Ark Restaurants Corp.

2015 ANNUAL REPORT

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The Company

We are a New York corporation formed in 1983. As of the fiscal year ended October 3, 2015, we owned and/or operated 22 restaurants and bars, 19 fast food concepts and catering operations through our subsidiaries. Initially our facilities were located only in New York City. As of the fiscal year ended October 3, 2015, six of our restaurant and bar facilities are located in New York City, three are located in Washington, D.C., six are located in Las Vegas, Nevada, three are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut, one is located in the Faneuil Hall Marketplace in Boston, Massachusetts and two are located on the east coast of Florida.

In addition to the shift from a Manhattan-based operation to a multi-city operation, the nature of the facilities operated by us has shifted from smaller, neighborhood restaurants to larger, destination properties intended to benefit from high patron traffic attributable to the uniqueness of the location. Most of our properties which have been opened in recent years are of the latter description. As of the fiscal year ended October 3, 2015, these include the operations at the 12 fast food facilities in Tampa, Florida and Hollywood, Florida (2004); the Gallagher's Steakhouse and Gallagher's Burger Bar in the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey (2005); The Grill at Two Trees at the Foxwoods Resort Casino in Ledyard, Connecticut (2006); Durgin Park Restaurant and the Black Horse Tavern in the Faneuil Hall Marketplace in Boston, Massachusetts (2007); Yolos at the Planet Hollywood Resort and Casino in Las Vegas, Nevada (2007); Robert at the Museum of Arts & Design at Columbus Circle in Manhattan (2010); Broadway Burger Bar and Grill at the New York New York Hotel and Casino in Las Vegas, Nevada (2011); Clyde Frazier's Wine and Dine in Manhattan (2012); Broadway Burger Bar and Grill in the Quarter at the Tropicana Hotel and Casino in Atlantic City, New Jersey (2013), The Rustic Inn in Dania Beach, Florida (2014) and The Rustic Inn in Jupiter, Florida (2015).

The names and themes of each of our restaurants are different except for our two Gallagher's Steakhouse restaurants, two Broadway Burger Bar and Grill restaurants and two Rustic Inn restaurants. The menus in our restaurants are extensive, offering a wide variety of high-quality foods at generally moderate prices. The atmosphere at many of the restaurants is lively and extremely casual. Most of the restaurants have separate bar areas, are open seven days a week and most serve lunch as well as dinner. A majority of our net sales are derived from dinner as opposed to lunch service.

While decor differs from restaurant to restaurant, interiors are marked by distinctive architectural and design elements which often incorporate dramatic interior open spaces and extensive glass exteriors. The wall treatments, lighting and decorations are typically vivid, unusual and, in some cases, highly theatrical.

We will provide, without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended October 3, 2015, including financial statements, exhibits and schedules thereto, to each of our shareholders of record on February 24, 2016 and each beneficial holder on that date, upon receipt of a written request therefore mailed to our offices, 85 Fifth Avenue, New York, NY 10003 Attention: Treasurer.

February 25, 2015

Dear Shareholders:

As a starting point I have included a portion of my letter to shareholders from our fiscal 2014 annual report. This provides a framework to understanding Company strategy and from this I can update shareholders on developments that occurred during the fiscal 2015 year, provide an overview of OUR FIRST QUARTER for fiscal 2016 which ended January 2, 2016, and in conclusion discuss current developments which will impact on our investment at the Meadowlands Race Track in northern New Jersey.

We started our Company as a group of small restaurants gathered locally on the upper west side of Manhattan. These were quite successful, but because of their proximity they were each branded distinctively. We thought the core of our success was in our design, forward looking menus, price point, quality of product and perceived value. Each of the first six restaurants had less than 125 seats. Prior to our initial public offering in December 1984 we had significant success with two 350 seat restaurants in Manhattan creating new trade names, décor and menus for each. Again, we thought the design and value to quality formula we established was the driver to outsized profits. Full of confidence we immediately set about to apply our skills to suburban New Jersey. We were a total failure in three locations. We quickly learned that our formula which did not require a brand to be successful in Manhattan was not a formula that could guarantee success in a suburban market in the 1980's. We shifted our approach for expansion with our eye on "Triple A" locations that could be leased at reasonable values. We thought great locations with distinctive restaurants would garner superior revenues and in the long term outperform brands. We also understood from our earlier successes that it would be necessary to build out large operations because smaller restaurants would not generate sufficient cash flow to create increased shareholder equity. Also larger restaurants can derive significant revenue from corporate and sponsored events, tourism and travel groups and other ancillary lines of business. Smaller restaurants are unlikely to have these opportunities. This thinking led us to open in the 1990's a complex of restaurants in Union Station and the 1000 seat Sequoia in Washington D.C., the 1000 seat Bryant Park Grill and Café in Manhattan and a complex of food service operations at New York New York Hotel and Casino in Las Vegas. These and other expansion endeavors were successes, but there were some failures as well. Overall, and despite some significant write offs of the assets of failures, the return on shareholder equity was satisfactory given our conservative inclinations. Your company does not guarantee any leases of restaurant subsidiaries and since September 11, 2001 we have been a reluctant borrower.

Some of our reasoning regarding brands is subject to questioning. Cheesecake Factory and others have proven that branding can secure significant unit level revenues across a wide geography of locations. Quality brands do matter and may be successful where non branded restaurants face difficulty. We are both the poster child and proof that when you are wrong on a large footprint working capital losses are difficult to digest and there is likely no buyer for the asset. More important to our business beyond the merits of branding is the problem at the end of term for leases of restaurants that perform well. Leases expire and in many cases they are unlikely to be renewed. Over the last four years our operating profits have been fighting this situation. We have been losing leases for a variety of reasons. The Grill Room in Manhattan and America in Union Station could not be renewed because the landlord/developer put those spaces to a new use, Sequoia and Red in Manhattan were closed after Hurricane Sandy when the landlord/developer proposed to demolish the existing buildings to make way for a new development, Gonzalez y Gonzalez in Manhattan and the quick serve restaurants at Venetian in Las Vegas could simply not afford the proposed new rents. All of these operations had good cash flow and over the last few years we have experienced the pressure of this missing EBITDA. We are making good progress with existing and new operations but that progress has been offset by the loss of leases of once very productive assets.

When we started this business 20 year leases seemed permanent. Now we see them as transitional. While we will continue to sign new leases our preference now is to find situations that extend beyond 20 years or to own the property where our restaurants locate. Two recent dealings follow this thinking. The acquisition in February

2014 of the 600 seat Rustic Inn in Fort Lauderdale, Florida included the ownership of the property and buildings and our decision to invest in the New Meadowlands Racetrack was in part based on a 40 year lease with the state of New Jersey.

The purchase of Rustic Inn proved to be an extraordinary value acquisition. The extension of the Rustic Inn trade name early in 2015 to a second location in Jupiter, Florida has not to date been productive. Until a few months ago I was somewhat optimistic that we could turn a profit this coming year. But revenues are falling short of our goal and the best I can communicate is that we have had unfavorable starts with restaurants in the past, but generally we can steer them to profitability if the location and lease are favorable. We believe this to be so with Rustic Inn in Jupiter.

Locating properties to own at a value price for our shareholders is difficult. We were fortunate to find another opportunity to become our own landlord with Shuckers, a restaurant in Jensen Beach, Florida. The negotiations took place during the summer of 2015 and the acquisition was completed in the first quarter of our current 2016 fiscal year. Also this past year we extended our operations at Bryant Park to encompass Southwest Porch, an outdoor bar and restaurant at the western side of the park (our current Bryant Park Grill and Bryant Park Café reside at the eastern side of the park). This restaurant started operating in mid-summer of 2015 and contributed to operating profits immediately. Finally and most important we were able to secure a new 15 year lease for our Sequoia property in Washington D.C. In conjunction with the signing of this lease we will begin a substantial renovation effort in the second quarter of fiscal 2017. We believe that the modernization of this 26 year old facility will build on a very productive revenue base and provide a good return on the incremental capital investment.

We will lose two properties in fiscal 2016. We were not able to renew our V Bar operation at the Venetian in Las Vegas and we will lose Center Café at Union Station in Washington D.C. which will be torn down as part of the redevelopment of the retail complex at the station. Both of these contributed to operating profits.

Our biggest challenge for 2016 is the recently legislated increase in minimum wage for tipped employees in New York City. This very substantial increase has motivated some restaurant operators to significantly raise menu prices and eliminate tipping and in the alternative remunerate service employees through a per hour wage. I acknowledged in my letter last year that pay for service staff may evolve to a European model where tipping is not standard. However, we are reluctant to be in the forefront of a revolution. For now we are taking the view that we can recover this higher payroll cost in New York City through selective menu price increases and diligent scheduling oversight to secure a modest reduction of service staff hours.

