Ark Restaurants Corp.

2010 ANNUAL REPORT

The Company

We are a New York corporation formed in 1983. As of the fiscal year ended October 2, 2010, we owned and/or operated 22 restaurants and bars, 29 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 2, 2010, nine of our restaurant and bar facilities are located in New York City, four are located in Washington, D.C., five are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in the Faneuil Hall Marketplace in Boston, Massachusetts.

We will provide without charge a copy of our Annual Report on Form 10-K for the fiscal year ended October 2, 2010, including financial statements and schedules thereto, to each of our shareholders of record on February 17, 2011 and each beneficial holder on that date, upon receipt of a written request therefore mailed our offices, 85 Fifth Avenue, New York, NY 10003 Attention: Treasurer.

February 17, 2011

Dear Shareholders:

Although the EBITDA numbers for this past year were strikingly similar to those of the prior year, this year was quite different than fiscal 2009. We entered 2010 with a small degree of optimism. We had survived the "hundred year flood" economy, reinstated a dividend for shareholders and retained an enviable balance sheet. Among our managers conventional wisdom was that we would experience relief from the devastating revenue experience of fiscal 2009 (in that year same store revenues declined 10.4% compared with fiscal 2008). We were partially correct. Sales in New York improved dramatically assisted by very good spring and summer weather. We were modestly ahead in Boston and Washington was essentially flat. However, Las Vegas continued to struggle. The combination of a slow to recover economy, significant foreclosures in Las Vegas and high local unemployment along with reduced spending from visitors and locals did battle with our efforts. The bottom line suffered offsetting gains elsewhere.

Our goal has been to create reliable and growing EBITDA and to pay out excess cash to shareholders. In years past our portfolio Las Vegas properties have been highly reliable in consistency and growth of earnings. Las Vegas represents nearly 50% of our company's sales and it is difficult to move Company EBITDA forward without revenue recovery in our Las Vegas operations. We are confident that these properties and the hotels in which they reside are well located and represent strong brands. We are believers that Las Vegas is unique and in the "build it and they will come" theory. We do not doubt that there will be an upside in revenue as we get further along to economic recovery. Recently we added two new properties at NYNY Hotel and Casino, a 150 seat burger bar and the 300 seat former ESPN Zone, now operating and renamed The Sporting House.

Presently we are experiencing increased labor costs as mandated minimum wage and related laws regarding wages of hourly employees become effective. There is also inflation in pricing of raw product. I mentioned last year that other operating expenses in fiscal 2009 remained stubbornly high. In this past year we were able to maneuver to some lower pricing for insurance and utilities. Looking forward additional savings will be difficult to find especially if the cost of energy continues to head higher. Although we have not raised prices in the past two years it is our intention to do so in the current year to offset these increased costs. We think the market can digest a 2% to 3% increase.

We closed out this past year with no long term debt and $9,449,000 in cash and short term investments. Our working capital ratio remained strong. We continue to pay purveyor bills on a ten day cycle. Other than the capital expended for the two new properties in Las Vegas we have no further capital commitments for new development. While we maintain a conservative nature we are presently negotiating on several New York properties as we are comfortable that conditions are no longer deteriorating. The cost of entry for new operations has become somewhat compelling. Rents are down and construction costs have significantly moderated from three years ago.

We did better in the first fiscal quarter of 2011. This is in part due to the success of Robert at New York's Museum of Art and Design. Robert opened in December of 2009 and is now running on all cylinders. Also in this first fiscal quarter same store sales were up nicely in New York, Washington D.C. and Boston. Las Vegas same store sales continued to decline but in fact the spread narrowed. There is a case to be made that sales were disrupted during this period by the construction of our burger bar at NYNY Hotel and Casino and if not for that the comparative sales in Las Vegas would have been positive. Indeed comparative sales at our Venetian and Planet Hollywood properties were to the plus column. Our managed properties in Florida performed very well last year and continued to do so in the first quarter. Our Connecticut and New Jersey operations at Foxwoods Casino and Resorts Hotel and Casino, respectively, continue to badly underperform. These are secondary casino properties that have been significantly compromised by the economy and competition. We suffer as a result.

We are convinced that EBITDA from current operations is starting to see improvement as revenues recover. Our greatest asset is our human capital, the people who work for your Company.

Sincerely,

Michael Weinstein,
Chairman and Chief Executive Officer

ARK RESTAURANTS CORP.

Corporate Office

Michael Weinstein, Chairman and Chief Executive Officer
Robert Towers, President, Chief Operating Officer and Treasurer
Robert Stewart, Chief Financial Officer
Vincent Pascal, Senior Vice President-Operations
Paul Gordon, Senior Vice President-Director of Las Vegas Operations
Walter Rauscher, Vice President-Corporate Sales & Catering
Nancy Alvarez, Controller
Marilyn Guy, Director of Human Resources
Jennifer Sutton, Director of Operations-Washington D.C.
Andrea O'Brien, Director of Tour and Travel
John Oldweiler, Director of Purchasing
Luis Gomes, Director of Purchasing—Las Vegas Operations
Joe Vazquez, Director of Facilities Management
Evyette Ortiz, Director of Marketing
Veronica Mijelshon, Director of Architecture and Design
Teresita Mendoza, Controller—Las Vegas Operations
Barry Egert, Director of Maintenance—Las Vegas Operations
Lea Fisher, Director of Human Resources—Las Vegas Operations

Corporate Executive Chef

David Waltuck

Executive Chefs

Darek Tidwell, Washington D.C.
Damien McEvoy, Las Vegas
Paul Savoy, Executive Sous Chef, Las Vegas Operations

Restaurant General Managers—New York

Bridgeen Hale, The Grill Room
Stephanie Torres, Columbus Bakery
Dianne Ashe-Giovannone, Canyon Road
Jennifer Baquerizo, El Rio Grande
Todd Birnbaum, Sequoia
Donna Simms, Bryant Park Grill
Ridgley Trufant, Red
Ana Harris, Robert

Restaurant General Managers—Washington D.C.

