UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 2, 2021
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 1-09453

ARK RESTAURANTS CORP.
(Exact name of registrant as specified in its charter)

New York	13-3156768
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

85 Fifth Avenue, New York, NY	10003
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 206-8800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	ARKR	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Yes ☐ No ☐
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

As of February 9, 2021, there were 3,521,907 shares of the registrant's common stock outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

On one or more occasions, we may make statements in this Quarterly Report on Form 10-Q regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. All statements, other than statements of historical facts, included or incorporated by reference herein relating to management's current expectations of future financial performance, continued growth and changes in economic conditions or capital markets are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "targets," "will likely result," "hopes," "will continue" or similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. We caution that while we make such statements in good faith and we believe such statements are based on reasonable assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved. Factors that may cause such differences include: economic conditions generally and in each of the markets in which we are located, the amount of sales contributed by new and existing restaurants, labor costs for our personnel, fluctuations in the cost of food products, adverse weather conditions, changes in consumer preferences and the level of competition from existing or new competitors.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of the factors that could cause outcomes to differ materially from our expectations. These factors include, but are not limited to:

- the impacts of the novel coronavirus (COVID-19) pandemic on our company, our employees, our customers, our partners, our industry and the economy as a whole;
- the adverse impact of economic conditions on our (i) operating results and financial condition, (ii) ability to comply with the terms and covenants of our debt agreements, and (iii) ability to pay or refinance our existing debt or to obtain additional financing;
- the adverse impact of civil unrest on our (i) operating results and financial condition, (ii) ability to comply with the terms and covenants of our debt agreements, and (iii) ability to pay or refinance our existing debt or to obtain additional financing;
- our ability to open new restaurants in new and existing markets, including difficulty in finding sites and in negotiating acceptable leases;
- vulnerability to changes in consumer preferences and economic conditions;
- vulnerability to conditions in the cities in which we operate;
- vulnerability to natural disasters given the geographic concentration and real estate intensive nature of our business;
- changes to food and supply costs, especially for seafood, shellfish, chicken and beef;
- negative publicity, whether or not valid, and our ability to respond to and effectively manage the accelerated impact of social media;
- concerns about food safety and quality and about food-borne illnesses;
- our ability to service our level of indebtedness;
- the impact of any security breaches of confidential customer information in connection with our electronic process of credit and debit card transactions; and
- the impact of any failure of our information technology system or any breach of our network security.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the ways that we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

From time to time, oral or written forward-looking statements are also included in our reports on Forms 10-K, 10-Q, and 8-K, our Schedule 14A, our press releases and other materials released to the public. Although we believe, that at the time made, the expectations reflected in all of these forward-looking statements are and will be reasonable, any or all of the forward-looking statements may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Quarterly Report on Form 10-Q, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Quarterly Report on Form 10-Q or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent periodic reports filed with the Securities and Exchange Commission on Forms 10-Q, 10-K, 8-K and Schedule 14A.

Unless the context requires otherwise, references to “we,” “us,” “our,” “ARKR” and the “Company” refer specifically to Ark Restaurants Corp., and its subsidiaries, partnerships, variable interest entities and predecessor entities.

Part I. Financial Information
Item 1. Consolidated Condensed Financial Statements

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

	January 2, 2021 (unaudited)	October 3, 2020 (Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (includes $455 at January 2, 2021 and $567 at October 3, 2020 related to VIEs)	$ 10,813	$ 16,886
Accounts receivable (includes $140 at January 2, 2021 and $162 at October 3, 2020 related to VIEs)	2,433	1,738
Employee receivables	387	385
Inventories (includes $27 at January 2, 2021 and October 3, 2020 related to VIEs)	2,373	2,553
Prepaid and refundable income taxes (includes $274 at January 2, 2021 and October 3, 2020 related to VIEs)	4,596	2,870
Prepaid expenses and other current assets (includes $13 at January 2, 2021 and October 3, 2020 related to VIEs)	2,284	2,469
Total current assets	22,886	26,901
FIXED ASSETS - Net (includes $236 at January 2, 2021 and $241 at October 3, 2020 related to VIEs)	37,337	37,682
OPERATING LEASE RIGHT-OF-USE ASSETS - Net (includes $2,594 at January 2, 2021 and $2,658 at October 3, 2020 related to VIEs)	59,876	54,191
INTANGIBLE ASSETS - Net	427	49
GOODWILL	17,440	15,570
TRADEMARKS	4,220	3,720
DEFERRED INCOME TAXES	7,094	5,897
INVESTMENT IN AND RECEIVABLE FROM NEW MEADOWLANDS RACETRACK	6,888	6,874
OTHER ASSETS (includes $82 at January 2, 2021 and October 3, 2020 related to VIEs)	2,582	2,432
TOTAL ASSETS	$ 158,750	$ 153,316
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade (includes $80 at January 2, 2021 and $119 at October 3, 2020 related to VIEs)	$ 2,476	$ 2,329
Accrued expenses and other current liabilities (includes $259 at January 2, 2021 and $331 at October 3, 2020 related to VIEs)	12,060	12,688
Current portion of operating lease liabilities (includes $232 at January 2, 2021 and $226 at October 3, 2020 related to VIEs)	5,851	6,117
Current portion of notes payable (includes $52 at January 2, 2021 related to VIEs)	4,059	9,001
Total current liabilities	24,446	30,135
OPERATING LEASE LIABILITIES, LESS CURRENT PORTION (includes $2,382 at January 2, 2021 and $2,442 at October 3, 2020 related to VIEs)	56,512	49,960
NOTES PAYABLE, LESS CURRENT PORTION, net of deferred financing costs (includes $671 at January 2, 2021 and $723 at October 3, 2020 related to VIEs)	41,350	36,068
TOTAL LIABILITIES	122,308	116,163
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock, par value $0.01 per share - authorized, 10,000 shares; issued and outstanding, 3,502 shares at January 2, 2021 and October 3, 2020	35	35
Additional paid-in capital	13,563	13,503
Retained earnings	22,226	22,989
Total Ark Restaurants Corp. shareholders’ equity	35,824	36,527
NON-CONTROLLING INTERESTS	618	626
TOTAL EQUITY	36,442	37,153
TOTAL LIABILITIES AND EQUITY	$ 158,750	$ 153,316

See notes to consolidated condensed financial statements.

