Ark Restaurants Corp.

2007 ANNUAL REPORT

The Company

We are a New York corporation formed in 1983. As of the fiscal year ended September 29, 2007, we owned and/or operated 23 restaurants and bars, 24 fast food concepts, catering operations, and wholesale and retail bakeries through our subsidiaries. Initially our facilities were located only in New York City. As of the fiscal year ended September 29, 2007, seven of our restaurant and bar facilities are located in New York City, four are located in Washington, D.C., five are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, three are located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in the Faneuil Hall Marketplace in Boston, Massachusetts.

We will provide without charge a copy of our Annual Report on Form 10-K for the fiscal year ended September 29, 2007, including financial statements and schedules thereto, to each of our shareholders of record on February 6, 2008 and each beneficial holder on that date, upon receipt of a written request therefore mailed our offices, 85 Fifth Avenue, New York, NY 10003 Attention: Treasurer.

February 11, 2008

Dear Shareholders:

Annually I sit down and try best to convey the past year's events that impacted our balance sheet and income statements as well as review the business principals which govern our actions. This year I am compelled to repeat a good part of last year's letter. I think in that writing I was able to produce a document that clearly set forth management's philosophy. While numbers do speak for themselves, those numbers are better understood within a context of your management's mission to maximize cash flow and create value for shareholders.

If you have been a reader of these letters in past years you know that we are conservative. We have no long term debt other than $827,000 remaining on a $1 Million purchase money mortgage in connection with our purchase this past year of the Durgin Park restaurant. We have a strong balance sheet and an envied working capital position. We pay our purveyors' invoices on a ten day cycle. We intend to keep things that way. Last fiscal year we paid regular dividends of $1.49 and a special dividend of $3.00 for each common share. In the last quarter of fiscal 2007 we raised our quarterly dividend to $0.44 per share from the prior $0.35 per share. Our cash, cash equivalents and short term investment position at the end of the fiscal year was $13,210,000.

We do not have any inclinations to expand unless we can enter a business on terms which meet our disciplined criteria. We do not guarantee our leases. The locations we choose must be in highly visible landmarks with favorable demand (people vs. restaurant seats). This has led us to casinos, train stations and public parks. By the way, this is no assurance of success. We have had less than acceptable returns and occasional failure when our judgment led us to believe the stars were aligned in our favor. Therefore every aspect of our negotiations becomes important. Our lease costs must be reasonable. Generally in newly negotiated restaurant operations we try to pay 10% of our projected sales for rent, real estate taxes, common area charges and utilities. We ask landlord/developers to participate in the capital structure of our business by subsidizing our construction costs with tenant improvement money. When this money is not available we seek partners to provide the capital for new opportunities when we believe returns can be favorable to their investment and to our management effort. Our aim is to lower risk; our cash is precious. Occasionally, we will find a situation where it is appropriate to invest our own money and not take on partners. Significantly, we are in constant review of our portfolio of restaurant businesses. We do not want to stick around when the economics of a business decline and cannot be fixed locking up our capital or partners' capital in underperforming assets. In such cases we look to sell these businesses (or if need be, close them to prevent further cash losses).

In fiscal 2007 our balance sheet and cash position improved, EBITDA from continuing operations was substantially higher from the prior year. One of the reasons for higher EBITDA was the better utilization of outdoor caf seats in our Washington, D.C. and New York City restaurants as a result of better weather this year as compared to that of last year during the spring and summer months. Also, demand was generally strong in all venues. Our comparative sales were up 12.5% in New York City, 16.2% in Florida, 5.0% in Las Vegas and 9.3% in Washington DC. These numbers are impressive, however, we should not take them for granted. They are the benefit of much hard work, a favorable economy and as I mentioned some good luck with weather.

The year also benefited from the acquisition of the Boston landmark restaurant Durgin Park. This has been a good acquisition for the Company. With the exception of this acquisition, we did not open any new restaurants in fiscal 2007. We opened Yolos, a mexican grill and lounge at the Planet Hollywood Hotel in Las Vegas on December 30, 2007, which is the first day of our second quarter of the current fiscal year. In addition, in May 2008 we will open a substantial fast food operation at the new MGM Grand Hotel Casino at Foxwoods Casino in Ledyard, Connecticut. Presently, we have dialogues with developers for businesses that we anticipate will open in fiscal 2009. In December of 2007 we completed the sale of our Vivid property at the Venetian Hotel & Casino in Las Vegas.

What was true in fiscal 2005 and 2006 was also influential in fiscal 2007. Minimum wage increases continued to be phased into our operating costs in New York City and Washington, DC. Energy costs continued to climb, as did accounting and legal costs as a result of securities law regulations.

I wish to thank every one working with us for their commitment to your Company.

Sincerely,

Michael Weinstein,
Chairman and Chief Executive Officer

ARK RESTAURANTS CORP.

Corporate Office
Michael Weinstein, Chairman and Chief Executive Officer
Robert Towers, President, Chief Operating Officer and Treasurer
Robert Stewart, Chief Financial Officer
Vincent Pascal, Senior Vice President—Operations
Paul Gordon, Senior Vice President—Director of Las Vegas Operations
Walter Rauscher, Vice President—Corporate Sales & Catering
Nancy Alvarez, Controller
Marilyn Guy, Director of Human Resources
Colleen Hennigan, Director of Operations—Washington D.C.; Manager, Sequoia-Washington D.C.
John Oldweiler, Director of Purchasing
Luis Gomes, Director of Purchasing—Las Vegas Operation
Jennifer Sutton, Director of Operations and Financial Analysis
Joe Vazquez, Director of Facilities Management
Evyette Ortiz, Director of Marketing
Veronica Mijelshon, Director of Architecture and Design
Michael Buck, General Counsel and Secretary

Corporate Executive Chef
Bill Lalor

Executive Chefs
Chun Liao, Washington D.C.
Damien McEvoy, Las Vegas
Paul Savoy, Executive Sous Chef, Las Vegas Operations

Restaurant General Managers—New York
Bridgeen Hale, The Grill Room
Stephanie Torres, Columbus Bakery
Kelly Gallo, Canyon Road
Jennifer Baquierzo, El Rio Grande
Debra Lomurno, Sequoia
Donna Simms, Bryant Park Grill
Ridgley Trufant, Red
Ana Harris, Gonzalez y Gonzalez

Restaurant General Managers—Washington D.C.
Bender Gamiao, Thunder Grill
Matt Mitchell, America & Center Café

Restaurant General Managers—Las Vegas
Charles Gerbino, Las Vegas Employee Dining Facility
Michael Credico, Gallagher's Steakhouse
John Hausdorf, Las Vegas Room Service
Staci Green, Director of Sales, Las Vegas Operations
Mary Massa, Gonzalez y Gonzalez
Craig Tribus, America
Ivonne Escobedo, Village Streets
Gary Bogel, Stage Deli
Maria Medina, Venetian Food Court
Nitty Lee, V-Bar
Christopher Waltrip, Yolos

Restaurant General Manager—Atlantic City
Donna McCarthy, Gallagher's Steakhouse and Burger Bar

Restaurant General Managers—Florida
Mamunur Rosid, Hollywood Food Court
Darvin Prats, Tampa Food Court

Restaurant General Manager—Foxwoods
Patricia Reyes, The Grill at Two Trees, Lucky Seven and Fifth Street Cafe

Restaurant Chefs—New York
Armando Cortes, The Grill Room
Santiago Pascual, Sequoia
Santiago Moran, Red
Fermin Ramirez, El Rio Grande
Ruperto Ramirez, Canyon Road Grill
Mariano Veliz, Gonzalez y Gonzalez
Gadi Weinreich, Bryant Park Grill

Restaurant Chefs—Washington D.C.
Michael Foo, America & Center Café
Chun Liao, Sequoia
Pang Sing Tang, Thunder Grill

Restaurant Chefs—Las Vegas
David Abraczinskas, Stage Deli
Hector Hernandez, America
Dave Simmons, Gallagher's Steakhouse
Joshua Schlink, Banquets
Richard Harris, Las Vegas Employee Dining Facility
Sergio Salazar, Gonzalez y Gonzalez

Restaurant Chef—Atlantic City
Sergio Soto, Gallagher's Steakhouse

Restaurant Chefs—Florida
Carlos Garcia Rios, Hollywood Food Court
Artemio Espinoza, Tampa Food Court

Restaurant Chef—Foxwoods
Rosalio Fuentes, The Grill at Two Trees, Lucky Seven and Fifth Street Cafe

Selected Consolidated Financial Data

The following table sets forth certain financial data for the fiscal years ended in 2003 through 2007. During fiscal year 2004, we sold three of our restaurants and closed one restaurant. During fiscal year 2005, we sold one of our restaurants which was considered held for sale in accordance with FAS 144 during part of fiscal year 2004 and part of fiscal year 2005. During fiscal year 2006, we classified one of our restaurants as held for sale in accordance with FAS 144 and closed one restaurant. During fiscal year 2007, we sold two of our restaurants and closed four of our restaurants. The operations of these restaurants have been presented as discontinued operations for the 2004, 2005, 2006 and 2007 fiscal years, and we have reclassified its statements of operations data for all periods presented, in accordance with FAS 144. This information should be read in conjunction with our Consolidated Financial Statements and the notes thereto beginning at page F-1.

