance the construction costs and working capital requirements of the Las Vegas restaurant facilities which opened in fiscal 2000.

Interest income was $172,000 in fiscal 2000, $226,000 in fiscal 1999, and $210,000 in fiscal 1998.

Other income, which generally consists of purchasing service fees, and the sale of logo merchandise at various restaurants, was $438,000 in fiscal 2000, $436,000 in fiscal 1999 and, $490,000 in fiscal 1998.

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. Due to losses incurred in fiscal 2000 and the carryback of such losses, the Company realized an overall tax benefit in fiscal 2000 of 35% of such losses. The Company’s effective tax rate was 36.4% in fiscal 1999 and 40% in fiscal 1998.

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 $503,000 in fiscal 2000, $512,000 in fiscal 1999, and $506,000 in fiscal 1998.

The Company and the Internal Revenue Service finalized the adjustments to the Company’s Federal Income Tax returns for the fiscal years ended September 28, 1991 through October 1, 1994. The final adjustments primarily related to (i) 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 asserted that the Company did not comply with certain record keeping requirements of the Internal Revenue Code. The settlement did not have a material effect on the Company’s financial condition. The Internal Revenue Service is currently examining the Company’s returns for the fiscal years ended September 30, 1995 through September 27, 1997. The Company does not expect the results from such examination to 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 2000 ($25,243,000), fiscal 1999 ($6,096,000), and fiscal 1998 ($4,179,000) was principally for the Company's continued investment in fixed assets associated with constructing new restaurants and acquiring existing restaurants. In fiscal 2000 the Company opened two restaurants and four food court outlets in The Venetian Casino Resort in Las Vegas, Nevada (*Lutece, Tsunami* and the food court outlets), and the Company opened one restaurant and six food court outlets in the Aladdin Resort and Casino in Las Vegas, Nevada (*Fat Anthony’s* and the

Alakazam Food Court). In fiscal 1999, the Company opened a restaurant in Union Station in Washington, DC (*Thunder Grill*) and began constructing the restaurants and 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).*

The net cash provided from financing activities in fiscal 2000 ($20,710,000) was principally from borrowings on the Company's Revolving Credit Facility. The net cash used in financing activities in fiscal 1999 ($1,632,000) was due to the repurchase of 423,000 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 ($2,825,000) 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.

At September 30, 2000 the Company had a working capital deficit of $4,919,852 as compared to working capital deficit of $3,044,204 at October 2,1999. Working capital deficit in fiscal 2000 was significantly impacted by cash expended for the construction of the new Las Vegas facilities and the new restaurants at the 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.

At fiscal 2000 year end, the Company's Revolving Credit and Term Loan Facility with its main bank included a $27,500,000 facility for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. The facility allowed the Company to borrow up to $27,500,000 until December 2001 at which time outstanding loans in excess of $22,000,000 became due in full while the balance could be converted into a term loan payable over three years. The loans bore interest at a rate of prime plus ½%. At September 30, 2000 the Company had borrowings of $27,150,000 outstanding on the facility. The Company also had a $2,500,000 Letter of Credit Facility for use in lieu of lease security deposits. At September 30, 2000 the Company had delivered $1,489,000 in irrevocable letters of credit on this facility.

In November 2000 the Company and its main bank, Bank Leumi USA amended its Revolving Credit Facility. The amended agreement allows the Company to borrow up to $28,500,000 for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. The Company is required to repay any borrowings to the extent such borrowings exceed $26,000,000 on June 30, 2001, $23,000,000 on September 30, 2001 and $22,000,000 on December 27, 2001. At December 27, 2001 the revolving loans will be converted into term loans payable over 36 months. Outstanding loans bear interest at prime plus ½%. The commitment also includes a $1,500,000 Letter of Credit Facility for use at the Company's restaurants in lieu of lease security deposits.

The amount of indebtedness that may be incurred by the Company is limited by the Revolving Credit Facility. Certain provisions of the agreement may impair the Company's ability to borrow funds. The agreement contains certain financial covenants such as minimum cash flow in relation to the Company's debt service requirements, ratio of debt to equity, and the maintenance of minimum shareholders' equity. At September 30, 2000, the Company was not in compliance with several of the requirements of the agreement principally due to withdrawal from the Southfield, Michigan project and received a waiver from the bank on those requirements. The Company and its bank have modified the covenants in effect at September 30, 2000.