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

	13 Weeks Ended	
	January 2, 2021	December 28, 2019
REVENUES:		
Food and beverage sales	$ 19,889	$ 42,829
Other revenue	410	685
Total revenues	20,299	43,514
COSTS AND EXPENSES:		
Food and beverage cost of sales	5,943	10,940
Payroll expenses	8,651	15,122
Occupancy expenses	3,473	5,439
Other operating costs and expenses	2,811	5,328
General and administrative expenses	1,787	3,054
Depreciation and amortization	941	1,195
Total costs and expenses	23,606	41,078
OPERATING INCOME (LOSS)	(3,307)	2,436
INTEREST (INCOME) EXPENSE:		
Interest expense	324	459
Interest income	(13)	(13)
Total interest expense, net	311	446
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(3,618)	1,990
Provision (benefit) for income taxes	(2,919)	319
CONSOLIDATED NET INCOME (LOSS)	(699)	1,671
Net income attributable to non-controlling interests	(64)	(158)
NET INCOME (LOSS) ATTRIBUTABLE TO ARK RESTAURANTS CORP.	$ (763)	$ 1,513
NET INCOME (LOSS) PER ARK RESTAURANTS CORP. COMMON SHARE:		
Basic	$ (0.22)	$ 0.43
Diluted	$ (0.22)	$ 0.43
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	3,502	3,499
Diluted	3,502	3,541

See notes to consolidated condensed financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN EQUITY (unaudited)
(In Thousands, Except Per Share Amounts)

For the 13 weeks ended January 2, 2021

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Ark Restaurants Corp. Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount					
Balance - October 3, 2020	3,502	$ 35	$ 13,503	$ 22,989	$ 36,527	$ 626	$ 37,153
Net income (loss)	—	—	—	(763)	(763)	64	(699)
Stock-based compensation	—	—	60	—	60	—	60
Distributions to non-controlling interests	—	—	—	—	—	(72)	(72)
Balance - January 2, 2021	3,502	$ 35	$ 13,563	$ 22,226	$ 35,824	$ 618	$ 36,442

For the 13 weeks ended December 28, 2019

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Ark Restaurants Corp. Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount					
BALANCE - September 28, 2019	3,499	$ 35	$ 13,277	$ 28,552	$ 41,864	$ 843	$ 42,707
Net income	—	—	—	1,513	1,513	158	1,671
Stock-based compensation	—	—	12	—	12	—	12
Distributions to non-controlling interests	—	—	—	—	—	(72)	(72)
Dividends accrued - $0.25 per share	—	—	—	(875)	(875)	—	(875)
BALANCE - December 28, 2019	3,499	$ 35	$ 13,289	$ 29,190	$ 42,514	$ 929	$ 43,443

See notes to consolidated condensed financial statements.

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

	13 Weeks Ended	
	January 2, 2021	December 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	$ (699)	$ 1,671
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation	60	12
Deferred income taxes	(1,197)	125
Accrued interest on note receivable from NMR	(14)	(13)
Depreciation and amortization	941	1,195
Amortization of operating lease assets	601	—
Amortization of deferred financing costs	15	10
Operating lease deferred credit	—	(98)
Changes in operating assets and liabilities:		
Accounts receivable	(695)	214
Inventories	219	(1,025)
Prepaid, refundable and accrued income taxes	(1,726)	186
Prepaid expenses and other current assets	185	315
Other assets	(120)	2
Accounts payable - trade	147	769
Accrued expenses and other current liabilities	(702)	(911)
Net cash provided by (used in) operating activities	(2,985)	2,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(594)	(777)
Loans and advances made to employees	(18)	(68)
Payments received on employee receivables	16	49
Purchase of Blue Moon Fish Company, net of cash acquired	(1,817)	—
Net cash used in investing activities	(2,413)	(796)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(675)	(675)
Dividends paid	—	(875)
Distributions to non-controlling interests	—	(72)
Net cash used in financing activities	(675)	(1,622)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,073)	34
CASH AND CASH EQUIVALENTS, Beginning of period	16,886	7,177
CASH AND CASH EQUIVALENTS, End of period	$ 10,813	$ 7,211
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 175	$ 379
Income taxes	$ 5	$ 8
Non-cash financing activities:		
Note payable in connection with the purchase of Blue Moon Fish Company	$ 1,000	$ —
Accrued dividend	$ —	$ 875
Accrued distributions to non-controlling interests	$ 72	$ —

See notes to consolidated condensed financial statements.

1. BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

The consolidated condensed balance sheet as of October 3, 2020, which has been derived from the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended October 3, 2020 ("Form 10-K"), and the unaudited interim consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. All adjustments that, in the opinion of management are necessary for a fair presentation for the periods presented, have been reflected as required by Article 10 of Regulation S-X. Such adjustments are of a normal, recurring nature. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Form 10-K.

COVID-19 PANDEMIC — On March 11, 2020, in light of the rapid spread of the novel Coronavirus ("COVID-19" or "Coronavirus"), the World Health Organization declared the COVID-19 outbreak to be a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has significantly disrupted consumer demand, as well as the Company's restaurant operations. Following the pandemic declaration in March 2020, federal, state and local governments began to respond to the public health crisis by requiring social distancing, "stay at home" directives, and mandatory closure of all of our locations.

As a result of state and local governments lifting "stay at home" orders and mandatory shut-down requirements from May through August 2020, the Company had reopened all of its properties, with the exception of *Thunder Grill* in Washington, D.C. (see Note 4 – Recent Restaurant Dispositions), at varying levels of limited capacity as allowed by federal, state and local governments. However, indoor dining in New York City was again shut down indefinitely starting on December 14, 2020 (see Note 14 - Subsequent Events) and Washington, D.C. and Las Vegas rolled back indoor dining from 50% to 25% of capacity in mid-December as well. In addition to government mandated shut-downs and capacity restrictions, the Company temporarily closed several restaurants, typically for three to ten days due to a high rate of positive COVD-19 tests of our employees. These closures and capacity rollbacks have had and will continue to have a material adverse impact on our operations. The pandemic has caused and continues to cause unprecedented business disruptions, especially in the hospitality industry. Although we have experienced some recovery from the initial impact of COVID-19 in our Florida and Alabama locations, the long-term impact of COVID-19 on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted.

As a result of these developments, the Company is experiencing a significant negative impact on its revenues, results of operations and cash flows, and has a working capital deficiency of $(1,560,000) as of January 2, 2021, all of which could negatively impact its ability to meet its obligations over the next 12 months. However, we believe that our existing cash balances, which include the proceeds from Paycheck Protection Program loans (see Note 8 - Notes Payable) and actions taken by management, set out below and otherwise, will be sufficient to meet our liquidity and capital spending requirements through February 17, 2022.

In response to the business disruption and liquidity concerns caused by the COVID-19 pandemic, the Company has taken the following actions, which management expects will enable it to meet its obligations over the next 12 months:

- While restaurants were closed or continue to be closed, we furloughed all hourly employees and approximately 95% of salaried restaurant management personnel, while enacting salary reductions for all remaining restaurant management personnel.