	Years Ended				
	September 29, 2007	September 30, 2006	October 1, 2005	October 2, 2004	September 27, 2003
	(In thousands, except per share data)				
OPERATING DATA:					
Total revenues	$ 124,207	$ 110,519	$107,057	$105,041	$ 99,153
Cost and expenses	(112,871)	(102,379)	(97,963)	(96,128)	(94,069)
Operating income	11,336	8,140	9,094	8,913	5,084
Other (income) expense, net	(1,157)	(796)	(756)	(592)	(404)
Income from continuing operations before provision for income taxes	12,493	8,936	9,850	9,505	5,488
Provision for income taxes	3,853	2,965	3,046	2,623	1,325
Limited partner interest in income from variable interest entity	(236)	—	—	—	—
Income from continuing operations	8,404	5,971	6,804	6,882	4,163
Income (loss) from discontinued operations before provision (benefit) for income taxes	7,090	(1,124)	(326)	(311)	(1,112)
Provision (benefit) for income taxes	2,481	(373)	(101)	(86)	(268)
Income (loss) from discontinued operations	4,609	(751)	(225)	(225)	(844)
NET INCOME	13,013	5,220	6,579	6,657	3,319
NET INCOME (LOSS) PER SHARE:					
Continuing operations basic	$ 2.34	$ 1.72	$ 1.98	$ 2.08	$ 1.31
Discontinued operations basic	$ 1.29	$ (0.22)	$ (0.06)	$ (0.07)	$ (0.27)
Net basic	$ 3.63	$ 1.50	$ 1.92	$ 2.01	$ 1.04
Continuing operations diluted	$ 2.33	$ 1.68	$ 1.92	$ 2.00	$ 1.29
Discontinued operations diluted	$ 1.28	$ (0.21)	$ (0.07)	$ (0.07)	$ (0.26)
Net diluted	$ 3.61	$ 1.47	$ 1.85	$ 1.93	$ 1.03
Weighted average number of shares					
Basic	3,582	3,472	3,436	3,305	3,181
Diluted	3,607	3,548	3,555	3,444	3,213
BALANCE SHEET DATA (end of year):					
Total assets	$ 52,181	$ 52,120	$ 47,435	$ 44,894	$ 43,635
Working capital (deficit)	11,571	8,398	3,399	1,893	(4,802)
Long-term debt	704	—	—	—	7,226
Shareholders' equity	38,090	39,753	37,413	34,200	24,826
Shareholders' equity per share	10.63	11.45	10.89	10.35	7.80
Facilities in operation—end of year	47	48	48	48	41

Management's Discussion and Analysis of Financial Condition and Results of Operations

Accounting period

Our fiscal year ends on the Saturday nearest September 30. We report fiscal years under a 52/53-week format. This reporting method is used by many companies in the hospitality industry and is meant to improve year-to-year comparisons of operating results. Under this method, certain years will contain 53 weeks. The fiscal years ended October 1, 2005, September 30, 2006 and September 29, 2007 each included 52 weeks.

Overview

We have reclassified our statements of operations data for the prior periods presented below, in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), as a result of the:

- sale of one of our restaurants during the fiscal year ended October 1, 2005;
- classification of one of our restaurants as held for sale and the closure of one of our restaurants during the fiscal year ended September 30, 2006; and
- sale of two of our restaurants and the closure of four of our restaurants during the fiscal year ended September 29, 2007.

The operations of these restaurants have been presented as discontinued operations for the fiscal years ended October 1, 2005, September 30, 2006 and September 29, 2007. See "Item 1—Recent Restaurant Dispositions and Charges", "Item 7—Recent Restaurant Dispositions" and Note 3 of Consolidated Financial Statements.

Revenues

Total revenues increased by 12.4% from fiscal 2006 to fiscal 2007 and increased by 3.2% from fiscal 2005 to fiscal 2006. Revenues for fiscal 2007 were reduced by $2,686,000, revenues for fiscal 2006 were reduced by $6,609,000 and revenues for fiscal 2005 were reduced by $10,190,000 as a result of the sale of three facilities, the classification of one facility as "held for sale", the closure of four of our facilities and their reclassification to discontinued operations.

Same store sales increased 8.6%, or $8,900,000, on a Company-wide basis from fiscal 2006 to fiscal 2007. Same store sales in Las Vegas increased by $2,728,000, or 5%, in fiscal 2007 compared to fiscal 2006. Same store sales in New York increased $3,775,000, or 12.5%, during fiscal 2007. Same store sales in Washington D.C. increased by $1,558,000, or 9.3%, during fiscal 2007. The increase in New York and Washington, D.C. was principally due to unusually good weather. Same store sales in Atlantic City increased by $839,000 or 42.8% in fiscal 2007 compared to fiscal 2006. The increase in Atlantic City was primarily due to last year's low level of sales following the start-up of these operations and the rebranding of our *Luna Lounge* as *Gallagher's Burger Bar*. The Company does not anticipate similar percentage increases in Atlantic City after this fiscal year.

Other operating income, which consists of the sale of merchandise at various restaurants, management fee income and door sales were $2,145,000 in fiscal 2007, $2,423,000 in fiscal 2006 and $1,826,000 in fiscal 2005.

Costs and Expenses

Food and beverage cost of sales as a percentage of total revenue was 25.8% in fiscal 2007, 25.3% in fiscal 2006 and 25.2% in fiscal 2005.

Total costs and expenses increased by $10,492,000, or 10.2%, from fiscal 2006 to fiscal 2007 primarily due to increased sales and a $408,000 expense related to our share-based compensation plan.

Total costs and expenses increased by $4,416,000, or 4.5%, from fiscal 2005 to fiscal 2006 primarily due to an increase in the minimum wage in New York and Washington, D.C., a $748,000 expense related to our share-based compensation plan and increased occupancy costs.

Payroll expenses as a percentage of total revenues was 30.4% in fiscal 2007 compared to 31.9% in fiscal 2006 and 31.1% in fiscal 2005. Payroll expense was $37,767,000, $35,213,000 and $33,307,000 in fiscal 2007, 2006 and 2005, respectively. In fiscal 2007, increased sales resulted in an increase in payroll expenses. In fiscal 2005 and 2006, the increase of the minimum wage in New York and Washington, D.C. resulted in an increase in payroll expenses. We continually evaluate our payroll expenses as they relate to sales.

We typically incur significant pre-opening expenses in connection with our new restaurants that are expensed as incurred. Furthermore, it is not uncommon that such restaurants experience operating losses during the early months of operation.

In fiscal 2007, we:

- converted our bar, *Luna Lounge*, at the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey, into a restaurant, *Gallagher's Burger Bar*;
- expanded our operations at the Foxwoods Resort Casino by opening *The Grill at Two Trees* in the Two Trees Inn, a facility owned by the Mashantucket Pequot Tribal Nation and a part of the Foxwoods Resort Casino, in Ledyard, Connecticut;
- began construction of a Mexican restaurant and lounge, *Yolos,* at the rethemed Planet Hollywood Casino in Las Vegas, Nevada; and
- began operating the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts.

We purchased the *Durgin Park* facility from the previous owner for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year.

We experienced $129,000 in pre-opening and early operating losses at our *Yolos* facility in fiscal 2007. Also during fiscal 2007, we entered into an agreement to design and lease a food court at the to be constructed MGM Grand Casino at the Foxwoods Resort Casino. The obligation to pay rent for this facility is not effective until the food court opens for business. We anticipate the food court will open during our third quarter of the 2008 fiscal year. All pre-opening expenses will be borne by outside investors who will invest in a limited liability company established to develop, construct, operate and manage the food court. We will be the managing member of this limited liability company and, through this limited liability company, we will lease and manage the operations of the food court in exchange for a monthly management fee equal to five-percent of the gross receipts of the food court. Neither we nor any of our subsidiaries will contribute any capital to this limited liability company. None of the obligations of this limited liability company will be guaranteed by us and investors in this limited liability company will have no recourse against us or any of our assets.

In fiscal 2006, we established operations in Atlantic City, New Jersey by opening a bar, *Luna Lounge*, and a separate restaurant, a *Gallagher's Steakhouse*, in the Resorts Atlantic City Hotel and Casino. We experienced $447,000 in pre-opening and early operating losses at these facilities in fiscal 2006. Further during fiscal 2006, we established operations at the Foxwoods Resort Casino in Ledyard, Connecticut by opening a restaurant, *The Fifth Street Cafe*, in its newly expanded poker room in March 2006 and a fast-casual restaurant, *Lucky Seven*, in the Bingo Hall in May 2006. All pre-opening expenses were borne by outside investors who invested in a limited liability company established to develop, construct, operate and manage these facilities. We did not open any new restaurants and no pre-opening expenses and early operating losses were incurred during fiscal 2005.

General and administrative expenses, as a percentage of total revenue, were 7.3% in fiscal 2007, 6.5% in fiscal 2006 and 6.8% in fiscal 2005.

During the fiscal year ended September 29, 2007, we managed one consolidated restaurant we did not own (*El Rio Grande*) and also managed our Tampa and Hollywood Florida food court operations and our Foxwoods operations. We managed two restaurants we did not own (*The Saloon* and *El Rio Grande*) and also managed our Tampa and Hollywood Florida food court operations and our Foxwoods operations at September 30, 2006. We managed two restaurants we did not own (*The Saloon* and *El Rio Grande*) and also managed the Tampa and Hollywood Florida food court operations at October 1, 2005. Due to adoption of new accounting pronouncements, $3,873,000 in sales of *El Rio Grande* were included in consolidated sales for fiscal 2007. Sales of *El Rio Grande*, which are not included in consolidated sales during fiscal 2006 and 2005, were $3,519,000 and $3,345,000, respectively. Our lease of *The Saloon* was converted into a management agreement effective as of August 22, 2004, whereby we received a management fee of $7,000 per month regardless of the results of operations of this restaurant. This restaurant closed effective July 25, 2006. During fiscal 2004, we entered into agreements to manage 11 fast food restaurants located in the Hard Rock Casinos in Hollywood and Tampa, Florida. Sales from these operations totaled $12,170,000 during the 2007 fiscal year, $10,469,000 during the 2006 fiscal year and $8,843,000 during the 2005 fiscal year. During fiscal 2006, we established operations at the Foxwoods Resort Casino in Ledyard, Connecticut by managing a restaurant, *The Fifth Street Cafe*, in its newly expanded poker room and a fast-casual restaurant, *Lucky Seven*, in the Bingo Hall. Sales from these operations totaled $4,471,000 during the 2007 fiscal year and $2,389,000 during the 2006 fiscal year.