In January 1997, pursuant to an equipment financing facility, the Company borrowed from its main bank $2,851,000 at an interest rate of 8.75% to refinance the purchase of various restaurant equipment at the New York-New York Hotel & Casino Resort. The note, which is payable in 60 equal monthly installments through January 2002, is secured by such restaurant equipment. At September 30, 2000 the Company had $885,000 outstanding on this facility.

In April 2000, pursuant to an equipment financing facility, the Company borrowed from its main bank $1,570,000 at an interest rate of 8.8% to refinance the purchase of various restaurant equipment at the Venetian Casino Resort. The note which is payable in 60 equal monthly installments through May 2005, is secured by such restaurant equipment. At September 30, 2000 the Company had $1,485,000 outstanding on this facility.

In November 2000, the Company entered into a sale and leaseback agreement with GE Capital for $1,652,000 to refinance the purchase of various restaurant equipment at its food and beverage facilities in a hotel and casino in Las Vegas, Nevada. The lease bears interest at 8.65% per annum and is payable in 48 equal monthly installments of $31,785 until maturity in November 2004 at which time the Company has an option to purchase the equipment for $519,440. Alternatively, the Company can extend the lease for an additional 12 months at the same monthly payment until maturity in November 2005 and repurchase the equipment at such time for $165,242.

Restaurant Expansion

In fiscal 2000, the Company opened two restaurants (*Tsunami* and *Lutece*) along with 3 food court outlets at the Venetian Casino Resort in Las Vegas, Nevada. One additional restaurant is scheduled to open in the second quarter of fiscal 2001 (*Chulas*). In fiscal 2000, the Company also opened one restaurant (*Fat Anthony's*) along with six food court outlets (*Alakazam Food Bazaar*) at the Aladdin Resort Casino in Las Vegas, Nevada.

The Company is not currently committed to any other projects. Any new projects would require additional external financing.

Recent Developments

The Financial Accounting Standards Board has recently issued a new accounting pronouncement:

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and 138, establishes standards for measuring, classifying and reporting all derivative financial instruments in the financial statements. SFAS No. 133 is effective for the Company beginning the first quarter of fiscal year 2001. The Company does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

Year 2000

To date there have been no adverse effects to the Company's financial statements as a result of the year 2000 issues.

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 September 30, 2000 are as follows:

Calendar 1998	High	Low
Fourth Quarter	11	8 ¼
Calendar 1999		
First Quarter	10 ¼	9 ½
Second Quarter	11	9
Third Quarter	11	9
Fourth Quarter	10 ¼	8 ¼
Calendar 2000		
First Quarter	9	6 **c**
Second Quarter	8 ¼	6 ½
Third Quarter	10	5 ¾

Dividends

The Company has not any paid cash dividends since its inception and does not intend to pay dividends in the foreseeable future.

Number of Shareholders

As of February 28, 2001, there were 71 holders of record of the Company's Common Stock.

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Deloitte & Touche

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 September 30, 2000 and October 2, 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended September 30, 2000. 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 auditing standards generally accepted in the United States of America. 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 September 30, 2000 and October 2, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 1, 2000

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2000	October 2, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 697,385	$ 333,621
Accounts receivable	4,045,215	3,073,615
Current portion of long-term receivables (Note 2)	1,427,243	446,043
Inventories	2,132,983	1,916,436
Deferred income taxes (Note 12)	1,694,016	710,095
Prepaid expenses and other current assets	347,174	336,041
Refundable and prepaid income taxes	1,307,524	-
Total current assets	11,651,540	6,815,851
LONG-TERM RECEIVABLES (Note 2)	1,129,638	1,184,331
ASSETS HELD FOR SALE (Note 3)	-	988,004
FIXED ASSETS - At cost:		
Leasehold improvements	38,099,297	23,500,280
Furniture, fixtures and equipment	31,156,691	19,352,078
Leasehold improvements in progress	266,950	4,408,071
	69,522,938	47,260,429
Less accumulated depreciation and amortization	22,324,552	18,162,614
	47,198,386	29,097,815
INTANGIBLE ASSETS - Net (Note 4)	4,569,569	5,294,531
DEFERRED INCOME TAXES (Note 12)	1,532,758	846,657
OTHER ASSETS (Note 5)	933,946	3,151,914
	$ 67,015,837	$ 47,379,103