- As restaurants re-opened, restaurant management salaries were restored to 70% of pre-pandemic amounts. If a location produced sustained cash flow, restaurant management salaries were restored to 100% of pre-pandemic amounts.

- Initially reduced the pay of all corporate and administrative staff by 50% to 75% and senior management salaries by 75% to 95%. As of January 2, 2021, corporate salaries continue to be at 50-65% of pre-pandemic levels. In addition, members of the Board waived their director fees through December 31, 2020.

- Extended the maturity date of all outstanding revolver borrowings under our credit agreement in the amount of $9,666,000 to February 17, 2022. In addition, the bank agreed to modified financial covenants through fiscal Q2 2022 (see Note 8 - Notes Payable).

- Canceled the payment of the $0.25 dividend declared on March 2, 2020.

- Suspended future dividend payments until such time as the Board deems appropriate to reinstate.

- Canceled or delayed all non-essential capital expenditures.

- Suspended the vast majority of lease payments while our restaurants were closed as a result of government mandated shutdowns, and attempted to negotiate rent concessions, abatements and deferrals with these landlords to reduce the lease payments. While some landlords have agreed to concessions, several negotiations are still ongoing as of the date of this filing and we will attempt to obtain further concessions at many of our leased properties. However, there can be no assurance that the Company will be successful in obtaining the relief it is seeking.

- Certain Company subsidiaries applied for and received a total of approximately $15.0 million of loans under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which was enacted March 27, 2020.

- Utilized additional provisions of the CARES Act to obtain tax savings, file carryback claims and defer a portion of our social security taxes to future years (see Note 11 - Income Taxes).

Due to the rapid development and fluidity of this situation, management cannot determine the ultimate impact that the COVID-19 pandemic will have on the Company’s consolidated financial condition, liquidity, future results of operations, suppliers, industry, and workforce and therefore any prediction as to the ultimate material adverse impact on the Company’s consolidated financial condition, liquidity, and future results of operations is uncertain. The disruption in operations has led the Company to consider the impact of the COVID-19 pandemic on its liquidity, debt covenant compliance, and recoverability of long-lived and ROU assets, goodwill and intangible assets, among others. In addition, we cannot predict how soon we will be able to reopen any or all of our restaurants at full capacity or whether they will be required to close again in the future, as these decisions will depend primarily on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses. If these disruptions continue, the Company expects a continued material negative impact on its consolidated financial position, future results of operations and liquidity. The extent of such negative impact will be determined, in part, by the longevity and severity of the pandemic.

PRINCIPLES OF CONSOLIDATION — The consolidated condensed 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, collectively herein referred to as the “Company”. Also included in the consolidated condensed financial statements are certain variable interest entities (“VIEs”). All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP 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 management’s most difficult and subjective judgments include projected cash flow, allowances for potential bad debts on receivables, assumptions regarding discount rates related to lease accounting, 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 determining when investment impairments are other-than-temporary. Because of the uncertainty in such estimates, actual results may differ from these estimates. The results of operations for the 13 weeks ended January 2, 2021 are not necessarily indicative of the results to be expected for any other interim period or for the year ending October 2, 2021.

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

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

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

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 condensed balance sheets.

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

As of January 2, 2021, the Company had accounts receivable balances due from two hotel operators totaling 34% of total accounts receivable. As of October 3, 2020, the Company had accounts receivable balances due from two hotel operators totaling 46% of total accounts receivable.

For the 13-week period ended January 2, 2021, the Company made purchases from two vendors that accounted for 24% of total purchases. For the 13-week period ended December 28, 2019, the Company did not make purchases from any one vendor that accounted for 10% or greater of total purchases.

As of January 2, 2021 and October 3, 2020, all debt outstanding, other than Paycheck Protection Program loans and the note payable to the sellers of the *Blue Moon Fish Company*, is with one lender (see Note 8 – Notes Payable).

GOODWILL AND TRADEMARKS — Goodwill and trademarks are not amortized, but are subject to impairment analysis. We assess the potential impairment of goodwill and trademarks annually (at the end of our fourth quarter) and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If we determine through the impairment review process that goodwill or trademarks are impaired, we record an impairment charge in our consolidated condensed statements of operations.

Due to the recent impact of the COVID-19 pandemic to the global economy, including but not limited to, the volatility of the Company's stock price, temporary closure of the Company's restaurants and the challenging environment for the restaurant industry in general, the Company determined that there were indicators of potential impairment of its goodwill and trademarks during the 13 weeks ended January 2, 2021. As such, the Company performed a qualitative assessment for both goodwill and its trademarks and concluded that the fair value of these assets exceeded their carrying values. Accordingly, the Company did not record any impairment to its goodwill or trademarks during the 13 weeks ended January 2, 2021 and December 28, 2019. The ultimate severity and longevity of the COVID-19 pandemic is unknown, and therefore, it is possible that impairments could be identified in future periods, and such amounts could be material.

LONG-LIVED AND RIGHT-OF-USE ASSETS — Long-lived assets, such as property, plant and equipment, purchased intangibles subject to amortization, and right-of-use assets ("ROU assets") 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.

The Company considers a triggering event related to long-lived assets or ROU assets in a net asset position to have occurred related to a specific restaurant if the restaurant's cash flows for the last 12 months are less than a minimum threshold or if consistent levels of undiscounted cash flows for the remaining lease period are less than the carrying value of the restaurant's assets. Additionally, the Company considers a triggering event related to ROU assets to have occurred related to a specific lease if the location has been subleased and future estimated sublease income is less than current lease payments. If the Company concludes that the carrying value of certain long-lived and ROU assets will not be recovered based on expected undiscounted future cash flows, an impairment loss is recorded to reduce the long-lived or ROU assets to their estimated fair value. The fair value is measured on a nonrecurring basis using unobservable (Level 3) inputs. There is uncertainty in the projected undiscounted future cash flows used in the Company's impairment review analysis, which requires the use of estimates and assumptions. If actual performance does not achieve the projections, or if the assumptions used change in the future, the Company may be required to recognize impairment charges in future periods, and such charges could be material.

Based on the results of this analysis, no impairment charges were recognized related to long-lived assets and ROU assets during the 13 weeks ended January 2, 2021 and December 28, 2019. Given the inherent uncertainty in projecting results of restaurants under the current circumstances, particularly taking into account the projected impact of the COVID-19 pandemic, the Company is monitoring the recoverability of the carrying value of the assets of several restaurants on an ongoing basis. For these restaurants, if expected performance is not realized, an impairment charge may be recognized in future periods, and such charge could be material.