Interest expense was $65,000 in fiscal 2007, $8,000 in fiscal 2006 and $16,000 in fiscal 2005. Interest income was $417,000 in fiscal 2007, $90,000 in fiscal 2006 and $100,000 in fiscal 2005. During fiscal 2007 we began an investment program utilizing our large cash balances. Investments are made in government securities and investment quality corporate instruments.

Other income, which generally consists of purchasing service fees and other income at various restaurants, was $805,000, $714,000 and $672,000 for fiscal 2007, 2006 and 2005, respectively.

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 we own or manage 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 operating in the District of Columbia. Accordingly, our overall effective tax rate has varied depending on the level of losses incurred at individual subsidiaries.

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

The Revenue Reconciliation Act of 1993 provides tax credits to us for FICA taxes paid on tip income of restaurant service personnel. The net benefit to us was $799,000 in fiscal 2007, $733,000 in fiscal 2006 and $779,000 in fiscal 2005.

During fiscal 2006, we and the Internal Revenue Service finalized the adjustments to our Federal income tax returns for fiscal years 1999 through 2004. This settlement did not have a material effect on our consolidated financial statements.

Our tax return for the fiscal year ended September 30, 2006 is currently under audit by the Internal Revenue Service. Our tax returns for the fiscal years ended September 30, 2006 and October 1, 2005 are currently under audit by New York State. We expect no material adjustments will result from these examinations.

Liquidity and Capital Resources

Our primary source of capital has been cash provided by operations and funds available from our main bank, Bank Leumi USA. We have, from time to time, also utilized equipment financing in connection with the construction of a restaurant and seller financing in connection with the acquisition of a restaurant. We utilize capital primarily to fund the cost of developing and opening new restaurants, acquiring existing restaurants owned by others and remodeling existing restaurants we own.

The net cash provided by investing activities in fiscal 2007 was $260,000. Cash was used for the replacement of fixed assets at existing restaurants, converting our bar, *Luna Lounge*, at the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey, into a restaurant, *Gallagher's Burger Bar*, opening *The Grill at Two Trees* in the Two Trees Inn, a facility owned by the Mashantucket Pequot Tribal Nation and a part of the Foxwoods Resort Casino, in Ledyard, Connecticut, purchasing the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts from the previous owner for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year, and the construction of *Yolos,* a Mexican restaurant, at the Planet Hollywood Resort and Casino (formerly known as the Aladdin Resort and Casino) in Las Vegas, Nevada. Cash was also used to purchase investment securities. Cash provided by investing activities was generated from the sale of discontinued operations and the sale of investment securities. The net cash used in investing activities in fiscal 2006 of $4,934,000 was primarily used for the replacement of fixed assets at existing restaurants, the construction of a restaurant and bar in Atlantic City, New Jersey and the construction of *Yolos.* The net cash used in investing activities in fiscal 2005 of $4,236,000 was primarily used for the replacement of fixed assets at existing restaurants and the construction of a restaurant and bar in Atlantic City, New Jersey.

The net cash used in financing activities in fiscal 2007 of $15,309,000, $3,628,000 in fiscal 2006 and $4,397,000 in fiscal 2005 was principally used for the payment of dividends.

We had a working capital surplus of $11,571,000 at September 29, 2007 as compared to a working capital surplus of $8,398,000 at September 30, 2006.

Our Revolving Credit and Term Loan Facility (the "Facility") with our main bank (Bank Leumi USA), which included a $8,500,000 credit line to finance the development and construction of new restaurants and for working capital purposes at our existing restaurants, matured on March 12, 2005. We do not currently plan to enter into another credit facility and expect required cash to be provided by operations.

A quarterly cash dividend in the amount of $0.35 per share was declared on October 12, 2004. Subsequent to October 12, 2004, quarterly cash dividends in the amount of $0.35 per share were declared on January 12, April 12, July 12, October 10, December 20, 2006 and April 12, 2007. We declared an increase in our quarterly cash dividend to $0.44 per share on May 23, 2007 and a subsequent quarterly cash dividend reflecting this increased amount was declared on October 12, 2007. In addition, we declared a special cash dividend in the amount of $3.00 per share on December 20, 2006. Prior to this, we had not paid any cash dividends since our inception. We intend to continue to pay such quarterly cash dividend for the foreseeable future, however, the payment of future dividends is at the discretion of our Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Contractual Obligations and Commercial Commitments

To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided:

	Payments Due by Period				
	Total	**Within 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
	(in thousands of dollars)				
Contractual Obligations:					
Operating Leases	$40,666	$5,837	$10,138	$11,236	$13,455
Total Contractual Cash Obligations	$40,666	$5,837	$10,138	$11,236	$13,455

	Amount of Commitment Expiration Per Period				
	Total	**Within 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
	(in thousands of dollars)				
Other Commercial Commitments:					
Letters of Credit	$154	$—	$154	$—	$—
Total Commercial Commitments	$154	$—	$154	$—	$—

Restaurant Expansion

During the fiscal year ended September 29, 2007, we:

- converted our bar, *Luna Lounge*, at the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey, into a restaurant, *Gallagher's Burger Bar*;
- expanded our operations at the Foxwoods Resort Casino by opening *The Grill at Two Trees* in the Two Trees Inn, a facility owned by the Mashantucket Pequot Tribal Nation and a part of the Foxwoods Resort Casino, in Ledyard, Connecticut;
- began construction of a Mexican restaurant and lounge, *Yolos,* at the rethemed Planet Hollywood Casino in Las Vegas, Nevada; and
- began operating the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts.

We purchased the *Durgin Park* facility from the previous owner for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year.

Also during the fiscal year ended September 29, 2007, we entered into an agreement to design and lease a food court at the to be constructed MGM Grand Casino at the Foxwoods Resort Casino. The obligation to pay rent for this facility is not effective until the food court opens for business. We anticipate the food court will open during our third quarter of the 2008 fiscal year. All pre-opening expenses will be borne by outside investors who will invest in a limited liability company established to develop, construct, operate and manage the food court. We will be the managing member of this limited liability company and, through this limited liability company, we will lease and manage the operations of the food court in exchange for a monthly management fee equal to five-percent of the gross receipts of the food court.

Neither we nor any of our subsidiaries will contribute any capital to this limited liability company. None of the obligations of this limited liability company will be guaranteed by us and investors in this limited liability company will have no recourse against us or any of our assets.

The opening of a new restaurant is invariably accompanied by substantial pre-opening expenses and early operating losses associated with the training of personnel, excess kitchen costs, costs of supervision and other expenses during the pre-opening period and during a post-opening "shake out" period until operations can be considered to be functioning normally. The amount of such pre-opening expenses and early operating losses can generally be expected to depend upon the size and complexity of the facility being opened. We incurred $129,000 in pre-opening expenses in fiscal 2007.

Our restaurants generally do not achieve substantial increases in revenue from year to year, which we consider to be typical of the restaurant industry. To achieve significant increases in revenue or to replace revenue of restaurants that lose customer favor or which close because of lease expirations or other reasons, we would have to open additional restaurant facilities or expand existing restaurants. There can be no assurance that a restaurant will be successful after it is opened, particularly since in many instances we do not operate our new restaurants under a trade name currently used by us, thereby requiring new restaurants to establish their own identity.

Apart from these agreements, we are not currently committed to any projects. We may take advantage of opportunities we consider to be favorable, when they occur, depending upon the availability of financing and other factors.

Recent Restaurant Dispositions and Charges

We entered into a sale and leaseback agreement with GE Capital in November 2000 to refinance the purchase of various restaurant equipment at our food and beverage facilities at Desert Passage, the retail complex at the Aladdin Resort & Casino in Las Vegas, Nevada. In 2002, the operations at the Aladdin were abandoned. The lease matured in November 2005 and, in connection therewith, we made an unprovided for lump sum payment of $142,000 due under this lease. This lump sum payment was included in discontinued operations for the first quarter of fiscal 2006.

Our bar/nightclub facility Venus, located at the Venetian Casino Resort, experienced a steady decline in sales and we felt that a new concept was needed at this location. During the first quarter of 2005, this bar/nightclub facility was closed for re-concepting and re-opened as "Vivid" on February 4, 2005. Total conversion costs were approximately $400,000. Sales at the new bar/nightclub facility subsequently failed to reach a level sufficient to achieve the results we required and we have identified a buyer for this facility. As of December 31, 2005, we classified the assets and liabilities of this bar/nightclub facility as "held for sale" in accordance with SFAS No. 144 based on the fact that the facility has met the criteria under SFAS No. 144. Based on the offers made for this facility, we recorded an impairment charge of $537,000 during the first fiscal quarter of 2007. An additional impairment charge of $34,000 was recorded during the fourth fiscal quarter of 2007 as a result of the sale of the facility. We recorded operating losses of $188,000 and $486,000, respectively, during the fiscal years ended September 29, 2007 and September 30, 2006. The impairment charges and operating losses are included in discontinued operations.

Effective August 22, 2004, our lease for The Saloon at the Neonopolis Center at Fremont Street was converted into a management agreement whereby we received a management fee of $7,000 per month regardless of the results of operations of this restaurant. In June 2006, the owner of the Neonopolis Center at Fremont Street sold the building to a new entity who, on June 25, 2006, exercised its option to terminate the management agreement upon thirty days written notice to us.