Bender Gamiao, Thunder Grill
Jennifer Sutton, America & Center Café
Maurizio Reyes, Sequoia

Restaurant General Managers—Las Vegas

Charles Gerbino, Las Vegas Employee Dining Facility
Chris Hernandez, Gallagher's Steakhouse
John Hausdorf, Las Vegas Room Service
Dabney Bradley, Director of Sales and Catering
Kelly Rosas, Gonzalez y Gonzalez
Craig Tribus, America
Ivonne Escobedo, Village Streets
Maria Medina, Venetian Food Court
Christopher Waltrip, V-Bar
Staci Green, Yolos Mexican Grill

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

Restaurant General Managers—Florida
Carlos Gomez, Hollywood Food Court
Darvin Prats, Tampa Food Court

Restaurant General Manager—Foxwoods
Patricia Reyes, The Grill at Two Trees, Lucky Seven and The Food Market

Restaurant Chefs—New York
Armando Cortes, The Grill Room
Vico Ortega, Sequoia
Santiago Moran, Red
Fermin Ramirez, El Rio Grande
Ruperto Ramirez, Canyon Road Grill
Gadi Weinreich, Bryant Park Grill
Matt Kauffman, Robert

Restaurant Chefs—Washington D.C.
Foo Nun Chee, America & Center Café
Darek Tidwell, Sequoia
Eric Vite Nava, Thunder Grill

Restaurant Chefs—Las Vegas
Hector Hernandez, America
Dave Simmons, Gallagher's Steakhouse
Richard Harris, Banquets
Jerome "JJ" Lingle, Las Vegas Employee Dining Facility
Sergio Salazar, Gonzalez y Gonzalez
Josh McKinney, Yolos Mexican Grill

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

Restaurant Chefs—Florida
Artemio Espinoza, Hollywood Food Court
Nolberto Vernal, Tampa Food Court

Restaurant Chef—Foxwoods
Rosalio Fuentes, The Grill at Two Trees and Lucky Seven
Roberto Reyes, The Food Market

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

Overview

The Company's operating income of $2,999,000 for the year ended October 2, 2010 decreased 8% compared to operating income of $3,272,000 for the year ended October 3, 2009. This decrease resulted primarily from a slight increase in revenues as discussed below, offset by increased professional fees and a loss on disposal of fixed assets related to Pinch & S'Mac.

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.

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, 2009 included 53 weeks and the fiscal year ended October 2, 2010 included 52 weeks.

Revenues

Total revenues increased 2.4%, or $2,761,000, from fiscal 2009 to fiscal 2010. The increase in revenues was primarily attributable to a decrease in same store sales of $1,437,000 (discussed below) offset by sales from our new restaurant, *Robert*, in New York City and higher management fees.

Food and Beverage Sales

Same store sales decreased 1.4%, or $1,437,000, on a Company-wide basis from fiscal 2009 to fiscal 2010. Same store sales in Las Vegas decreased by $2,515,000, or 4.9%, in fiscal 2010 compared to fiscal 2009 as they were negatively affected by the continued unwillingness of the public to engage in gaming activities and a decrease in tourism and convention business. Same store sales in New York increased $2,181,000, or 7.7%, during fiscal 2010 as a result of slightly improved local economic conditions combined with improved weather conditions in the third and fourth quarters as compared to the same quarters in 2009. Same store sales in Washington D.C. decreased by $861,000, or 4.8%, during fiscal 2010 due to the benefit in the prior year as a result of catering business related to the presidential inaugurations. Same store sales in Atlantic City decreased by $176,000 or 6.6% in fiscal 2010 compared to fiscal 2009 as they were negatively affected by the continued unwillingness of the public to engage in gaming activities as well as the introduction of table games in the slot machine parlors located in nearby Pennsylvania. Same store sales in Boston were essentially unchanged from the prior year. Same store sales in Connecticut decreased $72,000, or 4.7%, during fiscal 2010 as they were negatively affected by the continued unwillingness of the public to engage in gaming activities.

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 Income

Other income, which consists of the sale of merchandise at various restaurants, management fee income and door sales, for the year ended October 2, 2010 was $3,099,000 compared to $2,063,000 for

the year ended October 3, 2009; an increase of 50.2% due primarily to an increase in management fees from the Company's unconsolidated managed restaurants. We manage:

- the Tampa and Hollywood Florida food court operations, and
- the Lucky Seven at Foxwoods.

Sales of the Tampa and Hollywood Florida food court operations were $15,109,000 during fiscal 2010 compared to $14,264,000 during fiscal 2009. Sales of Lucky Seven were $2,361,000 during fiscal 2010 compared to $2,468,000 during fiscal 2009.

Costs and Expenses

Food and beverage costs for the year ended October 2, 2010 as a percentage of total revenues were 25.8% and have remained relatively consistent as compared to 25.6% for the year ended October 3, 2009.

Payroll expenses for the year ended October 2, 2010 as a percentage of total revenues were 32.3% and have remained constant as compared to the year ended October 3, 2009.

Occupancy expenses as a percentage of total revenues were 14.2% for the year ended October 2, 2010 as compared to 14.5% for the year ended October 3, 2009. The decrease in occupancy expenses was due primarily to a one-time expense of $220,000 in the second fiscal quarter of 2009 for a real estate tax adjustment related to a restaurant in Washington D.C.

Other operating costs and expenses as a percentage of total revenues were 13.8% for the year ended October 2, 2010 as compared to 14.0% for the year ended October 3, 2009.

General and administrative expenses as a percentage of total revenue were 8.1% in fiscal 2010 and 7.7% in fiscal 2009. This slight increase was primarily due to increased professional fees of $155,000 and additional share-based compensation of $102,000 partially offset by an increase in total revenues.

Interest expense was $29,000 in fiscal 2010 and $43,000 in fiscal 2009. Interest income was $82,000 in fiscal 2010 and $295,000 in fiscal 2009. Investments are made in government securities and investment quality corporate instruments.