REVENUE RECOGNITION — We recognize revenues when it satisfies a performance obligation by transferring control over a product or service to a restaurant guest or other customer. Revenues from restaurant operations are presented net of discounts, coupons, employee meals and complimentary meals and recognized when food, beverage and retail products are sold. Sales tax collected from customers is excluded from sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Catering service revenue is generated through contracts with customers whereby the customer agrees to pay a contract rate for the service. Revenues from catered events are recognized in income upon satisfaction of the performance obligation (the date the event is held) and all customer payments, including nonrefundable upfront deposits, are deferred as a contract liability until such time. We recognized $137,000 and $5,682,000 in catering services revenue for the 13-week periods ended January 2, 2021 and December 28, 2019, respectively. Unearned revenue, which is included in accrued expenses and other current liabilities on the consolidated condensed balance sheets as of January 2, 2021 and October 3, 2020, was $3,389,000 and $3,661,000 respectively.

Revenues from gift cards are deferred and recognized upon redemption. Deferrals are not reduced for potential non-use as we generally have a legal obligation to remit the value of unredeemed gift cards to the relevant jurisdictions in which they are sold. As of January 2, 2021 and December 28, 2019, the total liability for gift cards in the amounts of approximately $264,000 and $227,000, respectively, are included in accrued expenses and other current liabilities in the consolidated condensed balance sheets.

Other revenues include purchase service fees which represent commissions earned by a subsidiary of the Company for providing services to other restaurant groups, as well as license fees, property management fees and other rentals.

LEASES — We determine if an arrangement contains a lease at inception. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. As a lessee, we include operating leases in Operating lease right-of-use assets and Operating lease liabilities in our consolidated condensed balance sheet. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized upon commencement of the lease based on the present value of the lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. Our lease terms may include options to extend or terminate the lease. Options are included when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Amendments or modifications to lease terms are accounted for as variable lease payments. Leases with a lease term of 12 months or less are accounted for using the practical expedient which allows for straight-line rent expense over the remaining term of the lease.

SEGMENT REPORTING — As of January 2, 2021, the Company owned and operated 18 restaurants and bars, 17 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and services, class of customers and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance.

RECENTLY ADOPTED ACCOUNTING PRINCIPLES — In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in Accounting Standards Codification ("ASC") 350, Intangibles - Goodwill and Other ("ASC 350"). As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, including any interim impairment tests within those annual periods, with early application permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this guidance in the first quarter of fiscal 2021. Such adoption did not have a material impact on our consolidated condensed financial statements.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED — In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which modifies Topic 740 to simplify the accounting for income taxes. ASU 2019-12 is effective for financial statements issued for annual periods beginning after December 15, 2020, and for the interim periods therein. The Company is currently evaluating the effect of adopting ASU 2019-12 to determine the impact on the Company's consolidated financial position and results of operations.

2. VARIABLE INTEREST ENTITIES

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

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

	January 2, 2021	October 3, 2020
	(in thousands)	
Cash and cash equivalents	$ 455	$ 567
Accounts receivable	140	162
Inventories	27	27
Prepaid and refundable income taxes	274	274
Prepaid expenses and other current assets	13	13
Due from Ark Restaurants Corp. and affiliates (1)	422	419
Fixed assets - net	236	241
Operating lease right-of-use assets - net	2,594	2,658
Other assets	82	82
Total assets	$ 4,243	$ 4,443
Accounts payable - trade	$ 80	$ 119
Accrued expenses and other current liabilities	259	331
Current portion of operating lease liabilities	232	226
Current portion of notes payable	52	—
Operating lease liabilities, less current portion	2,382	2,442
Notes payable, less current portion	671	723
Total liabilities	3,676	3,841
Equity of variable interest entities	567	602
Total liabilities and equity	$ 4,243	$ 4,443

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

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

3. RECENT RESTAURANT EXPANSION AND OTHER DEVELOPMENTS

On December 1, 2020, the Company, through a newly formed, wholly-owned subsidiary, acquired the assets of Bear Ice, Inc. and File Gumbo Inc., which collectively operated a restaurant and bar named *Blue Moon Fish Company* located in Lauderdale by the Sea, FL. The total purchase price of $2,820,000, as set out below, was paid with cash in the amount of $1,820,000 and a four-year note held by the sellers in the amount of $1,000,000 payable monthly with 5% interest. The acquisition was accounted for as a business combination. Concurrent with the acquisition, the Company assumed the related lease which expires in 2026 and has four, five-year extension options. Rent payments under the lease are approximately $360,000 per year and increase by approximately 15% as each option is exercised.

The Company is in the process of determining the acquisition date fair values of the assets and liabilities acquired and has recorded preliminary estimates as of the acquisition date. As the Company completes this process and additional information becomes known concerning the acquired assets and assumed liabilities, management may make adjustments to the fair value of the amounts recorded in the opening balance sheet of *Blue Moon Fish Company* during the measurement period, which is no longer than a one-year period following the acquisition date. The determination of the fair values of the acquired assets and liabilities assumed (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment.

A preliminary allocation of the fair values of the assets acquired, subject to final purchase accounting, is as follows (amounts in thousands):

Cash	$	3
Inventory		39
Security deposit		30
Trademarks		500
Non-compete agreement		380
Goodwill		1,870
Liabilities assumed		(2)
	$	2,820

Goodwill recognized in connection with this transaction represents the residual amount of the purchase price over separately identifiable intangible assets and is expected to be deductible for tax purposes.

The consolidated condensed statements of operations for the 13 weeks ended January 2, 2021 include revenues and income of approximately $478,000 and $7,000, respectively, related to *Blue Moon Fish Company*. The unaudited pro forma financial information set forth below is based upon the Company's historical consolidated condensed statements of operations for the 13 weeks ended January 2, 2021 and December 28, 2019 and includes the results of operations for *Blue Moon Fish Company* for the period prior to acquisition. The unaudited pro forma financial information (which is presented in thousands except per share and share data), which has been adjusted for interest expense on the note, is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition of *Blue Moon Fish Company* occurred on the dates indicated, nor does it purport to represent the results of operations for future periods.

		13 Weeks Ended January 2, 2021 (unaudited)		13 Weeks Ended December 28, 2019 (unaudited)
Total revenues	$	20,976	$	45,050
Net income	$	(728)	$	1,857
Net income per share - basic	$	(0.21)	$	0.53
Net income per share - diluted	$	(0.21)	$	0.52
Basic		3,502		3,499
Diluted		3,502		3,541

4. RECENT RESTAURANT DISPOSITIONS

On November 13, 2020, the Company was advised by the landlord that it would have to vacate *Gallagher's Steakhouse* and *Gallagher's Burger Bar* at the Resorts Casino Hotel located in Atlantic City, NJ which were on a month-to-month, no rent lease. The closure of these properties occurred on January 2, 2021 and did not result in a material charge to the Company's operations.