On July 6, 2006, the landlord for the Vico's Burrito's fast food facility at the Venetian Casino Resort, General Growth Properties,notified us that the landlord was exercising an option granted to it pursuant to the lease for the facility to terminate the lease in exchange for the landlord providing us with the unamortized portion of the non-removable improvements located in the facility. On August 10, 2006, we and our landlord for this facility entered into a letter agreement pursuant to which the landlord agreed to pay us $200,000 for the unamortized portion of the non-removable improvements located in the facility.

During fiscal 2006, the landlord for our Metropolitan Caf and one of our Columbus Bakery facilities notified us that he was planning on demolishing the building where these facilities are located and, therefore, would not be renewing these leases at the end of their term. The leases at these facilities terminated on October 1, 2006.

Also during fiscal 2006, we were approached by the Venetian Casino Resort who indicated that, due to the expansion of the Grand Canal Shoppes, our Lutece and Tsunami locations, as well as a portion of our Vivid location, in the Grand Canal Shoppes were desired by other tenants. The Venetian Casino Resort offered to purchase these locations from us for an aggregate of $14,000,000. After evaluating the offer, we determined that such offer made it advantageous for us to redeploy these assets. Effective December 1, 2006, our subsidiaries that leased each of our Lutece, Tsunami and Vivid locations at the Venetian Resort Hotel Casino in Las Vegas, Nevada, entered into an agreement to sell Lutece, Tsunami and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC for an aggregate of $14,000,000. Our Lutece location closed on December 3, 2006 and our Tsunami location closed on January 3, 2007. We realized a gain of $7,814,000 ($5,196,000 after taxes, or $1.45 per share) on the sale of these facilities. We recorded operating income of $34,000 for the fiscal year ended September 29, 2007. The gain on sale and income are included in discontinued operations.

As a result of the above mentioned sales or closures, we allocated $100,000 and $75,000 of goodwill to these restaurants and reduced goodwill by these amounts in fiscal 2007 and 2005, respectively.

Critical Accounting Policies

Financial Reporting Release No. 60, published by the SEC, recommends that all companies include a discussion of critical accounting policies used in the preparation of their financial statements. Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or cash flows for the periods presented in this report.

Below are listed certain policies that management believes are critical:

Use of Estimates

The preparation of financial statements requires the application of certain accounting policies, which may require us to make estimates and assumptions of future events. In the process of preparing its consolidated financial statements, we estimate the appropriate carrying value of certain assets and liabilities, which are not readily apparent from other sources. The primary estimates underlying our 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 and share-based compensation, 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 actual results could differ from those estimates.

Long-Lived Assets

We annually assess any impairment in value of long-lived assets to be held and used. We evaluate the possibility of impairment by comparing anticipated undiscounted cash flows to the carrying amount of the related long-lived assets. If such cash flows are less than carrying value we then reduce the asset to its fair value. Fair value is generally calculated using discounted cash flows. Various factors such as sales growth and operating margins and proceeds from a sale are part of this analysis. Future results could differ from our projections with a resulting adjustment to income in such period.

Leases

We are obligated under various lease agreements for certain restaurants. We recognize rent expense on a straight-line basis over the expected lease term, including option periods as described below. Within the provisions of certain leases there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes option periods when it is deemed to be reasonably assured that we would incur an economic penalty for not exercising the option. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. We record rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. Our judgments may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

Deferred Income Tax Valuation Allowance

We provide such allowance due to uncertainty that some of the deferred tax amounts may not be realized. Certain items, such as state and local tax loss carry forwards, are dependent on future earnings or the availability of tax strategies. Future results could require an increase or decrease in the valuation allowance and a resulting adjustment to income in such period.

Accounting for Goodwill and Other Intangible Assets

During 2001, the FASB issued FAS 142, which requires that for us, effective September 28, 2002, goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have an indefinite useful life, cease amortizing. FAS 142 requires that goodwill and certain intangible assets be assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit (the Company is being treated as one reporting unit) with its net book value (or carrying amount), including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, we obtain appraisals from independent valuation firms. In addition to the use of independent valuation firms, we perform internal valuation analyses and consider other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy no impairment charges were recorded during the fiscal years ended 2007, 2006 and 2005.

Share-Based Compensation

Effective October 2, 2005 the Company adopted Statement of Financial Accounting Standards No. 123R, *"Share-Based Payment"* ("SFAS No. 123R"), and related interpretations and began expensing the grant-date fair value of employee stock options. Prior to October 2, 2005, the Company applied Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related interpretations in accounting for its stock option plans. Accordingly, prior to October 2, 2005, no compensation expense has been recognized in net income for employee stock options, as options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

Upon adoption of SFAS 123R, the Company elected to value employee stock options using the Black-Scholes option valuation method that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the options granted on December 21, 2004, which were unvested at the time of the adoption of SFAS 123R, included a risk free interest rate of 3.37%, volatility of 37%, a dividend yield of 3% and an expected life of three years.

The Company adopted SFAS No. 123R using the modified prospective transition method and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized during fiscal 2006 includes amortization related to the remaining unvested portion of stock awards granted prior to October 2, 2005, 105,000 options were granted during fiscal 2007. No options were granted during fiscal year 2006.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") has recently issued the following accounting pronouncements:

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company is required to adopt the provisions of FIN 48 during fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of FIN 48 on its consolidated results of operations and financial position.

In September 2006, the FASB issued FASB Statement No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for all financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 157 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial position and results of operations.

On December 4, 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"). These new standards will significantly change the accounting for and reporting for business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of adopting SFAS 141(R) and SFAS 160 on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

None.

Market For The Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Our Common Stock

Our Common Stock, $.01 par value, is traded in the over-the-counter market on the Nasdaq National Market under the symbol "ARKR." The high and low sale prices for our Common Stock from October 2, 2005 through September 29, 2007 are as follows:

	High	Low
Calendar 2005		
Fourth Quarter	$31.23	$26.70
Calendar 2006		
First Quarter	30.50	27.00
Second Quarter	30.50	27.11
Third Quarter	28.57	23.09
Fourth Quarter	32.89	26.55
Calendar 2007		
First Quarter	35.37	30.60
Second Quarter	36.99	33.01
Third Quarter	37.63	35.71

Dividend Policy

A quarterly cash dividend in the amount of $0.35 per share was declared on October 12, 2004. Subsequent to October 12, 2004, quarterly cash dividends in the amount of $0.35 per share were declared on January 12, April 12, July 12, October 10 and December 20, 2006 and on April 12, 2007. We declared an increase in our quarterly cash dividend to $0.44 per share on May 23, 2007 and a subsequent quarterly cash dividend reflecting this increased amount was declared on October 12, 2007. In addition, we declared a special cash dividend in the amount of $3.00 per share on December 20, 2006. Prior to this, we had not paid any cash dividends since our inception. We intend to continue to pay such quarterly cash dividend for the foreseeable future, however, the payment of future dividends is at the discretion of our Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Issuer Purchases of Equity Securities

On August 22, 2006, our Board of Directors authorized a stock repurchase program under which up to four million dollars of our common stock could be acquired in the open market over the twelve months following such authorization at our discretion. The shares could have been purchased from time to time at prevailing market prices through open market or unsolicited negotiated transactions, depending on market conditions. Under the program, the purchases were to be funded from available working capital, and the repurchased shares would be held in treasury or used for ongoing stock issuances. At September 29, 2007, no shares had been purchased by us under the program.

As of December 14, 2007, there were 34 holders of record of our Common Stock, $.01 par value. This does not include the number of persons whose stock is in nominee or "street name" accounts through brokers.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Ark Restaurants Corp. and Subsidiaries as of September 29, 2007 and September 30, 2006, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended September 29, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ark Restaurants Corp. and Subsidiaries as of September 29, 2007 and September 30, 2006, and their consolidated results of operations and cash flows for each of the three years in the period ended September 29, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in fiscal year 2006.

/s/ J.H. Cohn LLP

Jericho, New York
December 21, 2007

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 29, 2007	September 30, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,009	$ 7,671
Short-term investments in available-for-sale securities	9,201	—
Accounts receivable	2,657	2,587
Related party receivables, net	1,318	1,446
Employee receivables	316	394
Current portion of long-term receivables	114	131
Inventories	1,410	1,675
Prepaid expenses and other current assets	649	700
Assets held for sale	1,120	1,657
Total current assets	20,794	16,261
LONG-TERM RECEIVABLES	352	1,025
FIXED ASSETS—At cost:		
Leasehold improvements	27,094	34,807
Furniture, fixtures and equipment	25,692	28,408
Construction in progress	1,142	159
	53,928	63,374
Less accumulated depreciation and amortization	33,880	39,230
FIXED ASSETS—Net	20,048	24,144
INTANGIBLE ASSETS—Net	80	100
GOODWILL	5,107	3,440
TRADEMARKS	721	—
DEFERRED INCOME TAXES	4,763	6,305
OTHER ASSETS	316	845
TOTAL	$52,181	$52,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable—trade	$ 2,404	$ 2,193
Accrued expenses and other current liabilities	5,503	4,218
Accrued income taxes	1,135	1,452
Current portion of note payable	181	—
Total current liabilities	9,223	7,863
OPERATING LEASE DEFERRED CREDIT	3,771	4,203
NOTE PAYABLE	704	—
OTHER LIABILITIES	229	301
TOTAL LIABILITIES	13,927	12,367
LIMITED PARTNER INTEREST IN VARIABLE INTEREST ENTITY	164	—
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, par value $.01 per share—authorized, 10,000 shares; issued, 5,667 shares and 5,632 shares at September 29, 2007 and September 30, 2006, respectively	57	57
Additional paid-in capital	21,756	20,403
Accumulated other comprehensive income	49	—
Retained earnings	24,780	27,845
	46,642	48,305
Less stock option receivable	(166)	(166)
Less treasury stock of 2,070 shares at September 29, 2007 and September 30, 2006	(8,386)	(8,386)
Total shareholders' equity	38,090	39,753
TOTAL	$52,181	$52,120