Other income, which generally consists of purchasing service fees, equity in losses of affiliates and other income at various restaurants, was $386,000 and $559,000 for fiscal 2010 and 2009, respectively.

Income Taxes

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

For state and local income tax purposes, the losses incurred by a subsidiary may only be used to offset that subsidiary's income, with the exception of the restaurants operating in the District of Columbia. Accordingly, our overall effective tax rate has varied depending on the level of losses incurred at individual subsidiaries.

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

The Revenue Reconciliation Act of 1993 provides tax credits to us for FICA taxes paid on tip income of restaurant service personnel. The net benefit to us was $607,000 in fiscal 2010 and $661,000 in fiscal 2009.

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.

Net cash provided by operating activities for the year ended October 2, 2010 was $5,548,000, compared to $7,707,000 for the prior year. This net change was primarily attributable to unfavorable working capital changes.

Net cash used in investing activities for the year ended October 2, 2010 was $1,739,000 and resulted from net proceeds from the sales of investment securities partially offset by purchases of fixed assets at existing restaurants and the construction of Robert in New York City. Net cash used in investing activities for the year ended October 3, 2009 was $2,870,000 and resulted from net proceeds from the sales of investment securities offset by purchases of fixed assets at existing restaurants and the construction of Yolos, a Mexican restaurant located at the Planet Hollywood Resort and Casino located in Las Vegas, Nevada.

Net cash used in financing activities for the years ended October 2, 2010 and October 3, 2009 of $7,250,000 and $2,363,000, respectively, was principally used for the payment of dividends and purchases of treasury stock.

The Company had a working capital surplus of $4,897,000 at October 2, 2010 as compared to a working capital surplus of $5,883,000 at October 3, 2009.

A quarterly cash dividend in the amount of $0.44 per share was declared on October 10, 2008. On September 16, 2009, our Board of Directors declared a special cash dividend in the amount of $1.00 per share. On December 1, 2009, March 1, 2010, May 26, 2010, August 27, 2010 and November 23, 2010 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 dividend for the foreseeable future, however, the payment of future dividends is at the discretion of our Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

In February 2010, the Company entered into an amendment to its lease for the food court space at the New York-New York Hotel and Casino in Las Vegas, Nevada. Pursuant to this amendment, the Company agreed to, among other things; commit no less than $3,000,000 to remodel the food court by March 2012. In exchange for this commitment the landlord agreed to extend the food court lease for an additional four years.

Restaurant Expansion

During the fiscal year ended October 3, 2009, we began construction of the restaurant Robert at the Museum of Arts & Design at Columbus Circle in Manhattan. This restaurant opened on December 15, 2009. We are the majority owner and managing member of the limited liability company which operates this restaurant.

In August 2010, the Company entered into an agreement to lease the former ESPN Zone space at the New York-New York Hotel & Casino Resort in Las Vegas and re-open the space under the name The Sporting House, which has been licensed from the landlord as well. Such lease is cancellable upon 90 days written notice no earlier than May 31, 2011 and provides for rent, including the licensing fee, based on profits only. This restaurant opened at the end of October 2010 and the Company did not invest significant funds to re-open the space.

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

Recent Restaurant Dispositions and Charges

During the fourth fiscal quarter of 2010, we closed our Pinch & S'Mac operation located in New York City and re-concepted the location as *Polpette,* which features meatballs and other Italian food. In connection with these changes we recorded a loss on disposal of fixed assets in the amount of $358,000 which is included in Other Operating Costs and Expenses in the consolidated statement of income for the year ended October 2, 2010.

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, inventories, 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. We believe at this time that carrying values and useful lives continue to be appropriate. For the years ended October 2, 2010 and October 3, 2009, no impairment charges were deemed necessary.

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 carry forwards, are dependent on future earnings or the availability of tax strategies. Future results could require an increase or decrease in the valuation allowance and a resulting adjustment to income in such period.

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, which were acquired in connection with the Durgin Park acquisition, are considered to have an indefinite life and are not being amortized. Goodwill and certain intangible assets are assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of the reporting unit (we are being treated as one reporting unit) with its net book value (or carrying amount), including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, we perform internal valuation analyses and consider other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows,

perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were necessary in fiscal 2010 and 2009.

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.

During fiscal 2009, options to purchase 176,600 shares of common stock were granted at an exercise price of $12.04 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 $624,000. The Company did not grant any options during the fiscal year 2010. The Company generally issues new shares upon the exercise of employee stock options.

Recently Issued Accounting Standards

See Note 1 to the Consolidated Financial Statements for a description of recent accounting pronouncements, including those adopted in 2009 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 National Market under the symbol "ARKR." The high and low sale prices for our Common Stock from September 28, 2008 through October 2, 2010 are as follows:

	High	Low
Calendar 2008		
Fourth Quarter	$17.03	$ 8.35
Calendar 2009		
First Quarter	12.20	8.91
Second Quarter	14.09	9.30
Third Quarter	18.94	12.05
Fourth Quarter	17.80	12.48
Calendar 2010		
First Quarter	14.27	13.21
Second Quarter	14.93	13.35
Third Quarter	15.00	12.55

Dividend Policy

A quarterly cash dividend in the amount of $0.44 per share was declared on October 10, 2008. On December 18, 2008, the Board of Directors suspended the dividend due to the then existing economic conditions. On September 16, 2009, the Board of Directors declared a special cash dividend in the amount of $1.00 per share. On December 1, 2009, March 1, 2010, May 26, 2010, August 27, 2010 and November 23, 2010 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.

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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 as of October 2, 2010 and October 3, 2009, and the related consolidated statements of income, changes in equity and cash flows for each of the two years in the period ended October 2, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ark Restaurants Corp. and Subsidiaries as of October 2, 2010 and October 3, 2009, and their consolidated results of operations and cash flows for each of the two years in the period ended October 2, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective October 4, 2009, the Company adopted reporting standards for non-controlling interests. The prior periods presented have been retrospectively restated to conform to the current classification requirements.