As of January 2, 2021, the Company determined that, given the current situation, it will not reopen *Thunder Grill* in Washington, D.C. which has been closed since March 20, 2020. This closure did not result in a material charge to the Company's operations.

5. INVESTMENT IN AND RECEIVABLE FROM NEW MEADOWLANDS RACETRACK

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR with a then 63.7% ownership interest. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6% of Meadowlands Newmark, LLC, and an effective ownership interest in NMR of 7.4%, subject to dilution. In 2015, the Company invested an additional $222,000 in NMR and on February 7, 2017, the Company invested an additional $222,000 in NMR, both as a result of capital calls, bringing its total investment to $5,108,000 with no change in ownership. The Company accounts for this investment at cost, less impairment, adjusted for subsequent observable price changes in accordance with ASU No. 2016-01. There are no observable prices for this investment.

Due to the recent impact of the COVID-19 pandemic to the global economy, including but not limited to, the temporary closure of the NMR facility, the Company evaluated its investment in NMR for impairment and concluded that its fair value exceeds the carrying value. Accordingly, the Company did not record any impairment during the 13 weeks ended January 2, 2021. The ultimate severity and longevity of the COVID-19 pandemic is unknown, and therefore, it is possible that impairments could be identified in future periods, and such amounts could be material. Any future changes in the carrying value of our investment in NMR will be reflected in earnings.

In addition to the Company's ownership interest in NMR through Meadowlands Newmark, LLC, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, neither of which can be assured, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant.

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

The Company's maximum exposure to loss as a result of its involvement with AM VIE is limited to any receivable from AM VIE's primary beneficiary (NMR, a related party). As of January 2, 2021 and October 3, 2020, no amounts were due AM VIE by NMR.

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium. On July 13, 2016, the Company made an additional loan to Meadowlands Newmark, LLC in the amount of $200,000. Such amount is subject to the same terms and conditions as the original loan as discussed above. The principal and accrued interest related to this note in the amounts of $1,780,000 and $1,766,000 are included in Investment In and Receivable From New Meadowlands Racetrack in the consolidated condensed balance sheets at January 2, 2021 and October 3, 2020, respectively.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	January 2, 2021	October 3, 2020
	(In thousands)	
Sales tax payable	$ 404	$ 477
Accrued wages and payroll related costs	3,348	3,302
Customer advance deposits	3,389	3,661
Accrued occupancy and other operating expenses	4,919	5,248
	$ 12,060	$ 12,688

7. LEASES

Other than locations where we own the underlying property, we lease our restaurant locations as well as our corporate office under various non-cancelable real estate lease agreements that expire on various dates through 2044. We evaluate whether we control the use of the asset, which is determined by assessing whether we obtain substantially all economic benefits from the use of the asset, and whether we have the right to direct the use of the asset. If these criteria are met and we have identified a lease, we account for the contract under the requirements of ASC Topic 842.

Upon taking possession of a leased asset, we determine its classification as an operating or finance lease. All of our real estate leases are classified as operating leases. We do not have any finance leases as of January 2, 2021. Generally, our real estate leases have initial terms ranging from 10 to 25 years and typically include renewal options. Renewal options are recognized as part of the ROU assets and lease liabilities if it is reasonably certain at the date of adoption that we would exercise the options to extend the lease. Our real estate leases typically provide for fixed minimum rent payments and/or contingent rent payments based upon sales in excess of specified thresholds. When the achievement of such sales thresholds are deemed to be probable, variable lease expense is accrued in proportion to the sales recognized during the period. For operating leases that include rent holidays and rent escalation clauses, we recognize lease expense on a straight-line basis over the lease term from the date we take possession of the leased property. We record the straight-line lease expense and any contingent rent, if applicable, in occupancy expenses in the consolidated condensed statements of operations.

Many of our real estate leases also require us to pay real estate taxes, common area maintenance costs and other occupancy costs ("non-lease components") which are included in occupancy related expenses in the consolidated condensed statements of operations. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As there were no explicit rates provided in our leases, we used our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The components of lease expense in the consolidated condensed statements of operations are as follows:

	13 Weeks Ended January 2, 2021	13 Weeks Ended December 28, 2019
	(In thousands)	
Operating lease expense - occupancy expenses (1)	$ 2,217	$ 2,524
Occupancy lease expense - general and administrative expenses	41	157
Variable lease expense	439	1,756
Total lease expense	$ 2,697	$ 4,437

(1) Includes short-term leases, which are immaterial.

Supplemental cash flow information related to leases:

	13 Weeks January 2, 2021	13 Weeks Ended December 28, 2019
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows related to operating leases	$ 1,965	$ 3,740
Non-cash investing activities:		
ROU assets obtained in exchange for new operating lease liabilities	$ 8,712	$ 62,330

The weighted average remaining lease terms and discount rates as of January 2, 2021 are as follows:

	Weighted Average Remaining Lease Term	Weighted Average Discount Rate
Operating leases	12.7 years	5.17

The annual maturities of our lease liabilities as of January 2, 2021 are as follows:

Fiscal Year Ending	Operating Leases (In thousands)
October 2, 2021	$ 6,551
October 1, 2022	9,542
September 30, 2023	8,045
September 28, 2024	7,710
September 27, 2025	6,741
Thereafter	46,132
Total future lease commitments	84,721
Less imputed interest	(22,358)
Present value of lease liabilities	$ 62,363

8. NOTES PAYABLE

Long-term debt consists of the following:

	January 2, 2021	October 3, 2020
	(In thousands)	
Promissory Note - Rustic Inn purchase	$ 3,687	$ 3,758
Promissory Note - Shuckers purchase	4,250	4,335
Promissory Note - Oyster House purchase	3,954	4,109
Promissory Note - JB's on the Beach purchase	5,500	5,750
Promissory Note - Sequoia renovation	2,514	2,629
Revolving Facility	9,666	9,666
Promissory Note - Blue Moon Fish Company (see Note 3)	1,000	—
Paycheck Protection Program Loans	14,995	14,995
	45,566	45,242
Less: Current maturities	(4,059)	(9,001)
Less: Unamortized deferred financing costs	(157)	(173)
Long-term debt	$ 41,350	$ 36,068

Notes Payable - Bank

On June 1, 2018, the Company refinanced (the "Refinancing") its then existing indebtedness with its current lender, Bank Hapoalim B.M. ("BHBM"), by entering into an amended and restated credit agreement (the "Revolving Facility"), which matures on October 3, 2021. The Revolving Facility provides for total availability of the lesser of (i) $10,000,000 and (ii) $35,000,000 less the then aggregate amount of all indebtedness and obligations to BHBM. Borrowings under the Revolving Facility are payable upon maturity of the Revolving Facility with interest payable monthly at LIBOR plus 3.5%, subject to adjustment based on certain ratios. We expect that the LIBOR rate will be discontinued at some point during 2021 and to work with BHBM to identify a suitable replacement rate and amend our debt agreements to reflect this new reference rate accordingly. We do not expect the discontinuation of LIBOR as a reference rate in our debt agreements to have a material adverse effect on our financial position or materially affect our interest expense. As a result of the impacts to our business from the COVID-19 pandemic, on February 15, 2021, BHBM agreed to extend the maturity date of our Revolving Facility including all outstanding borrowings thereunder, in the amount of $9,666,000 (including $6,300,000 which were due on July 31, 2021), to February 17, 2022.