EBITDA for the first quarter of fiscal 2016, which is our first quarter of fiscal 2016, was down $550,000 compared to the same quarter in the prior year despite a decent revenue line and the addition of operating profits from Southwest Porch. Some of the shortfall is easily noted. This was our first quarter with Shuckers. The restaurant performed well and had an operating profit in line with expectations. However we expensed $120,000 in transaction costs related to this acquisition. Also, last year we were operating two fast food locations and The V Bar at the Venetian Hotel in Las Vegas. Our leases for these operations termed out and could not be renewed and much of the EBITDA derived from the comparative December 2014 period went missing in this year's first fiscal quarter. But overall the main culprit in the disappointing comparison is operating payrolls. Some of this can be explained by labor law legislation which went into effect in some of our venues during the 2015 calendar year. However, it is not attributable to the potentially more impactful minimum wage increases described above which went into effect January, 2016. In plain speak we were not as efficient as we have been in the past. We and our operating managers are working to correct this.

Two and a half years ago we made an investment in an LLC which became the owner and operator of the Meadowlands Race Track in northern New Jersey. Our partnership interest is 11.6%. Our decision to make this investment was the observation (not unique to us) that the share of gaming revenue from Atlantic City going to the State of New Jersey was in retreat and in order to offset any further loss of State revenue and counter ongoing competition for gaming revenue from New York State and Pennsylvania, New Jersey would eventually conclude that it must pass legislation to seek a constitutional amendment to be voted on by the public to allow for casino gambling in the northern part of the state. We thought then and continue to believe that the

Meadowlands Race Track is ideally positioned for a casino if a referendum is passed. As part of an agreement with the state to obtain a forty year lease for the Racetrack the LLC agreed to build a $100,000,000 Grandstand to replace the rundown and uneconomical facility then in use. This was completed and opened in 2014. In addition to our interest in the LLC we secured an exclusive to most food and beverage opportunities in a casino operation if built at the race track. The value of our investment is directly linked to obtaining a casino license. Horseracing at The Meadowlands is not a sustainable business. Without a casino in place there is no purpose in continuing with racing other than as a place holder until a gaming license is secured. Our appetite to continue to fund our share of losses (modest at the moment) is informed by the political winds and by the patience of the balance sheets of our LLC partners.

Recently the political winds have become favorable in that there has been progress toward legislation. When we first made this investment some three years ago we thought a timeline for legislation could be five years. But in January, 2016 the state senate and the assembly announced that they reached a compromise bill supported by Governor Christie to be voted on in the upcoming legislative session to place on the November ballot a referendum to make a constitutional change to allow for casino gaming in the northern part of the state. If this bill is passed the next hurdle (which is formidable) would be to have the voting public approve the referendum in November. The current bill requires the operator of a casino in the north be licensed in Atlantic City. The LLC in which we are invested does not have a casino license to operate in Atlantic City. If the race track were to be selected as a site we would likely have an Atlantic City licensee as a partner in the venture. The configuration of a partnership is a speculative endeavor that does not need exploration at this time. For the moment it is worth highlighting the progress.

Once again, I would like to thank our shareholders and employees for their trust in the management of their Company. We in turn as managers acknowledge a wonderful team of honest hard working individuals who come to their jobs each day providing this Company with their best effort.

Sincerely,

Michael Weinstein
Chairman and Chief Executive Officer

ARK RESTAURANTS CORP.

Corporate Office

Michael Weinstein, Chairman and Chief Executive Officer
Robert Stewart, President, Chief Financial Officer and Treasurer
Vincent Pascal, Senior Vice President and Chief Operating Officer
Paul Gordon, Senior Vice President-Director of Las Vegas Operations
Walter Rauscher, Vice President-Corporate Sales & Catering
Nancy Alvarez, Controller
Jeff Isaacson, Director of Beverage Operations
Marilyn Guy, Director of Human Resources
Donna McCarthy, Director of Operations – Atlantic City
Andrea O'Brien, Director of Tour and Travel
John Oldweiler, Director of Purchasing
Luis Gomes, Director of Purchasing – Las Vegas Operations
Linda Clous, Director of Facilities Management
Evyette Ortiz, Director of Marketing
Veronica Mijelshon, Director of Architecture and Design
Sonal Shah, Counsel and Secretary
Teresita Mendoza, Controller – Las Vegas Operations
Craig Tribus, Director of Operations – Las Vegas Operations
Welner Villatoro, Director of Maintenance – Las Vegas Operations
Nicole Calix Coy, Director of Human Resources – Las Vegas Operations

Executive Chefs

Damien McEvoy, Las Vegas
Sergio Soto, Atlantic City, NJ
Vico Ortega, New York, NY

Restaurant General Managers-New York

Ruperto Ramirez, Canyon Road
Dianne Ashe-Giovannone, El Rio Grande
Donna Simms, Bryant Park Grill
Ana Harris, Robert
Bridgeen Rice, Clyde Frazier's Wine and Dine

Restaurant General Managers-Washington D.C.
Bender Gamiao, Thunder Grill & Center Café
Maurizio Reyes, Sequoia

Restaurant General Manager-Atlantic City, NJ
Rosalina Iannucci, Gallagher's Steakhouse and Gallagher's Burger Bar

Restaurant General Managers-Las Vegas

John Hausdorf, Las Vegas Room Service
Geri Ohta, Director of Sales and Catering
Kelly Rosas, America
Mary Massa, Gonzalez y Gonzalez
Justin Weiss, Gallagher's Steakhouse
Ivonne Escobedo, Village Streets
Jeff Stein, Broadway Burger Bar & Grill
Staci Green, Yolos Mexican Grill

Restaurant General Manager-Boston
Patricia Reyes, Durgin-Park

Restaurant Chef-Boston
Roberto Reyes, Durgin-Park

Restaurant General Managers-Florida
Darvin Prats, Tampa Food Court
Edgar Gonzalez-Pratt. Hollywood Food Court
Michael Diascro, The Rustic Inn
Robert Rae, Shuckers

Restaurant General Manager-Foxwoods
Matilda Santana, Manager of Connecticut Operations
Keri House, The Grill at Two Trees

Restaurant Chefs-New York

Fermin Ramirez, El Rio Grande
Ruperto Ramirez, Canyon Road Grill
Gadi Weinreich, Bryant Park Grill
Louisa Fernandez, Robert
Armando Cortes, Clyde Frazier's Wine and Dine

Restaurant Chefs-Washington D.C.
Michael Foo, Thunder Grill & Center Café
Fanor Baldarrama, Sequoia

Restaurant Chefs-Las Vegas

Jerome Lingle, America
Bernard Camat, Gallagher's Steakhouse
Richard Harris, Banquets
Steve Shoun, Employee Dining Room
Sergio Salazar, Gonzalez y Gonzalez
Justin Vega, Yolos Mexican Grill
Brandon Greenwood, Broadway Burger Bar & Grill

Restaurant Chefs-Florida
Artemio Espinoza, Hollywood Food Court
Nolberto Vernal, Tampa Food Court
Michael Stebbins, The Rustic Inn – Dania Beach, FL
Leland Clark, The Rustic Inn – Jupiter, FL
Ralph Formisano, Shuckers

Restaurant Chef-Foxwoods
Rosalio Fuentes, The Grill at Two Trees

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

Overview

As of October 3, 2015, the Company owned and operated 22 restaurants and bars, 19 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customer and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance.

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 year ended October 3, 2015 included 53 weeks and the fiscal year ended September 27, 2014 included 52 weeks.

Seasonality

The Company has substantial fixed costs that do not decline proportionally with sales. The first and second fiscal quarters, which include the winter months, usually reflect lower customer traffic than in the third and fourth fiscal quarters. In addition, sales in the third and fourth fiscal quarters can be adversely affected by inclement weather due to the significant amount of outdoor seating at the Company's restaurants.

Results of Operations

The Company's operating income of $8,941,000 for the year ended October 3, 2015 increased 17.2% compared to operating income of $7,628,000 for the year ended September 27, 2014. This increase resulted primarily from: (i) an increase in operating income of The Rustic Inn in Dania Beach, Florida in the amount of $1,841,000, which was acquired on February 24, 2014, (ii) strong performance of our properties located in New York, NY and Washington, DC as a result of good weather conditions, and (iii) strong catering revenues, partially offset by operating losses in the amount of approximately $1,100,000 at our new restaurant, The Rustic Inn in Jupiter, FL combined with a decrease in the usage of complimentaries by the ownership of the casinos and increased competition at our Florida casino properties.