/s/ J.H. Cohn LLP

Jericho, New York
January 3, 2011

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amounts)

	October 2, 2010	October 3, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,011	$ 5,452
Short-term investments in available-for-sale securities	7,438	8,139
Accounts receivable	2,048	2,031
Related party receivables, net	1,044	504
Employee receivables	290	584
Current portion of note receivable	102	129
Inventories	1,652	1,547
Prepaid expenses and other current assets	797	428
Total current assets	15,382	18,814
NOTE RECEIVABLE, LESS CURRENT PORTION	—	102
FIXED ASSETS—Net	24,113	25,078
INTANGIBLE ASSETS—Net	37	45
GOODWILL	4,813	4,813
TRADEMARKS	721	721
DEFERRED INCOME TAXES	6,149	5,216
OTHER ASSETS	416	547
TOTAL	$ 51,631	$ 55,336
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable—trade	$ 2,423	$ 2,541
Accrued expenses and other current liabilities	7,548	6,036
Accrued income taxes	290	655
Dividend payable	—	3,490
Current portion of note payable	224	209
Total current liabilities	10,485	12,931
OPERATING LEASE DEFERRED CREDIT	3,628	3,917
NOTE PAYABLE, LESS CURRENT PORTION	78	302
OTHER LIABILITIES	—	84
TOTAL LIABILITIES	14,191	17,234
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, par value $.01 per share—authorized, 10,000 shares; issued, 5,668 shares and 5,667 shares at October 2, 2010 and October 3, 2009, respectively; outstanding, 3,491 shares and 3,490 shares at October 2, 2010 and October 3, 2009, respectively	57	57
Additional paid-in capital	23,050	22,501
Accumulated other comprehensive income (loss)	8	(29)
Retained earnings	22,554	23,440
	45,669	45,969
Less stock option receivable	(29)	(76)
Less treasury stock, at cost, of 2,177 shares at October 2, 2010 and October 3, 2009	(10,095)	(10,095)
Total Ark Restaurants Corp. shareholders' equity	35,545	35,798
NON-CONTROLLING INTERESTS	1,895	2,304
TOTAL EQUITY	37,440	38,102
TOTAL	$ 51,631	$ 55,336

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

	Year Ended	
	October 2, 2010	**October 3, 2009**
		Note 1
REVENUES:		
Food and beverage sales	$114,669	$112,944
Other income	3,099	2,063
Total revenues	117,768	115,007
COSTS AND EXPENSES:		
Food and beverage cost of sales	30,326	29,420
Payroll expenses	38,003	37,111
Occupancy expenses	16,758	16,649
Other operating costs and expenses	16,293	16,102
General and administrative expenses	9,516	8,834
Depreciation and amortization	3,873	3,619
Total costs and expenses	114,769	111,735
OPERATING INCOME	2,999	3,272
OTHER (INCOME) EXPENSE:		
Interest expense	29	43
Interest income	(82)	(295)
Other (income) expense, net	(386)	(559)
Total other income, net	(439)	(811)
Income before provision for income taxes	3,438	4,083
Provision for income taxes	1,121	1,240
NET INCOME	2,317	2,843
Net loss attributable to non-controlling interests	288	216
NET INCOME ATTRIBUTABLE TO ARK RESTAURANTS CORP.	$ 2,605	$ 3,059
NET INCOME PER ARK RESTAURANTS CORP. COMMON SHARE		
Basic	$ 0.75	$ 0.88
Diluted	$ 0.74	$ 0.87
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	3,490	3,494
Diluted	3,514	3,506

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED OCTOBER 3, 2009 AND OCTOBER 2, 2010

(In Thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stock Option Receivable	Treasury Stock	Total Ark Restaurants Corp. Shareholders' Equity	Non-controlling Interest	Total Equity
	Shares	Amount								
BALANCE— September 27, 2008	5,667	$57	$22,068	$25,427	$(30)	$(124)	$ (9,595)	$37,803	$2,681	$40,484
Net income attributable to Ark Restaurants Corp.	—	—	—	3,059	—	—	—	3,059	—	3,059
Net losses attributable to non-controlling interests	—	—	—	—	—	—	—	—	(216)	(216)
Unrealized gain on available-for-sale securities	—	—	—	—	1	—	—	1	—	1
Total comprehensive income (loss)								3,060	(216)	2,844
Stock-based compensation	—	—	433	—	—	—	—	433	—	433
Payment of dividends— $1.44 per share	—	—	—	(5,046)	—	—	—	(5,046)	—	(5,046)
Repayments on stock option receivable	—	—	—	—	—	48	—	48	—	48
Purchases of treasury stock	—	—	—	—	—	—	(500)	(500)	—	(500)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(161)	(161)
BALANCE— October 3, 2009	5,667	57	22,501	23,440	(29)	(76)	(10,095)	35,798	2,304	38,102
Net income attributable to Ark Restaurants Corp.	—	—	—	2,605	—	—	—	2,605	—	2,605
Net losses attributable to non-controlling interests	—	—	—	—	—	—	—	—	(288)	(288)
Unrealized gain on available-for-sale securities	—	—	—	—	37	—	—	37	—	37
Total comprehensive income (loss)								2,642	(288)	2,354
Exercise of stock options	1	—	13	—	—	—	—	13	—	13
Tax benefit on exercise of stock options	—	—	1	—	—	—	—	1	—	1
Stock-based compensation	—	—	535	—	—	—	—	535	—	535
Payment of dividends— $1.00 per share	—	—	—	(3,491)	—	—	—	(3,491)	—	(3,491)
Repayments on stock option receivable	—	—	—	—	—	47	—	47	—	47
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(121)	(121)
BALANCE— October 2, 2010	5,668	$57	$23,050	$22,554	$ 8	$ (29)	$(10,095)	$35,545	$1,895	$37,440