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Years Ended		
	September 29, 2007	September 30, 2006	October 1, 2005
REVENUES:			
Food and beverage sales	$122,062	$108,096	$105,231
Other income	2,145	2,423	1,826
Total revenues	124,207	110,519	107,057
COST AND EXPENSES:			
Food and beverage cost of sales	32,058	27,942	26,991
Payroll expenses	37,746	35,213	33,307
Occupancy expenses	16,288	16,129	15,546
Other operating costs and expenses	15,012	13,330	12,496
General and administrative expenses	9,046	7,231	7,318
Depreciation and amortization	2,721	2,534	2,305
Total cost and expenses	112,871	102,379	97,963
OPERATING INCOME	11,336	8,140	9,094
OTHER (INCOME) EXPENSE:			
Interest expense	65	8	16
Interest income	(417)	(90)	(100)
Other income	(805)	(714)	(672)
Total other income	(1,157)	(796)	(756)
Income from continuing operations before provision for income taxes and limited partner interest in variable interest entity	12,493	8,936	9,850
Provision for income taxes	3,853	2,965	3,046
Limited partner interest in income of variable interest entity	(236)	—	—
INCOME FROM CONTINUING OPERATIONS	8,404	5,971	6,804
DISCONTINUED OPERATIONS:			
Income (loss) from operations of discontinued restaurants (includes net gain on disposal of $7,814 for the year ended September 29, 2007)	7,090	(1,124)	(326)
Provision (benefit) for income taxes	2,481	(373)	(101)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	4,609	(751)	(225)
NET INCOME	$ 13,013	$ 5,220	$ 6,579
PER SHARE INFORMATION—BASIC AND DILUTED:			
Income from continuing operations	$ 2.34	$ 1.72	$ 1.98
Discontinued operations	1.29	(0.22)	(0.06)
BASIC	$ 3.63	$ 1.50	$ 1.92
Income from continuing operations	$ 2.33	$ 1.68	$ 1.92
Discontinued operations	1.28	(0.21)	(0.07)
DILUTED	$ 3.61	$ 1.47	$ 1.85
WEIGHTED AVERAGE NUMBER OF SHARES—BASIC	3,582	3,472	3,436
WEIGHTED AVERAGE NUMBER OF SHARES—DILUTED	3,607	3,548	3,555

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended		
	September 29, 2007	September 30, 2006	October 1, 2005
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 13,013	$ 5,220	$ 6,579
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	1,542	(996)	187
Stock-based compensation	408	748	—
Depreciation and amortization	2,721	3,778	3,694
Gain on disposal of discontinued operation	(7,814)	—	—
Impairment loss on assets held for sale of discontinued operations	537	—	—
Limited partner interest in income of consolidated variable interest entity	235	—	—
Operating lease deferred credit	(339)	23	(21)
Changes in operating assets and liabilities:			
Accounts receivable	(70)	(217)	(826)
Related party receivables	128	(995)	176
Employee receivables	78	(100)	36
Inventories	30	(60)	116
Prepaid expenses and other current assets	51	1,019	198
Other assets	148	(116)	43
Accounts payable - trade	211	(547)	510
Accrued income taxes	(317)	448	(583)
Accrued expenses and other current liabilities	1,285	(538)	(25)
Cash received from landlord	—	3,000	—
Net cash provided by continuing operating activities	11,847	10,667	10,084
Net cash provided by (used in) discontinued operating activities	(83)	(157)	(163)
Net cash provided by operating activities	11,764	10,510	9,921
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed assets	(3,655)	(5,352)	(4,252)
Proceeds from sale of discontinued operation	14,000	—	—
Purchases of investment securities	(29,189)	—	—
Proceeds from sales of investment securities	20,037	—	—
Payment for purchase of Durgin Park	(2,000)	—	—
Payments received on long-term receivables	690	418	416
Net cash used in continuing investing activities	(117)	(4,934)	(3,836)
Net cash used in discontinued investing activities	—	—	(400)
Net cash used in investing activities	(117)	(4,934)	(4,236)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Tax benefit on exercise of stock options	81	595	—
Principal payments on note payable	(115)	—	(251)
Dividends paid	(16,078)	(4,847)	(4,801)
Exercise of stock options	864	624	457
Payments received on stock option receivable	—	—	198
Distributions to limited partners of consolidated variable interest entity	(61)	—	—
Net cash used in financing activities	(15,309)	(3,628)	(4,397)
NET INCREASE (DECREASE) IN CASH	(3,662)	1,948	1,288
CASH AND CASH EQUIVALENTS, Beginning of year	7,671	5,723	4,435
CASH AND CASH EQUIVALENTS, End of year	$ 4,009	$ 7,671	$ 5,723
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 64	$ 8	$ 25
Income taxes	$ 5,969	$ 2,136	$ 3,341
Non-cash financing activity:			
Debt incurred in connection with acquisition	$ 1,000	$ —	$ —

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHODLERS' EQUITY
YEARS ENDED SEPTEMBER 29, 2007, SEPTEMBER 30, 2006 AND OCTOBER 1, 2005

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Stock Option Receivable	Treasury Stock	Total Shareholders' Equity
	Shares	Amount						
				(In thousands)				
BALANCE—October 2, 2004	5,462	$54	$17,202	$—	$ 25,694	$(364)	$(8,386)	$ 34,200
Exercise of stock options	71	2	455	—	—	—	—	457
Tax benefit on exercise of stock options	—	—	780	—	—	—	—	780
Payment on stock options receivables	—	—	—	—	—	198	—	198
Payment of dividends—$1.40 per share	—	—	—	—	(4,801)	—	—	(4,801)
Net income	—	—	—	—	6,579	—	—	6,579
BALANCE—October 1, 2005	5,533	56	18,437	—	27,472	(166)	(8,386)	37,413
Exercise of stock options	99	1	623	—	—	—	—	624
Tax benefit on exercise of stock options	—	—	595	—	—	—	—	595
Stock-based compensation	—	—	748	—	—	—	—	748
Payment of dividends—$1.40 per share	—	—	—	—	(4,847)	—	—	(4,847)
Net income	—	—	—	—	5,220	—	—	5,220
BALANCE—September 30, 2006	5,632	57	20,403	—	27,845	(166)	(8,386)	39,753
Exercise of stock options	35	—	864	—	—	—	—	864
Tax benefit on exercise of stock options	—	—	81	—	—	—	—	81
Stock-based compensation	—	—	408	—	—	—	—	408
Payment of dividends—$4.49 per share	—	—	—	—	(16,078)	—	—	(16,078)
Unrealized gain on available-for-sale securities	—	—	—	49	—	—	—	49
Net income	—	—	—	—	13,013	—	—	13,013
BALANCE—September 29, 2007	5,667	$57	$21,756	$49	$ 24,780	$(166)	$(8,386)	$ 38,090

See notes to consolidated financial statements.

1. Business and Summary of Significant Accounting Policies

Ark Restaurants owns and operates 23 restaurants and bars, 24 fast food concepts, catering operations and wholesale and retail bakeries. Seven restaurants are located in New York City, four are located in Washington, D.C., five are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, three are located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in Boston, Massachusetts. The Las Vegas operations include three restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel's room service, banquet facilities, employee dining room and nine food court concepts; one bar within the Venetian Casino Resort as well as three food court concepts. In Las Vegas, the Company also owns and operates one restaurant within the Forum Shops at Caesar's Shopping Center. The Company manages two fast food courts in Florida consisting of five fast food facilities in Tampa, Florida and eight fast food facilities in Hollywood, Florida, each at a Hard Rock Hotel and Casino operated by the Seminole Indian Tribe at these locations. In Atlantic City, New Jersey, the Company operates a restaurant and a bar in the Resorts Atlantic City Hotel and Casino. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace.

Accounting Period—The Company's fiscal year ends on the Saturday nearest September 30. The fiscal years ended September 29, 2007, September 30, 2006 and October 1, 2005 included 52 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 receivables, the useful lives and recoverability of its assets, such as property and intangibles, fair values of financial instruments and share-based compensation, the realizable value of its tax assets and other matters.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries, partnerships and other entities in which it has a controlling interest. Also included in the consolidated condensed financial statements are certain variable interest entities, as discussed below. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications—Certain reclassifications of prior year balances have been made to conform to the current year presentation. In connection with the planned or actual sale or closure of various restaurants, the operations of these businesses have been presented as discontinued operations in the consolidated financial statements. Accordingly, the Company has reclassified its statements of operations and cash flow data for the prior periods presented, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). These dispositions are discussed below in "Recent Restaurant Dispositions."

Consolidation of Variable Interest Entities—In June 2005, the Emerging Issues Task Force ("EITF") issued EITF No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-5"). EITF 04-5 presumes that a general partner controls a limited partnership and therefore should consolidate the partnership. This presumption can be overcome of the limited partners have kick-out or substantive participating rights. EITF 04-5 was effective for the Company's quarter ended December 30, 2006 and accordingly management has made an assessment of the limited partnership or similar entities that the Company provides management services to where it is also the general partner in the entity that owns the property. Effective October 1, 2006 the Company determined that one of its managed restaurants, El Rio Grande ("Rio"), should be presented on a consolidated basis in accordance with EITF 04-5 and as a result included Rio in its consolidated financial statements. The impact of such consolidation was not material to the Company's consolidated financial position or results of operations for any period presented.