The following table summarizes the significant components of the Company's operating results for the years ended October 3, 2015 and September 27, 2014, respectively:

	Year Ended		Variance	
	October 3, 2015	September 27, 2014	$	%
	(in thousands)			
REVENUES:				
Food and beverage sales	$ 144,588	$ 137,895	$ 6,693	4.9%
Other revenue	1,275	1,462	(187)	-12.8%
Total revenues	145,863	139,357	6,506	4.7%
COSTS AND EXPENSES:				
Food and beverage cost of sales	39,435	37,091	2,344	6.3%
Payroll expenses	46,903	44,427	2,476	5.6%
Occupancy expenses	16,790	17,388	(598)	-3.4%
Other operating costs and expenses	18,494	17,802	692	3.9%
General and administrative expenses	10,885	10,402	483	4.6%
Depreciation and amortization	4,415	4,619	(204)	-4.4%
Total costs and expenses	136,922	131,729	5,193	3.9%
OPERATING INCOME	$ 8,941	$ 7,628	$ 1,313	17.2%

Revenues

During the Company's year ended October 3, 2015 ("fiscal 2015"), revenues increased 4.7% compared to the year ended September 27, 2014 ("fiscal 2014"). This increase resulted primarily from: (i) revenues related to The Rustic Inn's in Dania Beach, FL and Jupiter Beach, FL for the period from their respective dates of acquisition, (ii) strong catering revenues in Washington, DC and New York, and (iii) good weather conditions in the Northeast, partially offset by increased competition and a decrease in the usage of complimentaries by the ownership of the casinos at our Florida properties and the closure of Rialto Deli and The Sporting House in the year ended September 27, 2014.

Food and Beverage Same-Store Sales

On a Company-wide basis, same store food and beverage sales increased 0.9% for the year ended October 3, 2015 as compared to the year ended September 27, 2014 as follows:

	Year Ended		Variance	
	October 3, 2015	September 27, 2014	$	%
	(in thousands)			
Las Vegas	$ 46,526	$ 46,882	$ (356)	-0.8%
New York	38,156	36,134	2,022	5.6%
Washington, DC	15,441	15,096	345	2.3%
Atlantic City, NJ	6,620	5,979	641	10.7%
Boston	3,912	3,910	2	0.1%
Connecticut	3,571	3,685	(114)	-3.1%
Florida	18,572	19,925	(1,353)	-6.8%
Same store sales	132,798	131,611	$ 1,187	0.9%
Other	11,790	6,284		
Food and beverage sales	$ 144,588	$ 137,895		

Same-store sales in Las Vegas (which exclude The Sporting House, Rialto Deli, Shake & Burger and Towers Deli properties as they were closed prior to October 3, 2015) decreased 0.8%. Same-store sales in New York increased 5.6%, primarily as a result of good weather conditions and strong catering revenues. Same-store sales in Washington, DC increased 2.3% as a result of good weather conditions. Same-store sales in Atlantic City increased 10.7% primarily due to increased traffic at the properties in which we operate our restaurants. Same-store sales in Boston increased 0.1%. Same-store sales in Connecticut decreased 3.1% due to declining traffic at the Foxwoods Resort and Casino where our properties are located. Same-store sales in Florida decreased 6.8% reflecting a decrease in the usage of complimentaries by the ownership of the casinos where our food court properties are located and increased competition at one of our food court properties partially offset by an increase of $903,000 at The Rustic Inn in Dania Beach, FL which was acquired on February 24, 2014. Other food and beverage sales consist of sales related to The Rustic Inn in Dania Beach, FL for the period prior to the date acquired and the comparable period of fiscal 2015, sales related to new restaurants opened during the applicable period and sales related to properties that were closed during the periods due to lease expiration and other closures.

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.

Other Revenue

The decrease in Other Revenue for fiscal 2015 as compared to fiscal 2014 is primarily due to a decrease in purchase service fees.

Costs and Expenses

Costs and expenses for the years ended October 3, 2015 and September 27, 2014 were as follows (in thousands):

	Year Ended October 3, 2015	% to Total Revenues	Year Ended September 27, 2014	% to Total Revenues	Increase (Decrease) $	%
Food and beverage cost of sales	$ 39,435	27.0%	$ 37,091	26.6%	$ 2,344	6.3%
Payroll expenses	46,903	32.2%	44,427	31.9%	2,476	5.6%
Occupancy expenses	16,790	11.5%	17,388	12.5%	(598)	-3.4%
Other operating costs and expenses	18,494	12.7%	17,802	12.8%	692	3.9%
General and administrative expenses	10,885	7.5%	10,402	7.5%	483	4.6%
Depreciation and amortization	4,415	3.0%	4,619	3.3%	(204)	-4.4%
	$ 136,922		$ 131,729		$ 5,193	

Increases in food and beverage costs as a percentage of total revenues for fiscal 2015 compared to fiscal 2014 are a result of higher food costs as a percentage of sales, particularly related to The Rustic Inn properties in Florida, seafood restaurants which, consistent with the industry, operate at a higher food cost structure. Excluding the impact of these costs, food and beverage costs as a percentage of total revenues decreased 0.4% for fiscal 2015 compared to fiscal 2014.

Payroll expenses as a percentage of total revenues for fiscal 2015 were consistent with fiscal 2014 as a result of a decrease associated with closed properties offset by payroll at The Rustic Inn in Jupiter, FL which opened in January 2015.

Occupancy expenses as a percentage of total revenues for the year ended October 3, 2015 decreased as compared to the year ended September 27, 2014 as a result of higher sales at properties where rents are relatively fixed or where the Company owns the premises at which the property operates (The Rustic Inn in Dania Beach, FL). Excluding the impact of The Rustic Inn, occupancy expenses as a percentage of total revenues were consistent.

Other operating costs and expenses as a percentage of total revenues for fiscal 2015 decreased slightly as compared to fiscal 2014 as a result of fixed costs at properties where sales improved.

General and administrative expenses (which relate solely to the corporate office in New York City) as a percentage of total revenues for fiscal 2015 were consistent as compared to fiscal 2014.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and liabilities for uncertain tax positions reflect management's best estimate of current and future taxes to be paid. We are subject to income tax in numerous state taxing jurisdictions. Significant judgement and estimates are required in the determination of consolidated income tax expense. The provision for income taxes reflects federal income taxes calculated on a consolidated basis and state and local income taxes which are calculated on a separate entity basis. Most of the restaurants we own or manage are owned or managed by a separate legal entity.

For state and local income tax purposes, certain 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 income and losses incurred at individual subsidiaries.

Our overall effective tax rate in the future will be affected by factors such as income earned by our VIEs, mix of geographical income for state tax purposes as Nevada has no state income tax and our ability to utilize the level of losses incurred at our New York City 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. During fiscal 2015, certain equity compensation awards expired unexercised. As such, the Company reversed the related deferred tax asset in the amount of approximately $548,000 as a charge to Additional Paid-in Capital as there was a sufficient pool of windfall tax benefit available.

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 $810,000 and $655,000 in fiscal 2015 and 2014, respectively.

Liquidity and Capital Resources

Our primary source of capital has been cash provided by operations. We utilize cash generated from operations to fund the cost of developing and opening new restaurants, acquiring existing restaurants owned by others and remodeling existing restaurants we own; however, in recent years, we have utilized bank and other borrowings to finance specific transactions.

Net cash flow provided by operating activities for fiscal 2015 was $11,301,000, compared to $11,905,000 for the prior year. This decrease was primarily attributable to changes in net working capital partially offset by an increase in operating income as discussed above.

Net cash used in investing activities for fiscal 2015 was $3,659,000 and resulted primarily from purchases of fixed assets at existing restaurants and improvements made at our new property, The Rustic Inn in Jupiter, FL, which was opened in the last week of January 2015.

Net cash used in investing activities for fiscal 2014 was $6,692,000 and resulted primarily from the purchases of fixed assets at existing restaurants, an additional $464,000 investment in New Meadowlands Racetrack LLC, a $1,500,000 loan made to Meadowlands Newmark LLC and the cash portion of the purchase of The Rustic Inn in the amount of $1,710,000.

Net cash used in financing activities for fiscal 2015 of $6,569,000 resulted from the payment of dividends, principal payments on notes payable and distributions to non-controlling interests partially offset by the proceeds from the exercise of stock options.

Net cash used in financing activities for fiscal 2014 of $5,299,000 resulted from the payment of dividends, principal payments on notes payable and distributions to non-controlling interests partially offset by the proceeds from the exercise of stock options.

The Company had working capital of $129,000 at October 3, 2015, as compared to a working capital deficiency of $1,303,000 at September 27, 2014. We believe that our existing cash balances and cash provided by operations will be sufficient to meet our liquidity and capital spending requirements at least through the next 12 months.

On January 9, 2015, April 2, 2015, July 3, 2015 and October 2, 2015, the Company paid quarterly cash dividends in the amount of $0.25 per share on the Company’s common stock. The Company intends to continue to pay such quarterly cash dividend for the foreseeable future, however, the payment of future dividends is at the discretion of the Company’s Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Restaurant Expansion

On February 24, 2014, the Company, through a wholly-owned subsidiary, Ark Rustic Inn LLC, completed its acquisition of the assets of The Rustic Inn Crab House ("The Rustic Inn"), a restaurant and bar located in Dania Beach, Florida, for a total purchase price of approximately $7,710,000. The acquisition was accounted for as a business combination and was financed with a bank loan in the amount of $6,000,000 and cash from operations.