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Year Ended	
	October 2, 2010	**October 3, 2009**
		Note 1
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income attributable to Ark Restaurants Corp.	$ 2,605	$ 3,059
Adjustments to reconcile net income attributable to Ark Restaurants Corp. to net cash provided by operating activities:		
Deferred income taxes	(933)	(905)
Stock-based compensation	535	433
Depreciation and amortization	3,873	3,619
Equity in loss of affiliate	—	166
Loss attributable to non-controlling interests	(288)	(216)
Operating lease deferred credit	(289)	222
Changes in operating assets and liabilities:		
Accounts receivable	(17)	831
Related party receivables	(540)	377
Inventories	(105)	9
Prepaid expenses and other current assets	(369)	(66)
Other assets	131	(12)
Accounts payable—trade	(118)	(293)
Accrued expenses and other liabilities	1,512	724
Accrued income taxes	(365)	(168)
Net cash provided by continuing operating activities	5,632	7,780
Net cash used in discontinued operating activities	(84)	(73)
Net cash provided by operating activities	5,548	7,707
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(2,900)	(3,817)
Loans and advances made to employees	(101)	(518)
Payments received on employee receivables	395	215
Purchases of investment securities	(10,916)	(10,992)
Proceeds from sales of investment securities	11,654	12,121
Payments received on long-term receivables	129	121
Net cash used in investing activities	(1,739)	(2,870)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(209)	(194)
Dividends paid	(6,981)	(1,556)
Distributions to non-controlling interests	(121)	(161)
Proceeds from issuance of stock upon exercise of stock options	13	—
Excess tax benefits related to stock-based compensation	1	—
Purchase of treasury stock	—	(500)
Payments received on stock option receivable	47	48
Net cash used in financing activities	(7,250)	(2,363)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,441)	2,474
CASH AND CASH EQUIVALENTS, Beginning of year	5,452	2,978
CASH AND CASH EQUIVALENTS, End of year	$ 2,011	$ 5,452
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 29	$ 43
Income taxes	$ 2,553	$ 2,295
Non-cash financing activity:		
Accrued dividends on common stock	$ —	$ 3,490

See notes to consolidated financial statements.

1. Business and Summary of Significant Accounting Policies

Ark Restaurants Corp. and Subsidiaries (the "Company") owns and operates 22 restaurants and bars, 29 fast food concepts and catering operations. Nine restaurants are located in New York City, four are located in Washington, D.C., five are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in Boston, Massachusetts. The Las Vegas operations include three restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel's room service, banquet facilities, employee dining room and seven food court concepts; one bar within the Venetian Casino Resort as well as three food court concepts; 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. The operations at the Foxwoods Resort Casino include one fast food concept and six fast food concepts at the MGM Grand Casino. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace. The Florida operations under management include 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.

Accounting Period—The Company's fiscal year ends on the Saturday nearest September 30. The fiscal year ended October 2, 2010 included 52 weeks and the fiscal year ended October 3, 2009 included 53 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, inventories, 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. 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 partnerships.

Reclassifications—As a result of adopting new reporting standards for the non-controlling interest in subsidiaries, certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the Company's net income or financial position as previously reported.

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, investments, receivables, accounts payable, and accrued expenses approximate fair value due to the

immediate or short-term maturity of these financial instruments. The fair value of notes payable is determined using current applicable rates for similar instruments as of the balance sheet date and approximates 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.

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

Concentrations of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. 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.

For the year ended October 2, 2010, the Company made purchases from one vendor that accounted for approximately 13% of total purchases. For the year ended October 3, 2009, the Company made purchases from one vendor that accounted for approximately 16% of total purchases.

Accounts Receivable—Accounts receivable is primarily comprised of normal business receivables such as credit card receivables that are paid off in a short period of time, amounts due from our managed restaurants and hotel charges, and are recorded when the products or services have been delivered. The Company reviews the collectability of our receivables on an ongoing basis, and provides for an allowance when we consider the entity unable to meet its obligation.

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

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

Management fees, which are included in Revenues—Other Income, are related to the Company's managed restaurants that are not consolidated and are based on either gross restaurant sales or cash flow. The Company recognizes management fee income in the period sales are made or cash flow is generated.

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

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

Fixed Assets—Leasehold improvements and furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (three to seven years). Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is less, and ranges from 5 to 30 years. For leases with renewal periods at the Company's option, if failure to exercise a renewal option imposes an economic penalty to the Company, management may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination

of appropriate estimated useful lives. 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 accounts 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. 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—Costs associated with acquiring leases and subleases, principally purchased leasehold rights, have been capitalized and are being amortized on the straight-line method based upon the initial terms of the applicable lease agreements, which range from 9 to 20 years. Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period, typically five years.

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. Management believes that carrying values and useful lives continue to be appropriate. For the years ended October 2, 2010 and October 3, 2009, no impairment charges were deemed necessary.

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, which were acquired in connection with the Durgin Park acquisition, are considered to have an indefinite life and are not being amortized. Goodwill and trademarks are assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of the reporting unit (the Company is being treated as one reporting unit) with its net book value (or carrying amount), including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, the Company performs internal valuation analyses and considers other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market

comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were necessary in fiscal 2010 and 2009.

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. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. The Company records rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. The judgments of the Company may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

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

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

Defined Contribution Plans—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 2, 1010 and October 3, 2009, 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. Tax reserves 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).

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.

During fiscal 2009, options to purchase 176,600 shares of common stock were granted at an exercise price of $12.04 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 $624,000. The Company did not grant any options during the fiscal year 2010. 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 our stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2009 grant include a risk free interest rate of 3.29% based on the 10 year U.S. Treasury note rate on the day of grant, volatility of 42.7% based on the average of the volatility over the most recent three year period, which represents the Company's estimate of expected volatility over the expected option term, a dividend yield of 4.27% based on historical and expected dividend payment patterns, and an expected life of 5.75 years based on historical forfeiture rates.

New Accounting Standards Adopted in Fiscal 2010—In September 2006, the Financial Accounting Standards Board (the "FASB") issued accounting guidance, which, among other requirements, defines fair value, establishes a framework for measuring fair value, and expands disclosures about the use of fair value to measure assets and liabilities. Such guidance prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis at least annually, the guidance was effective beginning the first fiscal year that begins after November 15, 2007. This portion of the guidance, which was adopted as of the beginning of fiscal 2009, had no impact on the Company's consolidated financial statements. For all other nonfinancial assets and liabilities the guidance was effective for fiscal years beginning after November 15, 2008. The Company adopted this guidance effective as of the beginning of fiscal 2010, and its application had no impact on the Company's consolidated financial statements.