Cash and Cash Equivalents—Cash and cash equivalents, which primarily consist of money market funds, are stated at cost, which approximates fair value. For financial statement presentation purposes, the Company considers all highly liquid investments having original maturities of three months or less to be cash equivalents. Outstanding checks in excess of account balances, typically vendor payments, payroll and other contractual obligations disbursed on or near the last day of a reporting period are reported as a current liability in the accompanying consolidated balance sheets. The Company maintains the majority of its cash and cash equivalents with high quality financial institutions. Deposits held with banks exceed insurance limits. These deposits may be redeemed upon demand and therefore bear minimal risk.

Available-For-Sale Securities—Available-for-sale securities consist of United States Treasury Bills, commercial paper, government bonds, corporate bonds and other fixed income securities, all of which have a high degree of liquidity and are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. The cost of investments in available-for-sale securities is determined on a specific identification basis. Realized gains or losses and declines in value judged to be other than temporary, if any, are reported in other income, net. The Company evaluates its investments periodically for possible impairment and reviews factors such as the length of time and extent to which fair value has been below cost basis and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value.

Accounts Receivable—Accounts receivable is primarily composed of normal business receivables such as credit card receivables that are paid off in a short period of time.

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.

Revenue Recognition—The Company-owned restaurant sales are composed almost entirely of food and beverage sales. The Company records revenue at the time of the purchase of products by customers.

Management fees, which are included in Revenues–Other Income, are related to the Company's managed restaurants and are based on either gross restaurant sales or cash flow. The Company recognizes management fee income in the period sales are made or cash flow is generated.

The Company offers customers the opportunity to purchase gift certificates. At the time of purchase by the customer, the Company records a gift certificate liability for the face value of the certificate purchased. The Company recognizes the revenue and reduces the gift certificate liability when the certificate is redeemed. The Company does not reduce its recorded liability for potential non-use of purchased gift cards.

Fixed Assets—Leasehold improvements and furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (three to 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 30 years. For leases with renewal periods at the Company's option, if failure to exercise a renewal option imposes an economic penalty to the Company, management may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of appropriate estimated useful lives.

The Company includes in construction in progress improvements in restaurants that are under construction. Once the projects have been completed, the Company will begin depreciating and amortizing the assets. Start-up costs incurred during the construction period of restaurants, including rental of premises, training and payroll, are expensed as incurred.

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including future sales growth and profit margins are included in this analysis. Management believes at this time that carrying values and useful lives continue to be appropriate.

For the years ended September 29, 2007, September 30, 2006 and October 1, 2005, no impairment charges were deemed necessary.

Intangible Assets, Goodwill and Trademarks—Intangible assets consist primarily of goodwill, trademarks, purchased leasehold rights and noncompete agreements. Trademarks acquired in connection with the Durgin Park acquisition (see Note 2) are considered to have an indefinite life and are not being amortized. As of September 29, 2002, the Company adopted the provisions of SFAS No. 142, *Accounting for Goodwill and Other Intangible Assets.* This statement requires that for goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have an indefinite useful life, the Company cease amortization. SFAS No. 142 requires that goodwill and certain intangible assets be assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of the reporting unit (the Company is being treated as one reporting unit) with its net book value (or carrying amount), including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, the Company obtains appraisals from independent valuation firms. In addition to the use of independent valuation firms, the Company performs internal valuation analyses and considers other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were recorded during the fiscal years ended 2007, 2006 and 2005.

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 9 to 20 years.

Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period, typically five years.

Amortization expense for intangible assets not including goodwill was $20,000, $29,000 and $28,000 for fiscal years ended 2007, 2006 and 2005, respectively.

Leases—The Company is obligated under various lease agreements for certain restaurants. The Company recognizes rent expense on a straight-line basis over the expected lease term, including option periods as described below. Within the provisions of certain leases there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes option periods when it is deemed to be reasonably assured that the Company would incur an economic penalty for not exercising the option. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. The Company records rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. The judgments of the Company may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

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 deferred credits that reverse over the lease term.

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

Income Taxes—Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Income Per Share of Common Stock—Basic 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. Diluted net income per share reflects the additional dilutive effect of potentially dilutive shares (principally those arising from the assumed exercise of stock options).

Share-based Compensation—Effective October 2, 2005, the Company adopted Statement of Financial Accounting Standards No. 123R, *"Share-Based Payment"* ("SFAS 123R"), and related interpretations and began expensing the grant-date fair value of employee stock options. Prior to October 2, 2005, the Company applied Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related interpretations in accounting for its stock option plans. Accordingly, prior to October 2, 2005, no compensation expense has been recognized for employee stock options, as options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Upon adoption of SFAS 123R, the Company elected to value employee stock options using the Black-Scholes option valuation method that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the options granted on December 21, 2004, which were unvested at the time of the adoption of SFAS 123R, included a risk free interest rate of 3.37%, volatility of 37%, a dividend yield of 3% and an expected life of three years.

On October 2, 2005, the Company adopted SFAS 123R using the modified prospective transition method and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized during fiscal 2006 includes amortization related to the remaining unvested portion of stock awards granted prior to October 2, 2005. During fiscal year 2007, the Company granted options to purchase 105,000 shares of common stock at an exercise price of $32.15. No options were granted during fiscal year 2006.

Prior to the adoption of SFAS 123R, the Company presented tax benefits resulting from share-based compensation as operating cash flows in the consolidated statements of cash flows. SFAS 123R requires that cash flows resulting from tax deductions in excess of compensation cost recognized in the financial statements be classified as an operating cash outflow and a financing cash inflow.

Compensation cost charged to operations for the fiscal years ended 2007 and 2006 for share-based compensation programs was $408,000 and $748,000, before tax benefits of $139,000 and $256,000, respectively. The compensation cost recognized is classified as payroll expense in the consolidated statements of operations.

In November 2005, the FASB issued FASB Staff Position No. FAS 123R-3 "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" ("FAS 123R-3"). The Company has elected to adopt the alternative transition method provided in this FASB Staff Position for calculating the tax effects of share-based compensation pursuant to FAS 123R-3. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R.

A summary of stock option activity is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Contractual Term (Yrs.)	Aggregate Intrinsic Value
Outstanding as September 30, 2006	202,000	$28.68	$ 8.06	7.91	
Granted	105,000	$32.15	$10.94	9.23	
Exercised	(35,500)	$24.25	$ 6.76	—	
Outstanding at September 29, 2007	271,500	$30.59	$ 9.22	8.01	$1,695,195
Exercisable at September 29, 2007	166,500	$29.60	$ 8.13	7.23	$1,203,795

Had the Company accounted for its share-based awards under the fair value method for the fiscal year ended October 1, 2005 the impact on its financial statements would have been as follows:

	Year Ended October 1, 2005
	(In thousands, except per share amounts)
Net income as reported	$6,579
Deduct share-based compensation expense computed under the fair value method	494
Net income—pro forma	$6,085
Net income per share as reported—basic	$ 1.92
Net income per share as reported—diluted	$ 1.85
Net income per share pro forma—basic	$ 1.77
Net income per share pro forma—diluted	$ 1.71

As of September 29, 2007, there was approximately $846,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately three years.

The Company, generally, issues new shares upon the exercise of employee stock options.

Recently Issued Accounting Pronouncements—In June 2006, the FASB issued FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *"Accounting for Income Taxes"*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company is required to adopt the provisions of FIN 48 during fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of FIN 48 on its consolidated results of operations and financial position.

In September 2006, the FASB issued FASB Statement No. 157 ("SFAS 157"), *"Fair Value Measurements."* SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for all financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 157 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities–including an amendment of FASB Statement No. 115"* ("SFAS 159"). SFAS 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial position and results of operations.

On December 4, 2007, the FASB issued SFAS No. 141(R), *"Business Combinations"* ("SFAS 141(R)"), and SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51"* ("SFAS 160"). These new standards will significantly change the accounting for and reporting for business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of adopting SFAS 141(R) and SFAS 160 on our consolidated financial statements.

2. Acquisition

On January 8, 2007, the Company acquired the operating assets and leasehold for the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year.

The following summarizes the estimated fair values of the assets acquired at the acquisition date:

Fixed Assets	$ 513
Trademarks	721
Goodwill	1,766
Total Purchase Price	$3,000

The difference between the aggregate purchase price and fair value of the assets acquired has been recorded as goodwill and trademarks based on a valuation of the assets acquired.

Unaudited pro forma financial information has not been presented as it has been deemed immaterial to the financial position, results of operations and cash flows by management.

3. Recent Restaurant Dispositions

In November 2000 the Company entered into a sale and leaseback agreement to refinance the purchase of various restaurant equipment at its food and beverage facilities at Desert Passage, the retail complex at the Aladdin Resort & Casino in Las Vegas, Nevada. In 2002, the operations at the Aladdin were abandoned. During fiscal 2006 the Company made an unprovided for lump sum payment of $142,000 due under this lease which is included in discontinued operations for fiscal year 2006.

The Company's bar/nightclub facility Venus, located at the Venetian Casino Resort, experienced a steady decline in sales and the Company felt that a new concept was needed at this location. During the first quarter of 2005, this bar/nightclub facility was closed for re-concepting and re-opened as "Vivid" on February 4, 2005. Total conversion costs were approximately $400,000. Sales at the new bar/nightclub facility failed to reach the level sufficient to achieve the results the Company required. As of December 31, 2005, the Company classified the assets and liabilities of this facility as "held for sale" in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144") based on the fact that the facility has met the criteria for such under SFAS 144. The Company recorded impairment charges of $571,000 during fiscal 2007 as a result of the sale of this facility. The Company recorded net operating losses of $188,000 and $486,000 for the fiscal years ended September 29, 2007 and September 30, 2006, respectively. The impairment charges and operating losses are included in discontinued operations.