On July 18, 2014, the Company, through a wholly-owned subsidiary, Ark Jupiter RI, LLC, entered into an agreement with Crab House, Inc., and acquired certain assets and the related lease for a restaurant and bar located in Jupiter, Florida for approximately $250,000. In connection with this transaction, the Company entered into an amended lease for an initial period expiring through December 31, 2015. In June 2015, the Company exercised its option to extend the lease through December 31, 2023. The Company has additional options to extend the lease through 2033. Renovations to the property totaled approximately $750,000. The restaurant opened as The Rustic Inn in the last week of January 2015 and, as a result, the Consolidated Statements of Income for the year ended October 3, 2015 include approximately $841,000 of pre-opening and early operating losses.

On March 27, 2015, the Company, through a wholly-owned subsidiary, entered into an agreement to operate a kiosk in Bryant Park, NY for the sale of food and beverages for an initial period expiring through March 31, 2020 with an option to extend the agreement for five additional years. Renovations totaled approximately $400,000 and the property opened in July 2015.

On July 24, 2015, the Company, through a wholly-owned subsidiary, paid $544,000 (including a $144,000 security deposit) to assume the lease for an event space located in New York, NY. The assumed lease expires through March 31, 2026 with an option to extend the agreement for five additional years and provides for annual rent in the amount of approximately $300,000.

On October 22, 2015, the Company, through its wholly-owned subsidiaries, Ark Shuckers, LLC, Ark Shuckers Real Estate, LLC, and Ark Island Beach Resort LLC, acquired the assets of Shuckers Inc., a restaurant and bar located at the Island Beach Resort in Jensen Beach, FL, and six condominium units (four of which house the restaurant and bar operations) and a management company that handles the rental pool for certain condominium units under lease with Island Beach Resort, Inc. The total purchase price was for $5,650,000 plus inventory. The acquisition will be accounted for as a business combination and was financed with a bank loan from the Company's existing lender in the amount of $5,000,000 and cash from operations.

In connection with this transaction, the Company also entered into a Credit Agreement (the "Revolving Facility") with Bank Hapoalim B.M. (the "Bank") which expires on October 21, 2017. Borrowings under the Revolving Facility will be evidenced by a promissory note (the "Revolving Note") in favor of the Bank in the amount of up to $10,000,000 and will be payable over five years with interest at an annual rate equal to LIBOR plus 3.5% per year. Borrowings under the Revolving Facility are secured by a senior secured interest in all of the Company's and several of its subsidiaries' personal and fixture property, but generally not in any directly held investment property or general intangibles.

On November 30, 2015, the Company's lease at the V-Bar located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

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.

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.

We may take advantage of other opportunities we consider to be favorable, when they occur, depending upon the availability of financing and other factors.

Investment in New Meadowlands Racetrack

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6%. In 2015, the Company invested an additional $222,000, as a result of capital calls, bringing its total investment to $4,886,000. In addition to the Company's ownership interest in NMR, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant.

In conjunction with this investment, the Company, through a 97% owned subsidiary, Ark Meadowlands LLC ("AM VIE"), also entered into a long-term agreement with NMR for the exclusive right to operate food and beverage concessions serving the new raceway facilities (the "Racing F&B Concessions") located in the new raceway grandstand constructed at the Meadowlands Racetrack in northern New Jersey. Under the agreement, NMR is responsible to pay for the costs and expenses incurred in the operation of the Racing F&B Concessions, and all revenues and profits thereof inure to the benefit of NMR. AM VIE receives an annual fee equal to 5% of the net profits received by NMR from the Racing F&B Concessions during each calendar year.

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium.

Recent Restaurant Dispositions and Charges

Lease Expirations – The Company was advised by the landlord that it would have to vacate The Sporting House property located in New York-New York Hotel and Casino in Las Vegas, NV which was on a month-to-month lease. The closure of this property occurred in June 2014 and did not result in a material charge.

On May 31, 2014, the Company's lease at the Rialto Deli located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

On October 31, 2014, the Company's lease at the Towers Deli located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

On November 30, 2014, the Company's lease at the Shake & Burger located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

Critical Accounting Policies

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 in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require our most difficult and subjective judgments include allowances for potential bad debts on receivables, the useful lives and recoverability of our assets, such as property and intangibles, fair values of financial instruments and share-based compensation, the realizable value of our tax assets and other matters. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, we perform 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 estimated future sales growth and estimated profit margins are included in this analysis.

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. No impairment charges were necessary for the years ended October 3, 2015 and September 27, 2014.

Leases

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 carryforwards, 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.

Goodwill and Trademarks

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Trademarks are considered to have an indefinite life. Goodwill and trademarks are not amortized, but are subject to impairment analysis at least once annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. At October 3, 2015, the Company performed a qualitative assessment of factors to determine whether further impairment testing is required. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at October 3, 2015. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events, management expertise and stability at key positions. Additional impairment analyses at future dates may be performed to determine if indicators of impairment are present, and if so, such amount will be determined and the associated charge will be recorded to the Consolidated Statements of Income.

Share-Based Compensation

The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the applicable vesting period using the straight-line method. Excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing rather than operating cash flow activities.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model 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. During fiscal 2014, options to purchase 205,500 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. The Company did not grant any options during fiscal 2015. The Company generally issues new shares upon the exercise of employee stock options.

Recently Adopted and Issued Accounting Standards

See Note 1 of Notes to Consolidated Financial Statements for a description of recent accounting pronouncements, including those adopted in 2015 and the expected dates of adoption and the anticipated impact on the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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 Capital Market under the symbol "ARKR." The high and low sale prices for our Common Stock from September 29, 2013 through October 3, 2015 are as follows:

Calendar 2013	High	Low
Fourth Quarter	$ 20.96	$ 22.10
Calendar 2014		
First Quarter	21.23	22.52
Second Quarter	21.20	22.71
Third Quarter	21.14	23.21
Fourth Quarter	21.10	22.46
Calendar 2015		
First Quarter	21.77	25.24
Second Quarter	24.26	26.99
Third Quarter	22.85	25.47

Dividend Policy

On December 4, 2013, February 28, 2014, June 4, 2014, September 5, 2014, December 15, 2014, March 3, 2015, June 9, 2015 and September 3, 2015 our Board of Directors declared quarterly cash dividends in the amount of $0.25 per share. We intend to continue to pay such quarterly cash dividends 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.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Ark Restaurants Corp.

We have audited the accompanying consolidated balance sheets of Ark Restaurants Corp. and Subsidiaries (the "Company") as of October 3, 2015 and September 27, 2014, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the two-year period ended October 3, 2015. Ark Restaurants Corp. and Subsidiaries' management is responsible for these consolidated financial statements. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of Ark Restaurants Corp. and Subsidiaries as of October 3, 2015 and September 27, 2014, and their results of operations and cash flows for each of the years in the two-year period ended October 3, 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP

Jericho, New York
December 30, 2015

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Amounts)

	October 3, 2015	September 27, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (includes $604 at October 3, 2015 and $584 at September 27, 2014 related to VIEs)	$ 9,735	$ 8,662
Accounts receivable (includes $303 at October 3, 2015 and $440 at September 27, 2014 related to VIEs)	3,221	3,016
Employee receivables	485	399
Inventories (includes $24 at October 3, 2015 and $19 at September 27, 2014 related to VIEs)	1,956	1,832
Prepaid expenses and other current assets (includes $216 at October 3, 2015 and $173 at September 27, 2014 related to VIEs)	2,365	1,491
Current portion of note receivable	-	25
Total current assets	17,762	15,425
FIXED ASSETS - Net (includes $40 at October 3, 2015 and $59 at September 27, 2014 related to VIEs)	27,804	29,019
NOTE RECEIVABLE, LESS CURRENT PORTION	-	228
INTANGIBLE ASSETS - Net	499	95
GOODWILL	6,813	6,813
TRADEMARKS	1,221	1,221
DEFERRED INCOME TAXES	4,453	5,214
INVESTMENT IN AND RECEIVABLE FROM NEW MEADWLANDS RACETRACK	6,453	6,187
OTHER ASSETS (includes $71 at October 3, 2015 and September 27, 2014 related to VIEs)	1,562	1,161
TOTAL ASSETS	$ 66,567	$ 65,363
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade (includes $81 at October 3, 2015 and $58 at September 27, 2014 related to VIEs)	$ 3,207	$ 2,592
Accrued expenses and other current liabilities (includes $131 at October 3, 2015 and $179 at September 27, 2014 related to VIEs)	10,332	10,336
Accrued income taxes	2,477	1,162
Dividend payable	-	844
Current portion of notes payable	1,617	1,794
Total current liabilities	17,633	16,728
OPERATING LEASE DEFERRED CREDIT (includes $81 at October 3, 2015 and $75 at September 27, 2014 related to VIEs)	3,796	4,219
NOTES PAYABLE, LESS CURRENT PORTION	3,907	5,524
TOTAL LIABILITIES	25,336	26,471
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock, par value $.01 per share - authorized, 10,000 shares; issued, 4,774 shares at October 3, 2015 and 4,733 shares at September 27, 2014; outstanding, 3,418 shares at October 3, 2015 and 3,377 shares at September 27, 2014	48	47
Additional paid-in capital	25,682	25,167
Retained earnings	26,548	24,554
	52,278	49,768
Less treasury stock, at cost, of 1,356 shares at October 3, 2015 and September 27, 2014	(13,220)	(13,220)
Total Ark Restaurants Corp. shareholders' equity	39,058	36,548
NON-CONTROLLING INTERESTS	2,173	2,344
TOTAL EQUITY	41,231	38,892
TOTAL LIABILITIES AND EQUITY	$ 66,567	$ 65,363