In December 2007, the FASB issued authoritative guidance which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This guidance also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. This guidance applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which corresponds to the Company's fiscal year beginning October 4, 2009 and has not had any impact on the Company's consolidated financial statements as the Company has not completed any acquisitions since its effectiveness.

In December 2007, the FASB issued authoritative guidance to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance defines a non-controlling interest, previously referred to as minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. It also requires, among other items, that a non-controlling interest be included in the consolidated balance sheet within equity separate from the parent's equity; consolidated net income to be reported at amounts inclusive of both the parent's and non-controlling interest's shares and, separately, the amounts of consolidated net income attributable to the parent and non-controlling interest all on the consolidated statement of operations; and if a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income (loss) based on such fair value. This guidance is effective for fiscal years beginning after December 15, 2008 and, accordingly, was adopted as of October 4, 2009. As a result of the adoption, the Company has reported

non-controlling interests as a component of equity in the consolidated balance sheets and the net losses attributable to non-controlling interests have been separately identified in the consolidated statements of income. The prior periods presented have also been retrospectively restated to conform to the current classification requirements. Other than the change in presentation of non-controlling interests, the adoption of this guidance had no impact on the consolidated financial statements.

In April 2008, the FASB issued a staff position ("FSP") that amends the list of factors an entity should consider in developing renewal or extension assumptions in determining the useful life of recognized intangible assets. The new guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions. Under this FSP, entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. This FSP is effective for fiscal years beginning after December 15, 2008. The Company adopted this guidance effective as of the beginning of fiscal 2010, and its application had no impact on the Company's consolidated financial statements.

New Accounting Standards Not Yet Adopted—In April 2009, the FASB issued accounting guidance regarding the accounting for assets acquired and liabilities assumed in a business combination due to contingencies. This guidance clarifies the initial and subsequent recognition, subsequent accounting and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, if the acquisition-date fair value can be reasonably estimated. If the acquisition-date fair value of an asset or liability cannot be reasonably estimated, the asset or liability would be measured at the amount that would be recognized using the accounting guidance related to accounting for contingencies or the guidance for reasonably estimating losses. This guidance will apply to any business combinations completed Company's effective with the fiscal year beginning October 3, 2010.

In June 2009, the FASB issued a new accounting pronouncement which amends the consolidation guidance applicable to variable interest entities and is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, which corresponds to the Company's fiscal year beginning October 3, 2010. The Company is currently evaluating the impact that the adoption of this pronouncement may have on its consolidated financial statements and related disclosures.

In January 2010, the FASB issued updated guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. This update requires new disclosures about significant transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy (including the reasons for these transfers) and the reasons for any transfers in or out of Level 3. This update also requires a reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, this update clarifies certain existing disclosure requirements. This update also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. This update is effective for interim and annual reporting periods beginning after December 15, 2009, which corresponds to the Company's fiscal year beginning October 3, 2010, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which is effective for interim and annual reporting periods beginning after December 15, 2010, which corresponds to the Company's fiscal year beginning October 2, 2011. The Company is currently evaluating the impact that the adoption of this pronouncement may have on its consolidated financial statements and related disclosures.

2. Recent Restaurant Expansion

In June 2008, the Company entered into an agreement to design and lease a restaurant at The Museum of Arts & Design at Columbus Circle in New York City. The initial term of the lease for this facility will expire on December 31, sixteen years after the date the restaurant first opens for business to the public following its current refurbishment and will have two five-year renewals. This restaurant opened during the first quarter of fiscal 2010.

In August 2010, the Company entered into an agreement to lease the former *ESPN Zone* space at the New York-New York Hotel & Casino Resort in Las Vegas and re-open the space under the name *The Sporting House*, which has been licensed from the landlord as well. Such lease is cancellable upon 90 days written notice no earlier than May 31, 2011 and provides for rent, including the licensing fee, based on profits only. This restaurant opened at the end of October 2010 and the Company did not invest significant funds to re-open the space.

3. Recent Restaurant Dispositions

During the fourth fiscal quarter of 2010, the Company closed its Pinch & S'Mac operation located in New York City, and re-concepted the location as *Polpette*, which features meatballs and other Italian food. In connection with these changes the Company recorded a loss on disposal of fixed assets in the amount of $358,000 which is included in Other Operating Costs and Expenses in the consolidated statement of income for the year ended October 2, 2010.

4. Investment Securities

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following available-for-sale securities are re-measured to fair value on a recurring basis and are valued using Level 1 inputs and the market approach as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
	(In thousands)			
At October 2, 2010				
Available for sale short-term:				
Government debt securities......	$7,430	$ 8	$ —	$7,438

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
	(In thousands)			
At October 3, 2009				
Available for sale short-term:				
Government debt securities......	$8,168	$ —	$(29)	$8,139

At October 2, 2010, all of the Company's government debt securities mature within fiscal year 2011.

5. Note Receivable

In March 2005, the Company sold a restaurant for $1,300,000. Cash of $600,000 was included on the sale. Of the $600,000 cash, $200,000 was paid to the Company as a fee to manage the restaurant for four months prior to closure and the balance was paid directly to the landlord. The remaining $700,000 was received in the form of a note receivable, at an interest rate of 6%, in installments through June 2011.

The carrying value of the Company's note receivable approximates their current aggregate fair value.

6. Fixed Assets

Fixed assets consist of the following:

	October 2, 2010	October 3, 2009
	(In thousands)	
Leasehold improvements	$34,175	$31,655
Furniture, fixtures and equipment	32,142	29,459
Construction in progress	367	2,652
	66,684	63,766
Less: accumulated depreciation and amortization	42,571	38,688
	$24,113	$25,078

Depreciation and amortization expense related to fixed assets for the years ended October 2, 2010 and October 3, 2009 was $3,865,000 and $3,602,000, respectively.