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 2000	October 2, 1999
CURRENT LIABILITIES:		
Accounts payable - trade	$ 5,291,885	$ 3,815,760
Accrued expenses and other current liabilities (Note 6)	6,205,915	4,736,897
Current maturities of capital lease obligations (Note 8)	-	148,657
Current maturities of long-term debt (Note 7)	5,073,592	972,330
Accrued income taxes (Note 12)	-	186,411
Total current liabilities	16,571,392	9,860,055
OBLIGATIONS UNDER CAPITAL LEASES (Note 8)	-	-
LONG-TERM DEBT - Net of current maturities (Notes 4 and 7)	24,447,268	6,683,076
OPERATING LEASE DEFERRED CREDIT (Notes 1 and 8)	1,213,000	1,322,000
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, 5,249,336 and 5,208,336 shares, respectively	52,494	52,084
Additional paid-in capital	14,743,118	14,399,956
Retained earnings	18,336,859	22,059,989
	33,132,471	36,512,029
Less treasury stock, 2,067,637 and 1,927,037 shares	8,348,294	6,998,057
	24,784,177	29,513,972
	$ 67,015,837	$ 47,379,103

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended		
	September 30, 2000	October 2, 1999	October 3, 1998
NET SALES	$119,212,486	$110,800,913	$117,398,453
COST OF SALES	31,016,104	29,301,303	31,265,702
Gross restaurant profit	88,196,382	81,499,610	86,132,751
MANAGEMENT FEE INCOME (Note 11)	473,895	869,254	1,139,799
JOINT VENTURE LOSS (Note 5)	(4,988,000)	-	-
	83,682,277	82,368,864	87,272,550
RESTAURANT OPERATING EXPENSES:			
Payroll and payroll benefits	43,063,142	39,254,439	41,171,865
Occupancy	15,309,525	13,492,931	13,788,992
Depreciation and amortization	4,885,286	4,062,849	3,998,272
Other	17,356,386	12,654,868	14,671,521
	80,614,339	69,465,087	73,630,650
INCOME FROM RESTAURANT OPERATIONS	3,067,938	12,903,777	13,641,900
GENERAL AND ADMINISTRATIVE EXPENSES	7,110,899	6,069,903	6,052,435
OPERATING INCOME (LOSS)	(4,042,961)	6,833,874	7,589,465
OTHER EXPENSE (INCOME):			
Interest expense (Note 7)	2,007,013	425,141	608,278
Interest income	(171,977)	(225,996)	(209,577)
Other income (Note 13)	(438,278)	(435,610)	(490,118)
	1,396,758	(236,465)	(91,417)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(5,439,719)	7,070,339	7,680,882
PROVISION (BENEFIT) FOR INCOME TAXES (Note 12)	(1,906,102)	2,575,608	3,068,741
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ (3,533,617)	$ 4,494,731	$ 4,612,141
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, Net	$ (189,513)	$ -	$ -
NET INCOME (LOSS)	$ (3,723,130)	$ 4,494,731	$ 4,612,141
NET INCOME PER SHARE - BASIC			
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ (1.11)	$ 1.30	$ 1.21
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ (0.06)	$ -	$ -
NET INCOME (LOSS)	$ (1.17)	$ 1.30	$ 1.21
NET INCOME PER SHARE - DILUTED			
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ (1.11)	$ 1.29	$ 1.20
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(0.06)	-	-
NET (LOSS) INCOME	$ (1.17)	$ 1.29	$ 1.20
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC	3,186,496	3,460,865	3,826,255
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED	3,186,496	3,475,980	3,852,019

See notes to consolidated financial statements.