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Year Ended	
	October 3, 2015	September 27, 2014
REVENUES:		
Food and beverage sales	$ 144,588	$ 137,895
Other revenue	1,275	1,462
Total revenues	145,863	139,357
COSTS AND EXPENSES:		
Food and beverage cost of sales	39,435	37,091
Payroll expenses	46,903	44,427
Occupancy expenses	16,790	17,388
Other operating costs and expenses	18,494	17,802
General and administrative expenses	10,885	10,402
Depreciation and amortization	4,415	4,619
Total costs and expenses	136,922	131,729
OPERATING INCOME	8,941	7,628
OTHER (INCOME) EXPENSE:		
Interest expense	238	201
Interest income	(47)	(45)
Other (income) expense, net	(238)	(488)
Total other (income) expense, net	(47)	(332)
INCOME BEFORE PROVISION FOR INCOME TAXES	8,988	7,960
Provision for income taxes	2,596	1,775
CONSOLIDATED NET INCOME	6,392	6,185
Net income attributable to non-controlling interests	(1,002)	(1,270)
NET INCOME ATTRIBUTABLE TO ARK RESTAURANTS CORP.	$ 5,390	$ 4,915
NET INCOME PER ARK RESTAURANTS CORP. COMMON SHARE:		
Basic	$ 1.59	$ 1.49
Diluted	$ 1.54	$ 1.43
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	3,393	3,296
Diluted	3,509	3,430

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED OCTOBER 3, 2015 AND SEPTEMBER 27, 2014
(In Thousands)

	Common Stock		Additional Paid-In	Retained		Total Ark Restaurants Corp. Shareholders'	Non-controlling	Total
	Shares	Amount	Capital	Earnings	Treasury Stock	Equity	Interests	Equity
BALANCE - September 28, 2013	4,610	$ 46	$ 22,978	$ 22,950	$ (13,220)	$ 32,754	$ 2,594	$ 35,348
Net income	-	-	-	4,915	-	4,915	1,270	6,185
Exercise of stock options	123	1	1,620	-	-	1,621	-	1,621
Tax benefit on exercise of stock options	-	-	220	-	-	220	-	220
Stock-based compensation	-	-	349	-	-	349	-	349
Distributions to non-controlling interests	-	-	-	-	-	-	(1,520)	(1,520)
Accrued and paid dividends - $1.00 per share	-	-	-	(3,311)	-	(3,311)	-	(3,311)
BALANCE - September 27, 2014	4,733	$ 47	$ 25,167	$ 24,554	$ (13,220)	$ 36,548	$ 2,344	$ 38,892
Net income	-	-		5,390	-	5,390	1,002	6,392
Exercise of stock options	41	1	524	-	-	525	-	525
Tax benefit on exercise of stock options	-	-	113	-	-	113	-	113
Stock-based compensation	-	-	426	-	-	426	-	426
Change in excess tax benefits from stock-based compensation	-	-	(548)	-	-	(548)		(548)
Distributions to non-controlling interests	-	-	-	-	-	-	(1,173)	(1,173)
Accrued and paid dividends - $1.00 per share	-	-	-	(3,396)	-	(3,396)	-	(3,396)
BALANCE - October 3, 2015	4,774	$ 48	$ 25,682	$ 26,548	$ (13,220)	$ 39,058	$ 2,173	$ 41,231

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended	
	October 3, 2015	September 27, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 6,392	$ 6,185
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Loss on closure of restaurants	-	9
Deferred income taxes	213	(408)
Stock-based compensation	426	349
Depreciation and amortization	4,415	4,619
Operating lease deferred credit	(423)	(387)
Excess tax benefits related to stock-based compensation	(113)	(220)
Changes in operating assets and liabilities:		
Accounts receivable	(205)	(304)
Inventories	(124)	(43)
Prepaid, refundable and accrued income taxes	1,428	1,786
Prepaid expenses and other current assets	(874)	(290)
Other assets	(445)	(286)
Accounts payable - trade	615	(166)
Accrued expenses and other current liabilities	(4)	1,061
Net cash provided by operating activities	11,301	11,905
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(3,204)	(3,598)
Loans and advances made to employees	(247)	(261)
Payments received on employee receivables	161	208
Payments received on note receivable	253	747
Purchase of member interest in Meadowlands Newmark LLC	(222)	(464)
Loan made to Meadowlands Newmark LLC	-	(1,500)
Purchase of The Rustic Inn	-	(1,710)
Purchase of leasehold rights	(400)	(114)
Net cash used in investing activities	(3,659)	(6,692)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(1,794)	(2,339)
Dividends paid	(4,240)	(3,281)
Proceeds from issuance of stock upon exercise of stock options	525	1,621
Excess tax benefits related to stock-based compensation	113	220
Distributions to non-controlling interests	(1,173)	(1,520)
Net cash used in financing activities	(6,569)	(5,299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,073	(86)
CASH AND CASH EQUIVALENTS, Beginning of year	8,662	8,748
CASH AND CASH EQUIVALENTS, End of year	$ 9,735	$ 8,662
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 238	$ 201
Income taxes	$ 956	$ 790
Non-cash financing activity:		
Note payable in connection with the purchase of The Rustic Inn	$ -	$ 6,000
Accrued dividend	$ -	$ 844
Change in excess tax benefits from stock-based compensation	$ (548)	$ -

See notes to consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of October 3, 2015, Ark Restaurants Corp. and Subsidiaries (the "Company") owned and operated 22 restaurants and bars, 19 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customers and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance.

The Company operates six restaurants in New York City, three in Washington, D.C., six in Las Vegas, Nevada, three in Atlantic City, New Jersey, one at the Foxwoods Resort Casino in Ledyard, Connecticut, one in Boston, Massachusetts and two in Florida. The Las Vegas operations include four restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel's room service, banquet facilities, employee dining room and six food court concepts; one bar within the Venetian Casino Resort; and one restaurant within the Planet Hollywood Resort and Casino. In Atlantic City, New Jersey, the Company operates a restaurant and a bar in the Resorts Atlantic City Hotel and Casino and a restaurant and bar at the Tropicana Hotel and Casino. The operation at the Foxwoods Resort Casino consists of one fast food concept and a restaurant. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace. The Florida operations include two Rustic Inn's, one in Dania Beach and one in Jupiter, Florida, and the operation of five fast food facilities in Tampa, Florida and seven fast food facilities in Hollywood, Florida, each at a Hard Rock Hotel and Casino.

Basis of Presentation — The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America ("GAAP"). The Company's reporting currency is the United States dollar.

During the quarter ended March 28, 2015, the Company identified an immaterial error in previously issued financial statements related to an overstatement of its gift card liability in the amount of $224,000 ($161,000 net of tax or $0.05 per basic and diluted share for year ended October 3, 2015). The Company reviewed this accounting error utilizing SEC Staff Accounting Bulletin No. 99, "Materiality" ("SAB 99") and SEC Staff Accounting Bulletin No. 108, "Effects of Prior Year Misstatements on Current Year Financial Statements" ("SAB 108") and determined the impact of the error to be immaterial to any prior period's presentation. The accompanying consolidated financial statements as of October 3, 2015 reflect the correction of the aforementioned immaterial error.

Accounting Period — The Company's fiscal year ends on the Saturday nearest September 30. The fiscal year ended October 3, 2015 included 53 weeks and the fiscal year ended September 27, 2014 included 52 weeks.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management's most difficult and subjective judgments 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. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Principles of Consolidation — The consolidated financial statements include the accounts of Ark Restaurants Corp. and all of its wholly-owned subsidiaries, partnerships and other entities in which it has a controlling interest. Also included in the consolidated financial statements are certain variable interest entities ("VIEs"). All significant intercompany balances and transactions have been eliminated in consolidation.

Non-Controlling Interests — Non-controlling interests represent capital contributions, income and loss attributable to the shareholders of less than wholly-owned and consolidated entities.

Seasonality — The Company has substantial fixed costs that do not decline proportionally with sales. The first and second fiscal quarters, which include the winter months, usually reflect lower customer traffic than in the third and fourth fiscal quarters. In addition, sales in the third and fourth fiscal quarters can be adversely affected by inclement weather due to the significant amount of outdoor seating at the Company's restaurants.