7. Intangible Assets

Intangible assets consist of the following:

	October 2, 2010	October 3, 2009
	(In thousands)	
Purchased leasehold rights (a)	$2,343	$2,343
Noncompete agreements and other	322	322
	2,665	2,665
Less accumulated amortization	2,628	2,620
Total intangible assets	$ 37	$ 45

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

Amortization expense related to intangible assets for the years ended October 2, 2010 and October 3, 2009 was $8,000 and $17,000, respectively.

8. Other Assets

Other assets consist of the following:

	October 2, 2010	October 3, 2009
	(In thousands)	
Deposits and other	$416	$416
Investments in unconsolidated affiliates (a)	—	131
	$416	$547

(a) During the second fiscal quarter of 2008, the Company opened, along with certain third party investors, a new concept at our former Columbus Bakery location called "Pinch & S'Mac" which featured pizza and macaroni and cheese. We contributed Columbus Bakery's net fixed assets and cash into this venture and received an ownership interest of 37.5%. These operations were not consolidated in the Company's consolidated financial statements. Included in Other income, net for fiscal 2009 are losses of approximately $166,000 related to this affiliate. During the fourth fiscal quarter of 2010, the Company closed the Pinch & S'Mac operation and re-concepted the location as *Polpette*, a 100%-owned restaurant which features meatballs and other Italian food. In connection with these changes the Company recorded a loss on disposal of fixed assets in the amount of $358,000 which is included in Other Operating Costs and Expenses in the consolidated statement of income for the year ended October 2, 2010.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	October 2, 2010	October 3, 2009
	(In thousands)	
Sales tax payable	$ 779	$ 808
Accrued wages and payroll related costs	1,810	1,495
Customer advance deposits	1,712	1,269
Accrued and other liabilities	3,247	2,464
	$7,548	$6,036

10. Commitments and Contingencies

Leases—The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 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.

As of October 2, 2010, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	Amount
	(In thousands)
2011	$ 7,818
2012	8,014
2013	6,936
2014	6,406
2015	5,795
Thereafter	20,967
Total minimum payments	$55,936

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 $657,000 as security deposits under such leases.

Rent expense was approximately $12,981,000 and $12,927,000 for the fiscal years ended October 2, 2010 and October 3, 2009, respectively. Contingent rentals, included in rent expense, were approximately $3,890,000 and $3,956,000 for the fiscal years ended October 2, 2010 and October 3, 2009, respectively.

Legal Proceedings—In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and 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 laws. Included in Accrued Expenses and Other Current Liabilities is approximately $500,000 and $600,000 at October 2, 2010 and October 3, 2009, respectively, related to the settlement of various claims against the Company.

11. Common Stock Repurchase Plan

On March 25, 2008, the Board of Directors authorized a stock repurchase program under which up to 500,000 shares of the Company's common stock may be acquired in the open market over the two years following such authorization at the Company's discretion.

During the year ended October 3, 2009, the Company purchased an aggregate of 42,000 shares at an average purchase price of $11.90 in the open market pursuant to the stock repurchase program. The Company did not repurchase any shares during the year ended October 2, 2010.

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. During fiscal 2009, options to purchase 176,600 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 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 six years after the date of grant. The following table summarizes stock option activity under all plans:

	2010			2009		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of year	422,100	$22.86		271,500	$30.59	
Options:						
Granted	—			176,600	$12.04	
Exercised	(1,036)	$12.04		—		
Canceled or expired	—			(26,000)	$30.09	
Outstanding, end of year (a)	421,064	$22.88	$405,553	422,100	$22.86	$662,250
Options exercisable (a)	332,764	$25.76	$201,580	245,500	$30.61	$ —
Weighted average remaining contractual life	6.5 Years			7.5 Years		
Shares available for future grant	500,000			400		

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

The following table summarizes information about stock options outstanding as of October 2, 2010 (shares in thousands):

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)
$12.04	175,564	$12.04	8.6	87,264	$12.04	8.6
$29.60	145,500	$29.60	6.2	145,500	$29.60	6.2
$32.15	100,000	$32.15	4.2	100,000	$32.15	4.2
	421,064	$22.88	6.5	332,764	$25.76	6.0

Compensation cost charged to operations for the fiscal years ended 2010 and 2009 for share-based compensation programs was approximately $535,000 and $433,000, before tax benefits of approximately $174,000 and $132,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the consolidated statements of income.

As of October 2, 2010, there was approximately $190,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized in fiscal 2011.

13. Management Fee Income

The Company provides management services to two fast food courts and one fast food unit it does not consolidate. In accordance with the contractual arrangements, the Company earns management fees based on gross sales or cash flow as defined by the agreements. Management fee income, included in Revenues—Other Income, relating to these services was approximately $2,902,000 and $1,952,000 for the years ended October 2, 2010 and October 3, 2009, respectively. Such amount for the year ended October 2, 2010 included approximately $743,000 for management fees and $2,159,000 for profit distributions. Such amount for the year ended October 3, 2009 included approximately $758,000 for management fees and $1,194,000 for profit distributions.

Receivables from managed restaurants, included in Related Party Receivables, were approximately $1,000,000 and $344,000 at October 2, 2010 and October 3, 2009, respectively. Such amount at October 2, 2010 included approximately $827,000 for management fees and profit distributions and $173,000 for expense advances. Such amount at October 3, 2009 included approximately $140,000 for management fees and $204,000 for expense advances.

Managed restaurants had sales of approximately $17,470,000 and $17,815,000 during the management periods within the years ended October 2, 2010 and October 3, 2009, which are not included in consolidated net sales of the Company.