On July 6, 2006, the landlord for the Vico's Burrito's fast food facility at the Venetian Casino Resort notified the Company that they were exercising their option to terminate the lease in exchange for the landlord providing the Company with the unamortized portion of the non-removable improvements located in the facility. On August 10, 2006, the Company entered into a letter agreement pursuant to which the landlord agreed to pay $200,000 for the unamortized portion of the non-removable improvements located in the facility. The Company realized a loss on the closure of this restaurant of $70,000 which is included in discontinued operations. Operating income of $35,000 and operating losses of $425,000 is included in discontinued operations for the fiscal years ended September 29, 2007 and September 30, 2006, respectively.

During 2006, the Company was approached by the Venetian Casino Resort who indicated that, due to the expansion of the Grand Canal Shoppes, the Company's Lutece and Tsunami locations, as well as a portion of the Company's Vivid location, in the Grand Canal Shoppes were desired by other tenants. The Venetian Casino Resort offered to purchase these locations from the Company for an aggregate of $14,000,000. After evaluating the offer, the Company determined that such offer made it advantageous for the Company to redeploy these assets. Effective December 1, 2006, the Company's subsidiaries that leased each of Lutece, Tsunami and Vivid locations at the Venetian Resort Hotel Casino in Las Vegas, Nevada, entered into an agreement to sell Lutece, Tsunami and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC for an aggregate of $14,000,000. The Company's Lutece location closed on December 3, 2006 and the Company's Tsunami location closed on January 3, 2007. The Company realized a gain of $7,814,000 ($5,196,000 after taxes, or $1.45 per share) on the sale of these facilities. In addition, the gain was reduced by an allocation of goodwill in the amount of $100,000. The Company recorded operating income of $34,000 and losses of $425,000 fiscal years of 2007 and 2006, respectively, for both facilities. The gain on sale and losses are included in discontinued operations.

In accordance with SFAS 144, all prior years included in the accompanying consolidated statements of operations and cash flows have been reclassified to separately show the results of operations and cash flows of discontinued operations. Total revenues of discontinued operations were $2,686,000, $6,609,000 and $10,190,000 in fiscal years 2007, 2006 and 2005, respectively.

4. Investment Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale securities by major type and class at September 29, 2007 are as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
At September 29, 2007				
Available for sales short-term:				
Government debt securities	$3,130	$14	$—	$3,144
Corporate debt securities	5,427	35	—	5,462
	$8,557	$49	$—	$8,606
At September 29, 2007				
Available for sales long-term:				
Corporate debt securities	$ 595	$—	$—	$ 595
	$ 595	$—	$—	$ 595

5. Long-Term Receivables

Long-term receivables consist of the following:

	September 29, 2007	September 30, 2006
	(In thousands)	
Note receivable collateralized by fixed assets and lease at a restaurant sold by the Company, at 8% interest; due in monthly installments through December 2006 (a)	$ —	$ 23
Note receivable collateralized by fixed assets and lease at a restaurant sold by the Company, at 7.5% interest; due in monthly installments through December 2008 (b)	—	558
Note receivable collateralized by fixed assets and lease at a restaurant sold by the Company, at 6% interest, due in monthly installments through June 2011 (c)	466	575
	466	1,156
Less current portion	114	131
	$352	$1,025

(a) In December 1996, the Company sold a restaurant for $900,000. Cash of $50,000 was received on sale and the balance was paid in full during fiscal 2007.

(b) In October 1997, the Company sold a restaurant for $1,750,000, of which $200,000 was paid in cash and the balance was due in monthly installments under the terms of two notes bearing interest at 7.5%. One note, with an initial principal balance of $400,000, was paid in 24 monthly installments of $19,000 through April 2000. The second note, with an initial principal balance of $1,150,000, was paid in full during fiscal 2007.

(c) In March 2005, the Company sold a restaurant for $1,300,000. Cash of $600,000 was included on the sale. Of the $600,000 cash, $200,000 was paid to the Company as a fee to manage the restaurant for four months prior to closure and the balance was paid directly to the landlord. The remaining $700,000 was received in the form of a note payable in installments through June 2011. The Company recognized a gain of $644,000 during the year ended October 1, 2005 in connection with this sale.

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

6. Intangible Assets

Intangible assets consist of the following:

	September 29, 2007	September 30, 2006
	(In thousands)	
Purchased leasehold rights (a)	$2,377	$490
Noncompete agreements and other	412	483
	2,789	973
Less accumulated amortization	2,709	873
Total intangible assets	$ 80	$100

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

7. Goodwill and Trademarks

Goodwill is the excess of cost over fair market value of tangible and intangible net assets acquired. Goodwill is not presently amortized but tested for impairment annually or when the facts or circumstances indicate a possible impairment of goodwill as a result of a continual decline in performance or as a result of fundamental changes in a market in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Trademarks, which have indefinite lives, are not currently amortized and are tested for impairment annually or when facts or circumstances indicate a possible impairment as a result of a continual decline in performance or as a result of fundamental changes in a market.

8. Other Assets

Other assets consist of the following:

	September 29, 2007	September 30, 2006
	(In thousands)	
Deposits and other	$316	$465
Landlord receivable (a)	—	380
	$316	$845

(a) This balance represents certain costs paid by the Company on behalf of a landlord, which under an agreement with the landlord was to be used as a future offset to contingent rent payments for certain Las Vegas restaurants. The balance was written off in connection with the sale of these restaurants.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	September 29, 2007	September 30, 2006
	(In thousands)	
Sales tax payable	$ 694	$ 696
Accrued wages and payroll related costs	1,355	1,094
Customer advance deposits	1,666	1,120
Accrued and other liabilities	1,788	1,308
	$5,503	$4,218

10. Commitments and Contingencies

Leases—The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2021. 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 29, 2007, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	Amount (In thousands)
2008	$ 5,837
2009	5,231
2010	4,907
2011	4,993
2012	6,243
Thereafter	13,455
Total minimum payments	$40,666

In connection with certain of the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of $466,000 as security deposits under such leases.

Rent expense was $12,408,000, $12,299,000 and $11,978,000 during the fiscal years ended September 29, 2007, September 30, 2006 and October 1, 2005, respectively. Contingent rentals, included in rent expense, were $4,353,000, $4,392,000, and $4,160,000 for the fiscal years ended September 29, 2007, September 30, 2006 and October 1, 2005, respectively.

In August 2004, the Company entered into a lease agreement to operate a *Gallagher's Steakhouse* and separate bar, *Luna Lounge*, at the Resorts International Hotel and Casino in Atlantic City, New Jersey. In connection with this lease the landlord contributed $3,000,000 towards the construction of these facilities. The Company received the $3,000,000 during the fiscal year ended September 30, 2006. As a result of cost overruns the landlord provided the Company with a rent credit which totaled $500,000. These amounts are included in the Operating Lease Deferred Credit Liability and are credited to income over the remaining life of the related lease on a straight-line basis.

In September 2006, the Company entered into an agreement to lease space for a Mexican restaurant, *Yolos*, at the Planet Hollywood Resort and Casino (formerly known as the Aladdin Resort and Casino) in Las Vegas, Nevada. Lease payments do not commence until construction of this restaurant is completed. This restaurant is expected to open during the first fiscal quarter of 2008.

The future minimum lease payments from the above noted leases are included in the above schedule.

Legal Proceedings—In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and worker'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's consolidated financial statements.

Other—The Company's tax return for the fiscal year ended September 30, 2006 is currently under audit by the Internal Revenue Service. The Company's tax returns for the fiscal years ended September 30, 2006 and October 1, 2005 are currently under audit by New York State. The Company expects no material adjustments will result from these examinations.

11. Common Stock Repurchase Plan

In August 2006, the Company authorized the repurchase of up to $4,000,000 of the Company's outstanding common stock which may be acquired in open market purchases over the twelve months following the date of the authorization. For the fiscal years ended September 29, 2007 and September 30, 2006, there were no repurchases of common stock.

12. Stock Options

The Company has options outstanding under two stock option plans, the 1996 Stock Option Plan (the "1996 Plan) and the 2004 Stock Option Plan (the "2004 Plan"). In 2004 the Company terminated the 1996 Plan. This action terminated the 257,000 authorized but unissued options under the 1996 Plan but it did not affect any of the options previously issued under the 1996 Plan.

Options granted under the 1996 Plan 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 grant date.

Options granted under the 2004 Plan 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 ten years after the date of grant. During fiscal 2005, options to purchase 194,000 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. During fiscal 2007, options to purchase 105,000 shares of common stock were granted and are 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 grant date.

Additional information as of the end of each respective fiscal year is as follows:

	2007		2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	202,000	$28.68	301,000	$ 21.32	178,000	$ 7.91
Options:						
Granted	105,000	32.15	—	—	194,000	29.60
Exercised	(35,500)	24.35	(99,000)	6.30	(71,000)	6.47
Canceled or expired	—	—	—			
Outstanding, end of year (a)	271,500	30.59	202,000	28.68	301,000	21.32
Exercise price, outstanding options	$29.60–32.15		$ 6.30–29.60		$ 6.30–29.60	
Weighted average years	8.01 Years		7.91 Years		6.38 Years	
Shares available for future grant (b)	151,000		256,000		256,000	
Options exercisable (a)	166,500	29.60	105,000	27.82	107,000	6.30
Fair value of options granted	105,000	10.94	—	194,000	8.13	

(a) Options become exercisable at various times expiring through 2016.

(b) The 2004 Stock Option Plan, which was approved by shareholders, is the Company's only equity compensation plan currently in effect. Under the 2004 Stock Option Plan, 450,000 options were authorized for future grant and 194,000 of these options were issued during fiscal 2005. During fiscal 2007, the Company issued an additional 105,000 of these options. The Company, with the approval of the shareholders, terminated the 1996 Stock option Plan. This action terminated the 257,000 authorized but unissued options under the 1996 Stock Option Plan but it did not affect any of the options previously issued under the 1996 Stock Option Plan.