Fair Value of Financial Instruments — The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair values of notes receivable and payable are determined using current applicable rates for similar instruments as of the balance sheet date and approximate the carrying value of such debt.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, deposits with banks and highly liquid investments generally with original maturities of three months or less. Outstanding checks in excess of account balances, typically vendor payments, payroll and other contractual obligations disbursed after the last day of a reporting period are reported as a current liability in the accompanying consolidated balance sheets.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. Accounts receivable are primarily comprised of normal business receivables such as credit card receivables that are paid off in a short period of time and amounts due from the hotel operators where the Company has a location, and are recorded when the products or services have been delivered. The Company reviews the collectability of its receivables on an ongoing basis, and provides for an allowance when it considers the entity unable to meet its obligation. The concentration of credit risk with respect to accounts receivable is generally limited due to the short payment terms extended by the Company and the number of customers comprising the Company's customer base.

For the year ended October 3, 2015, the Company did not make purchases from any one vendor that accounted for 10% or greater of total purchases. For the year ended September 27, 2014, the Company made purchases from one vendor that accounted for approximately 11% of total purchases.

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

Fixed Assets — Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated lives range from three to seven years for furniture, fixtures and equipment and up to 40 years for buildings and related improvements. 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. Routine expenditures for repairs and maintenance are charged to expense when incurred. Major replacements and improvements are capitalized. Upon retirement or disposition of fixed assets, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheet and any resulting gain or loss is recognized in the Consolidated Statements of Income.

The Company includes in construction in progress improvements to restaurants that are under construction or are undergoing substantial improvements. Once the projects have been completed, the Company begins 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.

Intangible Assets — Intangible assets consist principally of purchased leasehold rights, operating rights and covenants not to compete. Costs associated with acquiring leases and subleases, principally purchased leasehold rights, and operating rights have been capitalized and are being amortized on the straight-line method based upon the initial terms of the applicable lease agreements. Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period, typically five years.

Long-lived Assets — Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 estimated future sales growth and estimated profit margins are included in this analysis. No impairment charges were necessary for the years ended October 3, 2015 and September 27, 2014.

Goodwill and Trademarks — Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Trademarks are considered to have an indefinite life. Goodwill and trademarks are not amortized, but are subject to impairment analysis at least once annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. At October 3, 2015, the Company performed a qualitative assessment of factors to determine whether further impairment testing is required. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at October 3, 2015. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events, management expertise and stability at key positions. Additional impairment analyses at future dates may be performed to determine if indicators of impairment are present, and if so, such amount will be determined and the associated charge will be recorded to the Consolidated Statements of Income.

Leases — 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. Tenant allowances are included in the straight-line calculations and are being deferred over the lease term and reflected as a reduction in rent expense. 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.

Revenue Recognition — Company-owned restaurant sales are comprised almost entirely of food and beverage sales. The Company records revenue at the time of the purchase of products by customers. Included in Other Revenues are purchase service fees which represent commissions earned by a subsidiary of the Company for providing purchasing services to other restaurant groups.

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. As of October 3, 2015, the total liability for gift cards, after adjustment as discussed above, in the amount of $143,826 is included in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet.

Additionally, the Company presents sales tax on a net basis in its consolidated financial statements.

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

Defined Contribution Plan — The Company offers a defined contribution savings plan (the "Plan") to all of its full-time employees. Eligible employees may contribute pre-tax amounts to the Plan subject to the Internal Revenue Code limitations. Company contributions to the Plan are at the discretion of the Board of Directors. During the years ended October 3, 2015 and September 27, 2014, the Company did not make any contributions to the Plan.

Income Taxes — Income taxes are accounted for under the asset and liability method whereby 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.

The Company has recorded a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. Uncertain tax positions are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

Non-controlling interests relating to the income or loss of consolidated partnerships includes no provision for income taxes as any tax liability related thereto is the responsibility of the individual minority investors.

Income Per Share of Common Stock — Basic net income per share 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).

Stock-based Compensation — The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the applicable vesting period using the straight-line method. Upon exercise of options, excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing rather than operating cash flow activities.

During fiscal 2014, options to purchase 205,500 shares of common stock were granted at an exercise price of $22.50 per share 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. Such options had an aggregate grant date fair value of approximately $840,000. The Company did not grant any options during the fiscal year 2015. The Company generally issues new shares upon the exercise of employee stock options.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of the Company's stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2014 grant include a risk free interest rate of 2.62%, volatility of 33.8%, a dividend yield of 6.0% and an expected life of 6.25 years.

Recently Adopted Accounting Standards — In April 2014, the FASB issued new accounting guidance that changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This guidance became effective for annual reporting periods beginning on or after December 15, 2014 and is to be applied prospectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards Not Yet Adopted — In May 2014, the FASB issued updated accounting guidance that provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2017. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the impact of the adoption of this guidance on its financial condition, results of operations or cash flows as well as the expected adoption method.

In June 2014, the FASB issued guidance which clarifies the recognition of stock-based compensation over the required service period, if it is probable that the performance condition will be achieved. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied prospectively. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition or results of operations.

In August 2014, the FASB issued guidance that requires management to evaluate, at each annual and interim reporting period, the company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This accounting guidance is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on the Consolidated Financial Statements.

In January 2015, the FASB issued guidance simplifying the income statement presentation by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies income statement presentation by altogether removing the concept of extraordinary items from consideration. The amendments are effective for annual reporting periods, including interim periods within those reporting periods, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the annual reporting period. The Company does not believe this guidance will have a material impact on its Consolidated Financial Statements.

In February 2015, the FASB amended the consolidation standards for reporting entities that are required to evaluate whether they should consolidate certain legal entities. Under the new guidance, all legal entities are subject to reevaluation under the revised consolidation model. Specifically, the guidance (i) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (ii) eliminates the presumption that a general partner should consolidate a limited partnership; (iii) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (iv) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act for registered money market funds. The amendments are effective for annual reporting periods, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The guidance requires an entity to measure inventory at the lower of cost or net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation, rather than the lower of cost or market in the previous guidance. This amendment applies to inventory that is measured using first-in, first-out (FIFO). This amendment is effective for public entities for fiscal years beginning after December 15, 2016, including interim periods within those years. A reporting entity should apply the amendments prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of this guidance to have a material impact on its financial position or results of operations.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.* The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, with early adoption permitted. The new guidance has been adopted on a prospective basis by the Company for the fiscal year ended October 3, 2015.

2. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

The Company consolidates any variable interest entities in which it holds a variable interest and is the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The Company has determined that it is the primary beneficiary of three VIEs and, accordingly, consolidates the financial results of these entities. Following are the required disclosures associated with the Company's consolidated VIEs:

	October 3, 2015	September 27, 2014
	(in thousands)	
Cash and cash equivalents	$ 604	$ 584
Accounts receivable	303	440
Inventories	24	19
Prepaid expenses and other current assets	216	173
Due from Ark Restaurants Corp. and affiliates (1)	103	105
Fixed assets - net	40	59
Other assets	71	71
Total assets	$ 1,361	$ 1,451
Accounts payable - trade	$ 81	$ 58
Accrued expenses and other current liabilities	131	179
Operating lease deferred credit	81	75
Total liabilities	293	312
Equity of variable interest entities	1,068	1,139
Total liabilities and equity	$ 1,361	$ 1,451

(1) Amounts due from Ark Restaurants Corp. and affiliates are eliminated upon consolidation.

The liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets.

3. RECENT RESTAURANT EXPANSION

On February 24, 2014, the Company, through a wholly-owned subsidiary, Ark Rustic Inn LLC, completed its acquisition of the assets of *The Rustic Inn Crab House* ("*The Rustic Inn*"), a restaurant and bar located in Dania Beach, Florida, for a total purchase price of approximately $7,710,000. The acquisition is accounted for as a business combination and was financed with a bank loan in the amount of $6,000,000 and cash from operations. The fair values of the assets acquired were allocated as follows:

Inventory	$	210,000
Land		2,000,000
Building		2,800,000
Furniture, fixtures and equipment		200,000
Trademarks		500,000
Goodwill		2,000,000
	$	7,710,000

The Consolidated Statements of Income for the year ended September 27, 2014 include revenues and operating income of approximately $8,753,000 and $1,301,000, respectively, related to *The Rustic Inn*. Transaction costs incurred in the amount of approximately $150,000 are included in general and administrative expenses in the Consolidated Statement of Income for the year ended September 27, 2014. The Company expects the Goodwill and indefinite life Trademarks to be deductible for tax purposes.

The unaudited pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for the year ended September 27, 2014. The unaudited pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition of *The Rustic Inn* occurred on the dates indicated, nor does it purport to represent the results of operations for future periods.