14. Income Taxes

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

	Year Ended	
	October 2, 2010	October 3, 2009
	(In thousands)	
Current provision:		
Federal	$1,568	$1,602
State and local	486	543
	2,054	2,145
Deferred provision:		
Federal	(850)	(818)
State and local	(83)	(87)
	(933)	(905)
	$1,121	$1,240

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

	Year Ended	
	October 2, 2010	October 3, 2009
	(In thousands)	
Provision at Federal statutory rate (34% in 2010 and 2009)	$1,169	$1,388
State and local income taxes, net of tax benefits	172	256
Tax credits	(401)	(436)
State and local net operating loss carryforward allowance adjustment	12	(13)
Income attributable to non-controlling interest	98	73
Other	71	(28)
	$1,121	$1,240

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 2, 2010	October 3, 2009
	(In thousands)	
Long-term deferred tax assets (liabilities):		
Operating loss carryforwards	$2,094	$2,088
Operating lease deferred credits	1,278	1,374
Depreciation and amortization	876	748
Deferred compensation	1,101	852
Partnership investments	964	299
Pension withdrawal liability	7	32
Other	115	91
Total long-term deferred tax assets	6,435	5,484
Valuation allowance	(252)	(240)
Net long-term deferred tax assets	6,183	5,244
Deferred gains	(34)	(28)
Total long-term deferred tax liabilities	(34)	(28)
Total net deferred tax assets	$6,149	$5,216

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. The deferred tax valuation allowance of $252,000 and $240,000 as of October 2, 2010 and October 3, 2009, respectively, was attributable to state and local net operating loss carryforwards.

As of October 2, 2010, the Company has approximately of $22,000,000 of state and local net operating loss carryforwards which expire at various times beginning in the year 2015 through 2029.

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

	October 2, 2010	October 3, 2009
	(In thousands)	
Balance at beginning of year	$209	$ 292
Additions based on tax positions taken in current and prior years	—	70
Reductions due to settlements with taxing authorities	—	(153)
Balance at end of year	$209	$ 209

The entire amount of unrecognized tax benefits if recognized would reduce our annual effective tax rate. As of October 2, 2010 and October 3, 2009, the Company accrued approximately $63,000 and $43,000 of interest and penalties, respectively. 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 in the U.S. and various state and local income tax returns in jurisdictions with varying statutes of limitations. The 2005 through 2008 tax years generally remain subject to examination by Federal and most state and local tax authorities. An audit of the Company's tax return for the fiscal year ended September 30, 2006 was completed by the Internal Revenue Service during fiscal 2009 without a material adjustment to the Company's financial position or results of operations. An audit of the Company's tax return by the Internal Revenue Service for the fiscal years ended September 27, 2008 and October 3, 2009 is currently in process. The Company does not expect a material adjustment as a result of these audits.

15. Other Income

Other income consists of the following:

	Year Ended	
	October 2, 2010	October 3, 2009
	(In thousands)	
Purchase service fees	$ 62	$ 92
Equity in loss of an unconsolidated affiliate	—	(166)
Other	324	633
	$386	$ 559

16. Income Per Share of Common Stock

A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended October 2, 2010 and October 3, 2009 follows:

	Net Income (Numerator)	Shares (Denominator)	Per-Share Amount
	(In thousands, except per share amounts)		
Year ended October 2, 2010			
Basic EPS	$2,605	3,490	$ 0.75
Stock options	—	24	(0.01)
Diluted EPS	$2,605	3,514	$ 0.74
Year ended October 3, 2009			
Basic EPS	$3,059	3,494	$ 0.88
Stock options	—	12	(0.01)
Diluted EPS	$3,059	3,506	$ 0.87

Options to purchase 145,500 and 100,000 shares of common stock at exercises prices of $29.60 and $32.15 per share, respectively, were outstanding during the year ended October 2, 2010 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. Options to purchase 145,500 and 100,000 shares of common stock at exercise prices of $29.60 and $32.15 per share, respectively, were outstanding during the year ended October 3, 2009 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

17. Stock Option Receivables

Stock option receivables include amounts due from an officer totaling $29,000 and $76,000 at October 2, 2010 and October 3, 2009, respectively. Such amounts which are due from the exercise of stock options in accordance with the Company's Stock Option Plan are payable on demand with interest (3.25% at October 2, 2010 and October 3, 2009).

18. Related Party Transactions

During the quarter ended October 3, 2009, the Company made advances against salary to its Chief Executive Officer (the "CEO") totaling approximately $298,000 (of which approximately $252,000 remained outstanding at October 3, 2009 and is included in Employee Receivables). In addition, the Company also loaned $160,000 to the CEO's former wife (which is included in Related Party Receivables at October 3, 2009). The CEO believed the advances and loan were permissible after he consulted with the Company's General Counsel. In the latter part of November 2009, the Company reviewed these matters and informed members of its Compensation and Audit Committees and outside counsel and concluded that the advances and loan may be deemed extensions of credit and violative of the Sarbanes-Oxley Act. The CEO immediately repaid the remaining balance on the advances with interest at 6%. The loan to his former wife was repaid in October before the review had begun.

Receivables due from officers (other than from the CEO), excluding stock option receivables, totaled $37,000 at October 2, 2010 and October 3, 2009. Other employee loans totaled approximately $253,000 and $295,000 at October 2, 2010 and October 3, 2009, respectively. Such loans bear interest at the minimum statutory rate (0.46% at October 2, 2010 and 0.83% at October 3, 2009).

19. Subsequent Events

On November 23, 2010, the Board of Directors declared a quarterly dividend of $0.25 per share on the Company's common stock to be paid on December 22, 2010 to shareholders of record at the close of business on December 8, 2010.

In December 2010, the Company was advised by the landlord that it would have to vacate the Gonzalez y Gonzalez property located in New York, NY, which was on a month-to-month lease, by the end of January 2011. The closure of this property in the second quarter of fiscal 2011 is not expected to have a material impact on the Company's consolidated results of operations or financial position.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Weinstein
Chairman and Chief Executive Officer

Robert Towers
President, Chief Operating Officer and Treasurer

Vincent Pascal
Senior Vice President—Operations and Secretary

Paul Gordon
Senior Vice President—Director of Las Vegas Operations

Marcia Allen
President, Allen & Associates

Bruce 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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