ARK RESTAURANT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2000	Years Ended October 2, 1999	Years Ended October 3, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) before cumulative effect of accounting change	$(3,533,617)	$ 4,494,731	$ 4,612,141
Cumulative effect of accounting change	(189,513)	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	4,334,092	3,330,568	3,432,104
Amortization of intangibles	551,194	732,281	566,168
Gain on sale of restaurants	(87,586)	(752,274)	(258,684)
Write-off of joint venture advances	4,988,000	-	-
Impairment of assets held for sale	810,769	-	-
Write-off of accounts receivables	279,394	-	-
Operating lease deferred credit	(109,000)	(149,000)	(57,000)
Deferred income taxes	(1,670,022)	382,624	57,164
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,250,994)	376,692	(663,873)
(Increase) decrease in inventories	(216,547)	33,710	(17,020)
(Increase) decrease in prepaid expenses and other current assets	(11,133)	155,088	(58,313)
(Increase) in refundable and prepaid income taxes	(1,307,524)	-	-
(Increase) in other assets, net	(449,295)	(2,111,012)	(543,820)
Increase in accounts payable - trade	1,476,125	252,692	2,818
Increase (Decrease) in accrued income taxes	(186,411)	(518,722)	291,263
Increase (decrease) in accrued expenses and other current liabilities	1,469,018	811,130	(58,590)
Net cash provided by operating activities	4,896,950	7,038,508	7,304,358
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed assets	(22,262,509)	(6,989,405)	(1,713,847)
Additions to intangible assets	-	(384,880)	(229,524)
Advances to joint venture, net	(3,297,000)	-	-
Issuance of demand notes and long-term receivables	(93,530)	(95,611)	(81,580)
Payments received on demand notes and long-term receivables	409,559	398,869	315,908
Restaurant sales	-	975,000	265,000
Restaurant acquisitions	-	-	(2,735,000)
Net cash used in investing activities	(25,243,480)	(6,096,027)	(4,179,043)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payment on long-term debt	(3,154,580)	(5,659,226)	(8,012,164)
Issuance of long-term debt	25,020,034	8,300,000	6,900,000
Exercise of stock options	343,572	185,263	83,615
Principal payment on capital lease obligations	(148,495)	(229,781)	(273,507)
Purchase of treasury stock	(1,350,237)	(4,228,162)	(1,522,496)
Net cash provided by (used in) financing activities	20,710,294	(1,631,906)	(2,824,552)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	363,764	(689,425)	300,763
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	333,621	1,023,046	722,283
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 697,385	$ 333,621	$ 1,023,046
SUPPLEMENTAL INFORMATION:			
Cash payments for the following were:			
Interest	$ 2,245,013	$ 526,382	$ 608,278
Income taxes	$ 1,113,395	$ 2,690,443	$ 2,699,651

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2000, OCTOBER 2, 1999 AND OCTOBER 3, 1998

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Amount				
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
Exercise of stock options	41,000	410	327,590	-	-	328,000
Purchase of treasury stock	-	-	-	-	(1,350,237)	(1,350,237)
Tax benefit on exercise of options	-	-	15,572	-	-	15,572
Net Loss	-	-	-	(3,723,130)	-	(3,723,130)
BALANCE, SEPTEMBER 30, 2000	5,249,336	$52,494	$ 14,743,118	$18,336,859	$ (8,348,294)	$ 24,784,177

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2000, OCTOBER 2, 1999 AND OCTOBER 3, 1998

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ark Restaurants Corp. and subsidiaries (the "Company") own and operate 24 restaurants, and manage four restaurants, of which 12 are in New York City, four in Washington, D.C., seven in Las Vegas, Nevada, three in Boston, Massachusetts and one each in McLean, Virginia, and Islamorada, Florida. The Las Vegas operations include three restaurants within the New York-New York Hotel & Casino Resort and operation of the Resort's room service, banquet facilities, employee dining room and nine perations; two restaurants within the Venetian Casino Resort as well as four food court concepts; one restaurant within the Aladin Casino Resort along with six food court concepts; and one restaurant within the Forum Shops at Caesar's Shopping Center. The include catering businesses in New York City and Washington, D.C., and 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 September 30, 2000 and October 2, 1999, 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 $1,401,487 and $994,915 at September 30, 2000 and October 2, 1999, 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 impairment in value of long-lived assets and certain identifiable intangibles to be held and used. For the year ended September 30, 2000 an impairment of $810,769 was incurred on a restaurant that the Company owns in McLean, Virginia. The assets of such restaurant had been classified as assets held for sale (see Note 3). For the years ended October 2, 1999 and October 3, 1998, no impairments were recognized.

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.