	Year Ended September 27, 2014	
	(in thousands, except per share amounts)	
Total revenues	$	144,430
Net income	$	5,254
Net income per share - basic	$	1.59
Net income per share - diluted	$	1.53

On July 18, 2014, the Company, through a wholly-owned subsidiary, Ark Jupiter RI, LLC, entered into an agreement with Crab House, Inc., and acquired certain assets and the related lease for a restaurant and bar located in Jupiter, Florida for approximately $250,000. In connection with this transaction, the Company entered into an amended lease for an initial period expiring through December 31, 2015. In June 2015, the Company exercised its option to extend the lease through December 31, 2023. The Company has additional options to extend the lease through 2033. Renovations to the property totaled approximately $750,000. The restaurant opened as *The Rustic Inn* in the last week of January 2015 and, as a result, the Consolidated Statement of Income for the year ended October 3, 2015 includes approximately $841,000 of pre-opening and early operating losses.

On March 27, 2015, the Company, through a wholly-owned subsidiary, entered into an agreement to operate a kiosk in Bryant Park, NY for the sale of food and beverages for an initial period expiring through March 31, 2020 with an option to extend the agreement for five additional years. Renovations totaled approximately $400,000 and the property opened in July 2015.

On July 24, 2015, the Company, through a wholly-owned subsidiary, paid $544,000 (including a $144,000 security deposit) to assume the lease for an event space located in New York, NY. The assumed lease expires through March 31, 2026 with an option to extend the agreement for five additional years and provides for annual rent in the amount of approximately $300,000.

4. RECENT RESTAURANT DISPOSITIONS

Lease Expirations **–** The Company was advised by the landlord that it would have to vacate *The Sporting House* property located in New York-New York Hotel and Casino in Las Vegas, NV which was on a month-to-month lease. The closure of this property occurred in June 2014 and did not result in a material charge.

On May 31, 2014, the Company's lease at the *Rialto Deli* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

On October 31, 2014, the Company's lease at the *Towers Deli* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

On November 30, 2014, the Company's lease at the *Shake & Burger* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

5. NOTE RECEIVABLE

On June 7, 2011, the Company entered into a 10-year exclusive agreement to manage a yet to be constructed restaurant and catering service at Basketball City in New York City in exchange for a fee of $1,000,000. Under the terms of the agreement, the owner of the property was to construct the facility at their expense and the Company was to pay the owner an annual fee based on sales, as defined in the agreement. Since the owner had not delivered the facility to the Company within the specified timeframe, the parties executed a promissory note for repayment of the $1,000,000 exclusivity fee. The note bore interest at 4.0% per annum and the remaining principal balance was payable in 41 equal monthly installments of approximately $9,000. The note was repaid in full in March 2015.

6. INVESTMENT IN AND RECEIVABLE FROM NEW MEADOWLANDS RACETRACK

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6% of Meadowlands Newmark, LLC. In 2015, the Company invested an additional $222,000, as a result of capital calls, bringing its total investment to $4,886,000 with no change in ownership.

In addition to the Company's ownership interest in NMR through Meadowlands Newmark, LLC, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, neither of which can be assured, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant. This investment has been accounted for based on the cost method and is included in Other Assets in the accompanying Consolidated Balance Sheets at October 3, 2015 and September 27, 2014. The Company periodically reviews its investments for impairment. If the Company determines that an other-than-temporary impairment has occurred, it will write-down the investment to its fair value. No indication of impairment was deemed necessary as of October 3, 2015.

In conjunction with this investment, the Company, through a 97% owned subsidiary, Ark Meadowlands LLC ("AM VIE"), also entered into a long-term agreement with NMR for the exclusive right to operate food and beverage concessions serving the new raceway facilities (the "Racing F&B Concessions") located in the new raceway grandstand constructed at the Meadowlands Racetrack in northern New Jersey. Under the agreement, NMR is responsible to pay for the costs and expenses incurred in the operation of the Racing F&B Concessions, and all revenues and profits thereof inure to the benefit of NMR. AM VIE receives an annual fee equal to 5% of the net profits received by NMR from the Racing F&B Concessions during each calendar year. At October 3, 2015, it was determined that AM VIE is a variable interest entity. However, based on qualitative consideration of the contracts with AM VIE, the operating structure of AM VIE, the Company's role with AM VIE, and that the Company is not obligated to absorb any expected losses of AM VIE, the Company has concluded that it is not the primary beneficiary and not required to consolidate the operations of AM VIE.

The Company's maximum exposure to loss as a result of its involvement with AM VIE is limited to a receivable from AM VIE's primary beneficiary (NMR, a related party) which aggregated approximately $272,000 and $266,000 at October 3, 2015 and September 27, 2014, respectively, and are included in Prepaid Expenses and Other Current Assets in the Consolidated Balance Sheets.

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium. The principal and accrued interest related to this note in the amounts of $1,566,997 and $1,522,954, are included in Other Assets in the Consolidated Balance Sheets at October 3, 2015 and September 27, 2014, respectively.

7. FIXED ASSETS

Fixed assets consist of the following:

	October 3, 2015	September 27, 2014
	(In thousands)	
Land and building	$ 4,800	$ 4,800
Leasehold improvements	43,960	43,223
Furniture, fixtures and equipment	35,806	34,753
Construction in progress	27	266
	84,593	83,042
Less: accumulated depreciation and amortization	56,789	54,023
	$ 27,804	$ 29,019

Depreciation and amortization expense related to fixed assets for the years ended October 3, 2015 and September 27, 2014 was $4,399,000 and $4,596,000, respectively.

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. No impairment charges were necessary for the years ended October 3, 2015 and September 27, 2014.

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	October 3, 2015	September 27, 2014
	(In thousands)	
Purchased leasehold rights (a)	$ 2,737	$ 2,337
Noncompete agreements and other	213	213
	2,950	2,550
Less accumulated amortization	2,451	2,455
Total intangible assets	$ 499	$ 95

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

Amortization expense related to intangible assets for the years ended October 3, 2015 and September 27, 2014 was $16,000 and $23,000, respectively.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	October 3, 2015	September 27, 2014
	(In thousands)	
Sales tax payable	$ 992	$ 833
Accrued wages and payroll related costs	1,832	1,532
Customer advance deposits	3,967	3,895
Accrued occupancy and other operating expenses	3,541	4,076
	$ 10,332	$ 10,336

10. NOTES PAYABLE

Treasury Stock Repurchase **–** On December 12, 2011, the Company, in a private transaction, purchased 250,000 shares of its common stock at a price of $12.50 per share, or a total of $3,125,000. Upon the closing of the purchase, the Company paid the seller $1,000,000 in cash and issued an unsecured promissory note to the seller for $2,125,000. The note bears interest at 0.19% per annum, and is payable in 24 equal monthly installments of $88,541, commencing on December 1, 2012. The note was repaid in full in November 2014.

Bank **–** On February 25, 2013, the Company issued a promissory note, secured by all assets of the Company, to a bank for $3,000,000. The note bore interest at LIBOR plus 3.0% per annum, and was payable in 36 equal monthly installments of $83,333, commencing on March 25, 2013. On February 24, 2014, in connection with the acquisition of *The Rustic Inn*, the Company borrowed an additional $6,000,000 from this bank under the same terms and conditions as the original loan which was consolidated with the remaining principal balance from the original borrowing at that date. The new loan is payable in 60 equal monthly installments of $134,722, which commenced on March 25, 2014. As of October 3, 2015, the outstanding balance of this note payable was approximately $5,524,000.

The loan agreement provides, among other things, that the Company meet minimum quarterly tangible net worth amounts, as defined, and minimum annual net income amounts, and contains customary representations, warranties and affirmative covenants. The agreement also contains customary negative covenants, subject to negotiated exceptions, on liens, relating to other indebtedness, capital expenditures, liens, affiliate transactions, disposal of assets and certain changes in ownership. The Company was in compliance with all debt covenants as of October 3, 2015.

As of October 3, 2015, the aggregate amounts of notes payable maturities are as follows:

2016	$ 1,617
2017	1,617
2018	1,617
2019	673
	$ 5,524

11. COMMITMENTS AND CONTINGENCIES

Leases **—** The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2032. 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 and in one instance based on profits.

As of October 3, 2015, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	**Amount** (In thousands)
2016	$ 9,925
2017	10,127
2018	8,674
2019	7,576
2020	6,673
Thereafter	31,272
Total minimum payments	$ 74,247

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 approximately $388,000 as security deposits under such leases.

Rent expense was approximately $13,055,000 and $13,686,000 for the fiscal years ended October 3, 2015 and September 27, 2014, respectively. Contingent rentals, included in rent expense, were approximately $4,211,000 and $4,903,000 for the fiscal years ended October 3, 2015 and September 27, 2014, respectively.

Legal Proceedings — In the ordinary course 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. Management believes, based in part on the advice of counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

12. STOCK OPTIONS

The Company has options outstanding under two stock option plans, the 2004 Stock Option Plan (the "2004 Plan") and the 2010 Stock Option Plan (the "2010 Plan"), which was approved by shareholders in the second quarter of 2010. Effective with this approval, the Company terminated the 2004 Plan. This action terminated the 400 authorized but unissued options under the 2004 Plan, but it did not affect any of the options previously issued under the 2004 Plan. 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.