The Revolving Facility also requires, among other things, that the Company meet minimum quarterly tangible net worth amounts, maintain a minimum fixed charge coverage ratio and meet minimum annual net income amounts. The Revolving Facility contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subject to negotiated exceptions on liens, relating to other indebtedness, capital expenditures, liens, affiliate transactions, disposal of assets and certain changes in ownership. As of January 2, 2021 and October 3, 2020, borrowings of $9,666,000 were outstanding under the Revolving Facility and had a weighted average interest rate of 3.6% and 3.0%, respectively.

Borrowings under the Revolving Facility, which include all of the above promissory notes, are secured by all tangible and intangible personal property (including accounts receivable, inventory, equipment, general intangibles, documents, chattel paper, instruments, letter-of-credit rights, investment property, intellectual property and deposit accounts) and fixtures of the Company.

On June 12, 2020 and again on February 15, 2021, as a result of the impact of the COVID-19 pandemic on our business, BHBM agreed to modified financial covenants through fiscal Q2 2022. The Company was in compliance with all of its financial covenants under the Revolving Facility as of January 2, 2021.

In connection with the Refinancing, the Company also amended the principal amounts and payment terms of its outstanding term notes with BHBM as follows:

- *Promissory Note – Rustic Inn purchase* – The principal amount of $4,400,000, which is secured by a mortgage on the *Rustic Inn* real estate, is payable in 27 equal quarterly installments of $71,333, commencing on September 1, 2018, with a balloon payment of $2,474,000 on June 1, 2025 and bears interest at LIBOR plus 3.5% per annum.

- *Promissory Note – Shuckers purchase* – The principal amount of $5,100,000, which is secured by a mortgage on the *Shuckers* real estate, is payable in 27 equal quarterly installments of $85,000, commencing on September 1, 2018, with a balloon payment of $2,805,000 on June 1, 2025 and bears interest at LIBOR plus 3.5% per annum.

- *Promissory Note – Oyster House purchase* – In connection with the Refinancing, this note was amended and restated and separated into two notes. The first note, in the principal amount of $3,300,000, is secured by a mortgage on the *Oyster House Gulf Shores* real estate, is payable in 19 equal quarterly installments of $117,857, commencing on September 1, 2018, with a balloon payment of $1,060,716 on June 1, 2023 and bears interest at LIBOR plus 3.5% per annum. The second note, in the principal amount of $2,200,000, is secured by a mortgage on the *Oyster House Spanish Fort* real estate, is payable in 27 equal quarterly installments of $36,667, commencing on September 1, 2018, with a balloon payment of $1,210,000 on June 1, 2025 and bears interest at LIBOR plus 3.5% per annum.

- *Promissory Note – JB's on the Beach purchase* – On May 15, 2019, the Company issued a promissory note under the Revolving Facility to BHBM for $7,000,000 which is payable in 23 equal quarterly installments of $250,000, commencing on September 1, 2019, with a balloon payment of $1,250,000 on June 1, 2025 and bears interest at LIBOR plus 3.5% per annum.

- *Promissory Note – Sequoia renovation* – Also on May 15, 2019, the Company converted $3,200,000 of Revolving Facility borrowings incurred in connection with the *Sequoia* renovation to a promissory note which is payable in 23 equal quarterly installments of $114,286, commencing on September 1, 2019, with a balloon payment of $571,429 on June 1, 2025 and bears interest at LIBOR plus 3.5% per annum.

Paycheck Protection Program Loans

During the year ended October 3, 2020, subsidiaries (the "Borrowers") of the Company received loan proceeds from several banks (the "Lenders") in the aggregate amount of $14,995,000 (the "PPP Loans") under the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The PPP Loans are evidenced by individual promissory notes of each of the Borrowers (together, the "Notes") in favor of the Lender, which Notes bear interest at the rate of 1.00% per annum. Funds from the PPP Loans may be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred by a Borrower prior to February 15, 2020 (the "Qualifying Expenses"). Under the terms of the PPP Loans, some or all of the amounts thereunder, including accrued interest, may be forgiven if they are used for Qualifying Expenses as described in and in compliance with the CARES Act. Each Note may be prepaid by the respective Borrower at any time prior to maturity with no prepayment penalties. No payments of principal or interest are due under the Notes until the date on which the amount of loan forgiveness (if any) under the CARES Act for each respective Note is remitted to the Lender and a forgiveness decision is received by the Borrower. Forgiveness applications can be submitted up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the "Deferral Period") and the ultimate forgiveness decisions can be made by the Lenders up to 60 days after submitting the applications and possibly longer if forgiveness is fully or partially denied and the Borrower appeals the decision. While the Company and each Borrower intends to use the PPP Loan proceeds exclusively for Qualifying Expenses, it is unclear and uncertain whether the conditions for forgiveness of the PPP Loans will be met under the current guidelines of the CARES Act. Therefore, we cannot make any assurances that the Company, or any of the Borrowers, will be eligible for forgiveness of the PPP Loans, in whole or in part. Accordingly, based on the above, we have classified $1,109,000 of the PPP Loans as short-term in the consolidated condensed balance sheet as of January 2, 2021.

To the extent, if any, that any or all of the PPP Loans are not forgiven, beginning one month following expiration of the Deferral Period, and continuing monthly until 24 months from the date of each applicable Note (the "Maturity Date"), each respective Borrower is obligated to make monthly payments of principal and interest to the Lender with respect to any unforgiven portion of the Notes, in such equal amounts required to fully amortize the principal amount outstanding on such Notes as of the last day of the applicable Deferral Period by the applicable Maturity Date.

Deferred Financing Costs

Deferred financing costs incurred in the amount of $271,000 are being amortized over the life of the agreements using the effective interest rate method and included in interest expense. Amortization expense of approximately $15,000 and $10,000 is included in interest expense for the 13 weeks ended January 2, 2021 and December 28, 2019, respectively.

9. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases several restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2044. 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 restaurant's sales in excess of stipulated amounts at such facility and in one instance based on profits. In connection with one of our leases, the Company obtained and delivered an irrevocable letter of credit in the amount of approximately $238,000 as a security deposit under such lease.