The Company adopted in the quarter ended January 1, 2000, Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, which requires costs of start-up activities and organization costs to be expensed as incurred. The Company had previously capitalized organization costs and then amortized such costs over five years. The Company had net deferred organization expenses of $300,000 in intangible assets as of October 2, 1999 and such amount ($189,513 after taxes) is reported in the fiscal year ended September 30, 2000 as a cumulative effect of a change in accounting principle.

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 provide 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 **-** In March 2000, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 44 (“FIN 44”), "Accounting for Certain Transactions involving Stock Compensation, an Interpretation of APB Opinion No. 25." FIN 44 clarifies the application of APB No. 25 for certain issues, including the definition of an employee, the treatment of the acceleration of stock options and the accounting treatment for options assumed in business combinations. FIN 44 became effective on July 1, 2000, but is applicable for certain transactions dating back to December 1998. The adoption of FIN 44 did not have a material impact on the Company's financial position or results of operations.

Future Impact of Recently Issued Accounting Standards **-** SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138, establishes standards for measuring, classifying and reporting all derivative financial instruments in the financial statements. SFAS No. 133 is effective for the Company beginning the first quarter of fiscal year 2001. The Company does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

2. LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

	September 30, 2000	October 2, 1999
Note receivable due March 2001 (a)	$1,000,000	$ -
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 (b)	460,149	514,706
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 (c)	72,333	112,571
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 (d)	-	126,796
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 (d)	553,734	445,118
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 (e)	221,239	244,565
Note receivable secured by fixed assets and lease at a restaurant at 7.0% interest; due in monthly installments through June 2006 (f)	228,315	-
Advances for construction and working capital, at one of the Company's managed locations, at 15% interest; due in monthly installments through December 2000	21,111	98,110
Others	-	88,508
	2,556,881	1,630,374
Less current portion	1,427,243	446,043
	$1,129,638	$1,184,331

(a) In March 2000, the Company withdrew from a partnership that was formed to develop and construct four restaurants at a large theatre development in Southfield, Michigan. The Company was issued this note in consideration of its working capital advances to the project. The note is noninterest bearing.

(b) 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.

(c) 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.

(d) 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, was 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 $88,000 and $142,000 and $185,000 in the fiscal years ended September 30, 2000, October 2, 1999 and October 3, 1998, respectively. Additional deferred gains totaling $794,000 and $882,000 for the fiscal years ended September 30, 2000 and October 2, 1999, respectively, could be recognized in future periods 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).

(e) In December 1998, the Company sold a restaurant for $500,000, of which $250,000 was paid in cash and a note financed 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.

(f) In June 2000, the Company terminated the management of a restaurant in New York City. The Company received cash of $164,000 and notes totaling $234,000 as consideration for its then outstanding working capital loans. The Company recognized a loss of $280,000 on the termination.

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

3. ASSETS HELD FOR SALE

The Company was actively pursuing the sale of one restaurant during fiscal 2000, and accordingly had reclassified the net fixed assets ($759,190) and inventories ($51,579) as assets held for sale. The Company continuously assessed the carrying value of this restaurant in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets to Be Disposed Of*. The Company determined that it has been unsuccessful in its efforts to sell this restaurant after two potential sales were abandoned by the buyers. The Company determined that the restaurant value was impaired based upon the future undiscounted anticipated cash flows. The Company assessed the discounted cash flow value of the property and it recorded an impairment charge of $810,769.

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.

4. INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2000	October 2, 1999
Goodwill (a)	$6,222,877	$6,222,877
Purchased leasehold rights (b)	750,740	750,740
Noncompete agreements and other (c)	790,000	790,000
Organization costs (d)	-	789,521
	7,763,617	8,553,138
Less accumulated amortization	3,194,048	3,258,607
	$4,569,569	$5,294,531

(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.

(d) See Note 1.

5. OTHER ASSETS

Other assets consist of the following:

	September 30, 2000	October 2, 1999
Deposits	$ 276,484	$ 313,142
Deferred financing fees	171,250	144,195
Investments in and advances to affiliates (a)	486,212	2,694,577
	$ 933,946	$3,151,914

(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 $15,000, $65,000 and $80,000, for the years ended September 30, 2000, October 2, 1999 and October 3, 1998, 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 $161,800, $358,000 and,

$421,000 for the years ended September 30, 2000, October 2, 1999 and October 3, 1998, respectively (Note 11).