The 2010 Stock Option Plan is the Company's only equity compensation plan currently in effect. Under the 2010 Stock Option Plan, 500,000 options were authorized for future grant. Options granted under the 2010 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 the year ended October 3, 2015, options to purchase 136,500 shares of common stock at an exercise price of $29.60 per share expired unexercised and options to purchase 3,000 shares of common stock at an exercise price of $22.50 were cancelled. During the year ended September 27, 2014, options to purchase 205,500 shares of common stock at an exercise price of $22.50 per share were granted employees and directors of the Company. Such options are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to the remaining 50% commencing on the second anniversary of the date of grant. The grant date fair value of these stock options was $4.03 per share.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model 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 2014 grant include a risk free interest rate of 2.62%, volatility of 33.8%, a dividend yield of 6.0% and an expected life of 6.25 years.

The following table summarizes stock option activity under all plans:

	2015			2014		
	Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Shares**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding, beginning of year	704,161	$ 21.66		623,100	$ 19.69	
Options:						
Granted	-			205,500	$ 22.50	
Exercised	(40,861)	$ 12.84		(124,439)	$ 13.29	
Canceled or expired	(139,500)	$ 29.36		-		
Outstanding and expected to vest, end of year (a)	523,800	$ 20.29	$ 2,242,140	704,161	$ 21.66	$ 2,350,258
Exercisable, end of year (a)	422,300	$ 19.76	$ 2,191,390	498,661	$ 21.31	$ 2,350,258
Weighted average remaining contractual life	5.5 Years			5.7 Years		
Shares available for future grant	43,000			43,000		

(a) Options become exercisable at various times and expire at various dates through 2024.

Compensation cost charged to operations for the fiscal years ended October 3, 2015 and September 27, 2014 for share-based compensation programs was approximately $426,000 and $349,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the Consolidated Statements of Income.

As of October 3, 2015, there was approximately $287,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately 0.75 years.

13. INCOME TAXES

The provision for income taxes attributable to continuing operations consists of the following:

	Year Ended	
	October 3, 2015	September 27, 2014
	(In thousands)	
Current provision:		
Federal	$ 1,684	$ 2,029
State and local	699	154
	2,383	2,183
Deferred benefit:		
Federal	342	(169)
State and local	(129)	(239)
	213	(408)
	$ 2,596	$ 1,775

The effective tax rate differs from the U.S. income tax rate as follows:

	Year Ended	
	October 3, 2015	September 27, 2014
	(In thousands)	
Provision at Federal statutory rate (34% in 2015 and 2014)	$ 3,056	$ 2,707
State and local income taxes, net of tax benefits	346	(26)
Tax credits	(583)	(655)
Income attributable to non-controlling interest	(341)	(432)
Changes in tax rates	67	(97)
Other	51	278
	$ 2,596	$ 1,775

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	October 3, 2015	September 27, 2014
	(In thousands)	
Long-term deferred tax assets (liabilities):		
State net operating loss carryforwards	$ 3,069	$ 3,855
Operating lease deferred credits	793	888
Depreciation and amortization	259	(10)
Deferred compensation	794	1,322
Partnership investments	(220)	(411)
Other	(19)	102
Total long-term deferred tax assets	4,676	5,746
Valuation allowance	(223)	(532)
Total net deferred tax assets	$ 4,453	$ 5,214

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. In the assessment of the valuation allowance, appropriate consideration was given to all positive and negative evidence including recent operating profitability, forecasts of future earnings and the duration of statutory carryforward periods. The Company recorded a valuation allowance of $223,000 and $532,000 as of October 3, 2015 and September 27, 2014, respectively, attributable to state and local net operating loss carryforwards which are not realizable on a more-likely-than-not basis. During fiscal 2015, the Company's valuation allowance decreased by approximately $309,000 as the Company determined that certain state net operating losses became realizable on a more-likely-than-not basis.

As of October 3, 2015, the Company has New York State net operating losses of approximately $19,700,000 and New York City net operating loss carryforwards of approximately $17,700,000 that expire through fiscal 2036.

During fiscal 2015, certain equity compensation awards expired unexercised. As such, the Company reversed the related deferred tax asset in the amount of approximately $548,000 as a charge to Additional Paid-in Capital as there was a sufficient pool of windfall tax benefit available.

A reconciliation of the beginning and ending amount of unrecognized tax benefits excluding interest and penalties is as follows:

	October 3, 2015	September 27, 2014
	(In thousands)	
Balance at beginning of year	$ 162	$ 162
Additions based on tax positions taken in current and prior years	145	-
Balance at end of year	$ 307	$ 162

The entire amount of unrecognized tax benefits if recognized would reduce our annual effective tax rate. As of October 3, 2015, the Company accrued approximately $211,000 of interest and penalties. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions' tax court systems.

The Company files tax returns in the U.S. and various state and local jurisdictions with varying statutes of limitations. The 2012 through 2015 fiscal years remain subject to examination by the Internal Revenue Service most state and local tax authorities.

14. OTHER INCOME

Other income consists of the following:

	Year Ended	
	October 3, 2015	September 27, 2014
	(In thousands)	
Licensing fees	$ 185	$ 141
Other rentals	16	215
Insurance proceeds	-	106
Other	37	26
	$ 238	$ 488

15. 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 October 3, 2015 and September 27, 2014 follows:

	Net Income Attributable to Ark Restaurants Corp. (Numerator)	Shares (Denominator)	Per Share Amount
	(In thousands, except per share amounts)		
Year ended October 3, 2015			
Basic EPS	$ 5,390	3,393	$ 1.59
Stock options	-	116	(0.05)
Diluted EPS	$ 5,390	3,509	$ 1.54
Year ended September 27, 2014			
Basic EPS	$ 4,915	3,296	$ 1.49
Stock options	-	134	(0.06)
Diluted EPS	$ 4,915	3,430	$ 1.43

For the year ended October 3, 2015, options to purchase 66,000 shares of common stock at a price of $12.04, options to purchase 164,800 shares of common stock at a price of $14.40 and options to purchase 203,000 shares of common stock at a price of $22.50 per were included in diluted earnings per share. Options to purchase 90,000 shares of common stock at a price of $32.15 per share were not included in diluted earnings per share as their impact would be anti-dilutive.

For the year ended September 27, 2014, options to purchase 96,361 shares of common stock at a price of $12.04 and options to purchase 175,800 shares of common stock at a price of $14.40 were included in diluted earnings per share. Options to purchase 136,500 shares of common stock at a price of $29.60, options to purchase 90,000 shares of common stock at a price of $32.15 per share and options to purchase 205,500 shares of common stock at a price of $22.50 per share were not included in diluted earnings per share as their impact would be anti-dilutive.

16. RELATED PARTY TRANSACTIONS

Employee receivables totaled approximately $485,000 and $399,000 at October 3, 2015 and September 27, 2014, respectively. Such amounts consist of loans that are payable on demand and bear interest at the minimum statutory rate (0.54% at October 3, 2015 and 0.36% at September 27, 2014).

17. SUBSEQUENT EVENTS

On October 22, 2015, the Company, through its wholly-owned subsidiaries, Ark Shuckers, LLC, Ark Shuckers Real Estate, LLC, and Ark Island Beach Resort LLC, acquired the assets of Shuckers Inc., a restaurant and bar located at the Island Beach Resort in Jensen Beach, FL, and six condominium units (four of which house the restaurant and bar operations) and a management company that handles the rental pool for certain condominium units under lease with Island Beach Resort, Inc. The total purchase price was for $5,650,000 plus inventory. The acquisition will be accounted for as a business combination and was financed with a bank loan from the Company’s existing lender in the amount of $5,000,000 and cash from operations.

In connection with this transaction, the Company also entered into a Credit Agreement (the “Revolving Facility”) with Bank Hapoalim B.M. (the “Bank”) which expires on October 21, 2017. Borrowings under the Revolving Facility will be evidenced by a promissory note (the “Revolving Note”) in favor of the Bank in the amount of up to $10,000,000 and will be payable over five years with interest at an annual rate equal to LIBOR plus 3.5% per year. Borrowings under the Revolving Facility are secured by a senior secured interest in all of the Company’s and several of its subsidiaries’ personal and fixture property, but generally not in any directly held investment property or general intangibles.

On November 30, 2015, the Company’s lease at the *V-Bar* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

On December 7, 2015, the Board of Directors declared a quarterly dividend of $0.25 per share on the Company's common stock to be paid on January 4, 2016 to shareholders of record at the close of business on December 18, 2015.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Weinstein
Chairman and Chief Executive Officer

Robert J. Stewart
President, Chief Financial Officer and Treasurer

Vincent Pascal
Senior Vice President --- Senior Vice President and Chief Operating Officer

Paul Gordon
Senior Vice President --- Director of Las Vegas Operations

Marcia Allen
Chief Executive Officer, Allen & Associates

Bruce R. Lewin
Chairman and President, 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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