13. Management Fee Income

As of September 29, 2007, the Company provides management services to two fast food courts and two restaurants it does not own. In accordance with the contractual arrangements, the Company earns management fees based on gross sales or cash flow as defined by the agreements. Management fee income relating to these services was $1,929,000, $1,980,000 and $1,568,000 for the years ended September 29, 2007, September 30, 2006 and October 1, 2005, respectively. Such amount for the year ended September 29, 2007 included $629,000 for management fees and $1,300,000 for profit distributions. Such amount for the year ended September 30, 2006 included $932,000 for management fees and $1,048,000 for profit distributions. Such amount for the year ended October 1, 2005 included $851,000 for management fees and $717,000 for profit distributions.

Receivables from managed restaurants, classified as Related Party receivable in the accompanying consolidated balance sheets, were $1,318,000 and $1,446,000 at September 29, 2007 and September 30, 2006, respectively. Such amount at September 29, 2007 included $206,000 for management fees and $1,112,000 for expense advances. Such amount at September 30, 2006 included $161,000 for management fees, $250,000 for profit distributions and $1,035,000 for expense advances.

Managed restaurants had sales of $20,514,000, $16,377,000 and $12,105,000 during the management periods within the years ended September 29, 2007, September 30, 2006 and October 1, 2005, respectively, which are not included in consolidated net sales of the Company.

14. 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 state and local 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 attributable to continuing and discontinued operations consists of the following:

	Years Ended		
	September 29, 2007	September 30, 2006	October 1, 2005
		(In thousands)	
Current provision:			
Federal	$4,579	$2,985	$2,189
State and local	213	603	569
	4,792	3,588	2,758
Deferred provision (benefit):			
Federal	1,166	(967)	413
State and local	376	(29)	(226)
	1,542	(996)	187
	$6,334	$2,592	$2,945

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

	Years Ended		
	September 29, 2007	September 30, 2006	October 1, 2005
		(In thousands)	
Provision at Federal statutory rate (35% in 2007 and 34% in 2006 and 2005)	$6,845	$2,656	$3,238
State and local income taxes net of Federal tax benefit	341	502	309
Tax credits	(819)	(484)	(514)
State and local net operating loss carryforward allowance adjustment	27	(134)	(125)
Other	(60)	52	37
	$6,334	$2,592	$2,945

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 29, 2007	September 30, 2006
	(In thousands)	
Long-term deferred tax assets (liabilities):		
Operating loss carryforwards	$2,330	$2,513
Operating lease deferred credits	1,497	1,407
Carryforward tax credits	777	2,574
Depreciation and amortization	(44)	53
Deferred gains	(266)	(416)
Valuation allowance	(252)	(224)
Deferred compensation	632	284
Pension withdrawal liability	89	114
Total long-term net deferred tax assets	4,763	6,305
Total net deferred tax assets	$4,763	$6,305

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, related to state taxes, and operating lease deferred credits. Therefore, the Company provided a valuation allowance of $252,000 and $224,000 at September 29, 2007 and September 30, 2006, respectively. The Company decreased its allowance for the utilization of the deferred tax asset arising from state and local operating loss carryforwards by $134,000 and $125,000 for the years ended September 30, 2006 and October 1, 2005, respectively, based on the merger of certain unprofitable subsidiaries into profitable ones. The Company has state operating loss carryforwards of $19,576,000, which expire in the years 2007 through 2020.

During the fiscal year ended September 30, 2006, the Company agreed to a settlement with the Internal Revenue Service which covered fiscal years ended October 2, 1999 through October 2, 2004. The final adjustments primarily related to the timing of deductions made during the fiscal year ended September 28, 2003 relating to the abandonment of the Company's restaurant and food court operations at Desert Passage which adjoins the Aladdin Casino Resort in Las Vegas, Nevada. This settlement did not have a material effect on the Company's consolidated financial condition.

15. Other Income

Other income consists of the following:

	Years Ended		
	September 29, 2007	September 30, 2006	October 1, 2005
		(In thousands)	
Purchasing service fees	$ 76	$ 60	$ 41
Other	729	654	631
	$805	$714	$672

16. Income Per Share of Common Stock

A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended September 29, 2007, September 30, 2006 and October 1, 2005 follows:

	Net Income (Numerator)	Shares (Denominator)	Per-Share Amount
	(In thousands, except per share amounts)		
Year ended September 29, 2007:			
Basic EPS	$13,013	3,582	$ 3.63
Stock options	—	25	(0.02)
Diluted EPS	$13,013	3,607	$ 3.61
Year ended September 30, 2006:			
Basic EPS	$ 5,220	3,472	$ 1.50
Stock options	—	76	(0.03)
Diluted EPS	$ 5,220	3,548	$ 1.47
Year ended October 1, 2005:			
Basic EPS	$ 6,579	3,436	$ 1.92
Stock options	—	119	(0.07)
Diluted EPS	$ 6,579	3,555	$ 1.85

For the fiscal years ended September 29, 2007 and October 1, 2005 all outstanding stock options were included in the computation of diluted EPS. For the year ended September 30, 2006, stock options for 194,000 shares were not included in the computation of diluted EPS because to do so would have been antidilutive.

17. Quarterly Information (Unaudited)

The following tables set forth certain unaudited results of operations for each quarter during 2007 and 2006. The unaudited information has been prepared on the same basis as the audited consolidated financial statements and includes all adjustments which management considers necessary for a fair presentation of the financial data shown. The operating results for any quarter are not necessarily indicative of the results to be attained for any future period. Basic and diluted earnings (loss) per share are computed independently for each of the periods presented. Accordingly, the sum of the quarterly earnings (loss) per share may not agree to the total for the year.

The quarterly financial results for the fiscal quarter ended December 30, 2006 as presented, differ from the Company's previously filed 10Q as they do not separately disclose a cummulative effect of a change in accounting principle. This amount is deemed immaterial to the financial statements and has been included with income from continuing operations.

	Fiscal Quarters Ended			
	December 30, 2006	March 31, 2007	June 30, 2007	September 29, 2007
	(In thousands except per share amounts)			
2007				
Revenues	$28,202	$25,867	$36,064	$34,074
Income from continuing operations	$ 1,831	$ 447	$ 3,520	$ 2,606
Income (loss) from discontinued operations	4,759	(69)	(49)	(32)
Net income	$ 6,590	$ 378	$ 3,471	$ 2,574
Per share information—basic and diluted:				
Continuing operations basic	$ 0.51	$ 0.13	$ 0.98	$ 0.73
Discontinued operations basic	1.33	(0.02)	(0.01)	(0.01)
Net basic	$ 1.84	$ 0.11	$ 0.97	$ 0.72
Continuing operations diluted	$ 0.51	$ 0.12	$ 0.97	$ 0.72
Discontinued operations diluted	1.33	(0.02)	(0.01)	(0.01)
Net diluted	$ 1.84	$ 0.10	$ 0.96	$ 0.71

	Fiscal Quarters Ended			
	December 31, 2005	April 1, 2006	July 1, 2006	September 30, 2006
	(In thousands except per share amounts)			
2006				
Revenues	$25,963	$24,120	$31,085	$29,351
Income from continuing operations	$ 1,307	$ 124	$ 2,625	$ 1,914
Income (loss) from discontinued operations	(391)	(275)	(137)	53
Net income (loss)	$ 916	$ (151)	$ 2,488	$ 1,967
Per share information—basic and diluted:				
Continuing operations basic	$ 0.37	$ 0.04	$ 0.76	$ 0.55
Discontinued operations basic	(0.11)	(0.08)	(0.04)	0.01
Net basic	$ 0.26	$ (0.04)	$ 0.72	$ 0.56
Continuing operations diluted	$ 0.37	$ 0.04	$ 0.74	$ 0.54
Discontinued operations diluted	(0.11)	(0.08)	(0.04)	0.01
Net diluted	$ 0.26	$ (0.04)	$ 0.70	$ 0.55

18. Stock Option Receivables

Stock option receivables include amounts due from officers and directors totaling $166,000 at September 29, 2007 and September 30, 2006. Such amounts which are due from the exercise of stock options in accordance with the Company's Stock Option Plan are payable on demand with interest (8.25% at September 29, 2007 and September 30, 2006).

19. Related Party Transactions

Receivables due from officers and directors, excluding stock option receivables, totaled $37,000 at September 29, 2007 and September 30, 2006. Other employee loans totaled $279,000 at September 29, 2007 and $357,000 at September 30, 2006. Such loans bear interest at the minimum statutory rate (4.88% at September 29, 2007 and 4.96% at September 30, 2006).

Receivables due from unconsolidated restaurants, totaled $1,318,000 net of an allowance of $174,000 at September 29, 2007 and $1,446,000 with no allowance at September 30, 2006.

20. Subsequent Events

On December 1, 2007 the Company completed the sale of its Vivid facility at the Venetian Casino Resort in Las Vegas, Nevada, for an aggregate of $1,120,000.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Weinstein
Chairman and Chief Executive Officer

Robert Towers
President, Chief Operating Officer and Treasurer

Vincent Pascal
Senior Vice President—Operations and Secretary

Paul Gordon
Senior Vice President—Director of Las Vegas Operations

Marcia Allen
President, Allen & Associates

Bruce Lewin
President and Director, Continental Hosts, Ltd.

Steve Shulman
President, Managing Director, Hampton Group Inc.

Arthur Stainman
Senior Managing Director, First Manhattan Co.

Stephen Novick
Senior Advisor, Andrea and Charles Bronfman Philanthropies

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