The Company, through a wholly owned subsidiary, was a partner with a 50% interest in a partnership to construct and develop four restaurants at a large theatre development in Southfield, Michigan. In March 2000, the Company withdrew from the partnership and incurred losses totaling $4,988,000 on this project. At October 2, 1999, the Company's investment in the partnership were $2,691,000

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	September 30, 2000	October 2, 1999
Sales tax payable	$ 877,765	$ 782,365
Accrued wages and payroll related costs	999,115	877,758
Customer advance deposits	1,175,000	1,083,000
Accrued and other liabilities	1,854,035	1,993,774
Litigation accrual (Note 8)	1,300,000	-
	$6,205,915	$4,736,897

7. LONG-TERM DEBT

Long-term debt consists of the following:

	September 30, 2000	October 2, 1999
Revolving Credit and Term Loan Facility with interest at the prime rate, plus 1/2%, payable on December 27, 2001 (a)	$27,150,000	$ 5,850,000
Notes issued in connection with refinancing of restaurant equipment, at 8.75%, payable in monthly installments through January 2002 (b)	885,456	1,439,171
Notes issued in connection with refinancing of restaurant equipment, at 8.80%, payable in monthly installments through May 2005 (c)	1,485,404	-
Note issued in connection with acquisition of restaurant site, at 7.25%, payable in monthly installments through January 1, 2000	-	366,235
	29,520,860	7,655,406
Less current maturities	5,073,592	972,330
	$24,447,268	$ 6,683,076

(a) The Company's Revolving Credit and Term Loan Facility (the "Facility") with its main bank (Bank Leumi USA), as amended November 2000, includes a $28,000,000 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. As of September 30, 2000, the rate of interest on the Facility was 10%. Any outstanding loans on December 2001 in excess of $22,000,000 are due in full and the balance can be converted into a term loan payable over 36 months. The Facility also includes a five-year $2,000,000 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 such as minimum cash flow in relation to the Company's debt service requirements, ratio of debt to equity, and the maintenance of minimum shareholders' equity. At September 30, 2000, the Company received a waiver from the bank for the covenants it was not in compliance with.

(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 April 2000, the Company borrowed from its main bank $1,570,000 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 8.80% per annum and are payable in 60 equal monthly installments of $32,439 inclusive of interest, until maturity in May 2005.

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

Year	**Amount**
2001	$ 5,073,592
2002	7,025,019
2003	7,654,180
2004	7,683,582
2005	2,084,487
	$29,520,860

During the fiscal years ended September 30, 2000, October 2, 1999 and October 3, 1998, interest expense was $2,245,013, $526,411 and $608,278, respectively, of which $238,000 and $101,000 was capitalized during the fiscal years ended September 30, 2000 and October 2, 1999, 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 September 30, 2000, future minimum lease payments, net of sublease rentals, under noncancelable leases are as follows:

Year	Operating Leases
2001	$ 8,010,226
2002	8,064,014
2003	8,628,534
2004	8,092,052
2005	7,205,015
Thereafter	26,269,515
Total minimum payments	$66,269,356

In connection with the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of $1,485,000 as security deposits under such leases.

Rent expense was $10,782,991, $9,638,551 and $9,940,639 during the fiscal years ended September 30, 2000, October 2, 1999 and October 3, 1998, respectively. Rent expense for the fiscal years ended September 30, 2000, October 2, 1999 and October 3, 1998 includes approximately $109,000, $149,000 and, $57,000 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 $3,470,155, $2,799,585 and $2,769,721 for the fiscal years ended September 30, 2000, October 2, 1999 and October 3, 1998, 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

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 1995 in the U.S. District Court for the District of Columbia. The plaintiff, a former employee, alleges violations of the District of Columbia Human Rights Act and 42 U.S.C. §1981. The dispute with the plaintiff was settled for approximately $15,000.

Counsel for plaintiff is now seeking attorneys fees in the amount of approximately $130,000. A magistrate denied the request and this issue is on appeal.

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 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. The parties are currently discussing settlement of this matter. Based upon the settlement discussions, in the fourth quarter of fiscal 2000, the Company recorded a charge of $1,300,000 in connection with this matter.