Legal Proceedings — In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and workers' compensation claims, which are generally handled by the Company's insurance carriers. The employment by the Company of management personnel, waiters, waitresses and kitchen staff at a number of different restaurants has resulted in the institution, from time to time, of litigation alleging violation by the Company of employment discrimination laws. Management believes, based in part on the advice of counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On May 1, 2018, two former tipped service workers (the "Plaintiffs"), individually and on behalf of all other similarly situated personnel, filed a putative class action lawsuit (the "Complaint") against the Company and certain subsidiaries as well as certain officers of the Company (the "Defendants"). Plaintiffs alleged, on behalf of themselves and the putative class, that the Company violated certain of the New York State Labor Laws and related regulations. The Complaint sought unspecified money damages, together with interest, liquidated damages and attorney fees. On December 14, 2020, the parties reached a settlement agreement resolving all issues alleged in the Complaint, which will be submitted to the New York State Supreme Court for approval, for approximately the amount which was previously accrued.

10. STOCK OPTIONS

The Company has options outstanding under two stock option plans, the 2010 Stock Option Plan (the "2010 Plan") and the 2016 Stock Option Plan (the "2016 Plan"). Options granted under both plans are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted and expire ten years after the date of grant.

During the 13-week period ended January 2, 2021, options to purchase 110,500 shares of common stock at an exercise price of $10.65 per share were granted to employees and directors of the Company (the "2021 Grant"). Such options are exercisable as to 50% of the shares commencing on the second anniversary of the date of grant and as to 50% on the fourth anniversary of the date of grant. Such options had an aggregate grant date fair value of $2.22 per share and totaled approximately $246,000.

During the 13-week period ended December 28, 2019, options to purchase 266,500 shares of common stock at an exercise price of $21.90 per share were granted to employees, directors of the Company and other service providers. Such options are exercisable as to 50% of the shares commencing on the second anniversary of the date of grant and as to the remaining 50% commencing on the fourth anniversary of the date of grant. The grant date fair value of these stock options was $3.35 per share.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2021 Grant include a risk free interest rate of 0.86%, volatility of 37.1%, a dividend yield of 3.0% and an expected life of 10 years.

The Company also maintains a Section 162(m) Cash Bonus Plan. Under the Company's Section 162(m) Cash Bonus Plan, compensation paid in excess of $1,000,000 to any employee who is the chief executive officer or one of the three highest paid executive officers on the last day of that tax year (other than the chief executive officer or the chief financial officer) is not tax deductible.

A summary of stock option activity is presented below:

	2021			
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of period	626,500	$20.41	6.1 years	
Options:				
Granted	110,750	$10.65		
Exercised	—			
Canceled or expired	(17,000)	$21.05		
Outstanding and expected to vest, end of period	720,250	$18.89	6.4 years	$ 1,602,000
Exercisable, end of period	348,750	$19.30	3.4 years	$ 634,000
Shares available for future grant	63,750			

Compensation cost charged to operations for the 13 weeks ended January 2, 2021 and December 28, 2019 for share-based compensation programs was approximately $60,000 and $12,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the consolidated condensed statements of operations.

As of January 2, 2021, there was approximately $958,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of 3.7 years.

11. INCOME TAXES

We calculate our interim income tax provision in accordance with ASC Topic 270, Interim Reporting and ASC Topic 740, Accounting for Income Taxes. At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary year to date earnings. The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including the expected operating (loss) income for the year, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated in the current fiscal year. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained, or the tax environment changes.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted to provide economic relief to those impacted by the COVID-19 pandemic. In addition to the PPP loans, the CARES Act made various tax law changes including among other things (i) modifications to the federal net operating loss rules including permitting federal net operating losses incurred in 2018, 2019, and 2020 tax years to be carried back to the five preceding taxable years in order to generate a refund of previously paid income taxes, (ii) enhanced recoverability of AMT tax credit carryforwards, (iii) increased the limitation under IRC Section 163(j) for 2019 and 2020 to permit additional expensing of interest, and (iv) enacted a technical correction so that qualified improvement property can be immediately expensed under IRC Section 168(k). On December 27, 2020, the Consolidated Appropriations Act of 2021 ("CAA") was enacted and provided clarification on the tax deductibility of expenses funded with PPP loans as fully deductible for tax purposes.

As a result of the CARES Act and the CAA, the Company carried back taxable losses from fiscal year 2020 and is expected to carryback taxable losses from fiscal 2021 to generate a refund of previously paid income taxes. As a result of these carrybacks, the Company recorded income tax benefits as the taxable losses from fiscal 2020 and fiscal 2021 are being carried back to tax years in which the Company was subject to a higher federal corporate income tax rate. The carryback of taxable losses from fiscal 2021 was recorded as a component of the estimated annual effective tax rate. The adjustment to the fiscal 2020 carryback was recorded as a discrete item.

The income tax benefit for the 13-week period ended January 2, 2021 was $(2,919,000). The effective tax rate for the 13-week period ended January 2, 2021 of 80.67% differed from the statutory rate of 21% primarily as a result of the tax benefits related to the generation of FICA tax credits, the carryback of fiscal 2021 taxable losses to prior years when the Federal corporate tax rate was 34% and operating income attributable to non-controlling interests that is not taxable to the Company. The effective tax rate also includes a discrete benefit of $(352,000) primarily related to an adjustment of the estimated fiscal year 2020 carryback claim.

The income tax provision for the 13-week period ended December 28, 2019 was $319,000. The effective tax rate for the 13-week period ended December 28, 2019 was 15.2% and differed from the statutory rate of 21% as a result of the tax benefits related to the generation of FICA tax credits and operating income attributable to non-controlling interests that is not taxable to the Company.

The Company's overall effective tax rate in the future will be affected by factors such as changes in tax law, the utilization of state and local net operating loss carryforwards, the generation of FICA tax credits and the mix of earnings by state taxing jurisdictions as Nevada does not impose a state income tax, as compared to the other major state and local jurisdictions in which the Company has operations. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual tax rate could differ from current estimates.

12. INCOME PER SHARE OF COMMON STOCK

Basic earnings per share is computed by dividing net income attributable to Ark Restaurants Corp. by the weighted average number of common shares outstanding for the period. Our diluted earnings per share is computed similarly to basic earnings per share, except that it reflects the effect of common shares issuable upon exercise of stock options, using the treasury stock method in periods in which they have a dilutive effect.