In addition, several unfair labor practice charges were filed against the Company in 1997 and 1998 with the National Labor Relations Board with respect to the Company's Las Vegas subsidiary. The 1997 charges were consolidated for a hearing which was conducted in October 1997. At issue was whether the Company unlawfully terminated nine employees and disciplined six other employees allegedly in retaliation for their union activities. An Administrative Law Judge (ALJ) found that six employees were terminated unlawfully and three were discharged for valid reasons. Concerning the allegedly retaliatory discipline, the ALJ found that the Company acted legally in disciplining four employees but not lawfully with respect to two employees. The Company has appealed the adverse rulings of the ALJ to the National Labor Relations Board in Washington, D.C., and is waiting for a decision. 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 operations.

In May 1999, in the second case, the ALJ issued a favorable decision involving unfair labor practice charges filed in 1998 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. This case, involving the 1998 charges, was closed in September 1999.

The Company does not believe that an adverse outcome in any of the unfair labor practice charges will have a material adverse effect upon the Company's financial condition or operations.

9. SHAREHOLDERS' EQUITY

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 September 30, 2000 October 2, 1999 and October 3, 1998, the Company repurchased 140,600, 422,700 and 159,000 shares at a total cost of $1,350,237, $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:

	2000		1999		1998	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding, beginning of year	488,500	$ 10.65	311,500	$ 10.86	227,500	$ 10.38
Options:						
Granted	-	-	214,000	10.00	100,000	11.38
Exercised	(41,000)	8.00	(20,500)	8.00	(10,000)	6.50
Canceled or expired	(104,000)	11.32	(16,500)	9.24	(6,000)	8.63
Outstanding, end of year (a)	343,500	10.76	488,500	10.65	311,500	10.86
Price range, outstanding shares	$9.50 - $12.00		$8.00 - $12.00		$8.00 - $12.00	
Weighted average years	2.62 Years		3.3 years		3.2 years	
Shares available for future grant	126,500		22,500		20,000	
Options exercisable (a)	157,125	11.24	178,917	10.78	117,583	10.13

(a) Options become exercisable at various times until expiration dates ranging from January 2002 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%. There were no options granted during the fiscal year ended September 30, 2000.

The pro forma impact was as follows:

	Years Ended		
	September 30, 2000	October 2, 1999	October 3, 1998
Net earnings as reported	$ (3,533,617)	$4,494,731	$4,612,141
Net earnings - pro forma	(3,768,272)	4,307,357	4,464,576
Earnings per share as reported - basic	$ (1.11)	$ 1.30	$ 1.21
Earnings per share as reported - diluted	(1.11)	1.29	1.20
Earnings per share pro forma - basic	(1.18)	1.24	1.17
Earnings per share pro forma - diluted	(1.18)	1.24	1.16

The exercise of nonqualified stock options in the fiscal years ended September 30, 2000, October 2, 1999, and October 3, 1998 resulted in income tax benefits of $15,572, $21,263 and $18,615, 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 September 30, 2000, the Company provides management services to four 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 $8,867,336, $9,803,693 and $12,738,639 during the management periods within the years ended September 30, 2000, October 2, 1999 and October 3, 1998, 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 (benefit) for income taxes consists of the following:

	Years Ended		
	September 30, 2000	October 2, 1999	October 3, 1998
Current provision (benefit):			
Federal	$ (1,129,390)	$ 1,298,451	$ 1,892,997
State and local	782,310	894,533	1,117,363
	(347,080)	2,192,984	3,010,360
Deferred provision (benefit):			
Federal	(1,285,920)	349,299	100,486
State and local	(273,102)	33,325	(42,105)
	(1,559,022)	382,624	58,381
	$ (1,906,102)	$ 2,575,608	$ 3,068,741

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

	Years Ended		
	September 30, 2000	October 2, 1999	October 3, 1998
Provision (benefit) for Federal income taxes (34%)	$ (1,849,000)	$ 2,404,000	$ 2,612,000
State and local income taxes net of Federal tax benefit	336,000	612,000	710,000
Amortization of goodwill	25,000	26,000	26,000
Tax credits	(503,000)	(512,000)	(506,000)
Other	84,898	45,608	226,741
	$ (1,906,102)	$ 2,575,608	$ 3,068,741

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:

	September 30, 2000	October 2, 1999
Deferred tax assets:		
Operating loss carryforwards	$1,349,747	$1,035,396
Operating lease deferred credits	522,274	570,370
Carryforward tax credits	1,738,555	976,725
Depreciation and amortization	51,965	114,662
Deferred gains	(235,432)	(270,112)
Valuation allowance	(917,998)	(870,289)
Asset impairment	275,663	-
Litigation accrual	442,000	-
	$3,226,774	$1,556,752

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 $917,998 at September 30, 2000 and $870,289 at October 2, 1999. The Company has state operating loss carryforwards of $14,196,000 and local operating loss carryforwards of $9,549,734, which expire in the years 2002 through 2015.

During the fiscal year ended September 30, 2000, the Company and the Internal Revenue Service finalized the adjustments to the Company's Federal income tax returns for the fiscal years ended September 28, 1991 through October 1, 1994. The final adjustments primarily relate to (i) 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 or the Internal Revenue Code. The settlement did not have a material effect on the Company's financial condition. The Internal Revenue Service is currently examining the Company's returns for the fiscal year ended September 30, 1995 through September 27, 1997. The Company does not expect the results from such examination to have a material effect on the Company's financial condition.

13. OTHER INCOME

Other income consists of the following:

	Years Ended September 30, 2000	Years Ended October 2, 1999	Years Ended October 3, 1998
Purchasing service fees	$ 65,535	$ 88,061	$ 124,455
Sales of logo T-shirts and hats	179,562	133,819	160,596
Other	193,181	213,730	205,067
	$ 438,278	$ 435,610	$ 490,118

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.

There were no dilutive stock options and warrants for the fiscal year ended September 30, 2000. A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended October 2, 1999 and October 3, 1998 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

15. QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth certain quarterly operating data.

2000	Fiscal Quarters Ended January 1, 2000	April1, 2000	July1, 2000	September 30, 2000
Net sales	$26,956,508	$25,765,386	$33,809,752	$32,680,840
Gross restaurant profit	19,896,289	18,953,108	25,217,317	24,129,669
Cumulative effect of accounting change	(189,513)	-	-	-
Net income (loss)	91,656	(4,976,492)	1,772,442	(610,736)
Net income (loss) per share - basic and diluted	$ 0.03	$ (1.56)	$ 0.56	$ (0.19)

1999	Fiscal Quarters Ended January 2, 1999	April 3, 1999	July 3, 1999	October 2, 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 and diluted	$ 0.28	$ (0.04)	$ 0.63	$ 0.45

1998	Fiscal Quarters Ended December 27, 1997	March 28, 1998	June 27, 1998	October 3, 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

16. SUBSEQUENT EVENTS

Amendment to Credit Agreement

In November 2000, the Company amended its credit agreement with its main bank, Bank Leumi USA. The new amendment allows the Company to borrow up to $28,500,000 for use in construction of and acquisition of new restaurants and for working capital purposes at the Company's existing restaurants. The Company is required to repay any borrowings which exceed $26,000,000 on June 30, 2001, $23,000,000 on September 30, 2001, and $22,000,000 on December 27, 2001. On December 27, 2001, 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 $1,500,000 Letter of Credit Facility for use at the Company's restaurants in lieu of lease security deposits.

Default on Note Receivable

In November 2000, the buyer of a restaurant from the Company defaulted on a promissory note to the company in the amount of $220,000 issued as part of the purchase price of the restaurant. The buyer subsequently filed for bankruptcy and the Company is now seeking to recover the restaurant premises and assets. The Company believes that it will recover the amount due on the note.

Equipment Refinancing

In November 2000, the Company entered into a sale and leaseback agreement with GE Capital for $1,652,000 to refinance the purchase of various restaurant equipment in a hotel and casino in Las Vegas, Nevada. The lease bears interest at 8.65% per annum and is payable in 48 equal monthly installments of $31,785 until maturity in November 2004 at which time the Company has an option to purchase the equipment for $519,440. Alternatively, the Company can extend the lease for an additional 12 months at the same monthly payment until maturity in November 2005 and repurchase the equipment at such time for $165,242.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ernest Bogen
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
Chairman, G+G Retail, Inc.

Bruce Lewin
Owner, Bruce R. Lewin Gallery

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