A reconciliation of shares used in calculating earnings per basic and diluted share follows:

	13 Weeks Ended	
	January 2, 2021	**December 28, 2019**
Basic	3,502	3,499
Effect of dilutive securities:		
Stock options	—	42
Diluted	3,502	3,541

For the 13-week period ended January 2, 2021, the dilutive effect of all outstanding options were not included in diluted earnings per share as their impact would be anti-dilutive.

For the 13-week period ended December 28, 2019, the dilutive effect of options to purchase 192,000 shares of common stock at an exercise prices ranging from $22.30 per share to $22.50 per share were not included in diluted earnings per share as their impact would be anti-dilutive.

13. DIVIDENDS

On March 13, 2020, the Company announced that, in light of the unprecedented circumstances and rapidly changing situation with respect to COVID-19, as part of an overall plan to preserve cash flow, the Board of Directors determined that it was appropriate for the Company to defer payment of the dividend that was declared on March 2, 2020. Payment of such dividend, which was scheduled for April 6, 2020 to shareholders of record on March 16, 2020, was canceled on July 1, 2020.

The payment of future dividends is at the discretion of the Company's Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements and other relevant factors. The Company does not expect to pay quarterly cash dividends for the foreseeable future as a result of the disruption to its operations from the COVID-19 pandemic.

14. SUBSEQUENT EVENTS

During January 2021, the Company applied for forgiveness of PPP Loans in the aggregate amount of $4,097,000. Such applications are still in process as of the date of this filing.

On January 26, 2021, the Company exercised its right-of-first refusal to acquire the land, building and parking lot associated with *JB's on the Beach* for $11,000,000. The agreement required the Company to fund a $3,000,000 deposit on February 12, 2021 and close by March 22, 2021. In connection with this transaction, the Company contributed it's rights and interest in its right-of-first-refusal to a new entity whose managing member funded the $3,000,000 deposit and will fund the remaining $8,000,000 of the purchase price at closing. In exchange, the Company will receive an equity interest in any future real estate development of the sites. In addition, all rights and privileges under the current lease will be assigned to this new entity, as landlord and the lease terms will remain unchanged. In the event the transaction does not close, the Company is obligated to reimburse this partner the $3,000,000 deposit plus expenses.

On January 29, 2021, New York State Governor Andrew Cuomo announced that New York City restaurants can seat customers indoors at 25% maximum capacity starting on February 12, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to any historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "potential," "project," "projection," "plan," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. All forward-looking statements are expressly qualified in their entirety by these cautionary statements.

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended October 3, 2020 and the condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years and the associated quarters, months and periods of those fiscal years.

COVID-19 Pandemic

On March 11, 2020, in light of the rapid spread of the novel Coronavirus ("COVID-19" or "Coronavirus"), the World Health Organization declared the COVID-19 outbreak to be a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has significantly disrupted consumer demand, as well as the Company's restaurant operations. Following the pandemic declaration in March 2020, federal, state and local governments began to respond to the public health crisis by requiring social distancing, "stay at home" directives, and mandatory closure of all of our locations.

As a result of state and local governments lifting "stay at home" orders and mandatory shut-down requirements from May through August 2020, the Company had reopened all of its properties, with the exception of *Thunder Grill* in Washington, D.C., at varying levels of limited capacity as allowed by federal, state and local governments. However, indoor dining in New York City was again shut down indefinitely starting on December 14, 2020 (which was amended on January 29, 2021 to allow indoor dining at 25% maximum capacity starting on February 12, 2021) and Washington, D.C. and Las Vegas rolled back indoor dining from 50% to 25% of capacity in mid-December as well. In addition to government mandated shut-downs and capacity restrictions, the Company temporarily closed several restaurants, typically for three to ten days due to a high rate of positive COVD-19 tests of our employees. These closures and capacity rollbacks have had and will continue to have a material adverse impact on our operations. The pandemic has caused and continues to cause unprecedented business disruptions, especially in the hospitality industry. Although we have experienced some recovery from the initial impact of COVID-19 in our Florida and Alabama locations, the long-term impact of COVID-19 on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted. We continue to monitor and adhere to local restrictions and are maintaining elevated safety measures, including additional sanitation and disinfecting practices and the use of gloves and facial protection for our employees.

As a result of these developments, the Company is experiencing a significant negative impact on its revenues, results of operations and cash flows, and has a working capital deficiency of $(1,560,000) as of January 2, 2021, all of which could negatively impact its ability to meet its obligations over the next 12 months. However, we believe that our existing cash balances, which include the proceeds from Paycheck Protection Program loans and actions taken by management, set out below and otherwise, will be sufficient to meet our liquidity and capital spending requirements through February 17, 2022.

In response to the business disruption and liquidity concerns caused by the COVID-19 pandemic, the Company has taken the following actions, which management expects will enable it to meet its obligations over the next 12 months:

- While restaurants were closed or continue to be closed, we furloughed all hourly employees and approximately 95% of salaried restaurant management personnel, while enacting salary reductions for all remaining restaurant management personnel.
- As restaurants re-opened, restaurant management salaries were restored to 70% of pre-pandemic amounts. If a location produced sustained cash flow, restaurant management salaries were restored to 100% of pre-pandemic amounts.
- Initially reduced the pay of all corporate and administrative staff by 50% to 75% and senior management salaries by 75% to 95%. As of January 2, 2021, corporate salaries continue to be at 50-65% of pre-pandemic levels. In addition, members of the Board waived their director fees through December 31, 2020.

- Extended the maturity date of all outstanding revolver borrowings under our credit agreement in the amount of $9,666,000 to February 17, 2022. In addition, the bank agreed to modified financial covenants through fiscal Q2 2022.

- Canceled the payment of the $0.25 dividend declared on March 2, 2020.

- Suspended future dividend payments until such time as the Board deems appropriate to reinstate.

- Canceled or delayed all non-essential capital expenditures.

- Suspended the vast majority of lease payments while our restaurants were closed as a result of government mandated shutdowns, and attempted to negotiate rent concessions, abatements and deferrals with these landlords to reduce the lease payments. While some landlords have agreed to concessions, several negotiations are still ongoing as of the date of this filing and we will attempt to obtain further concessions at many of our leased properties. However, there can be no assurance that the Company will be successful in obtaining the relief it is seeking.

- Certain Company subsidiaries applied for and received a total of approximately $15.0 million of loans under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020.

- Utilized additional provisions of the CARES Act to obtain tax savings, file carryback claims and defer a portion of our social security taxes to future years.

Due to the rapid development and fluidity of this situation, management cannot determine the ultimate impact that the COVID-19 pandemic will have on the Company's consolidated financial condition, liquidity, future results of operations, suppliers, industry, and workforce and therefore any prediction as to the ultimate material adverse impact on the Company's consolidated financial condition, liquidity, and future results of operations is uncertain. The disruption in operations has led the Company to consider the impact of the COVID-19 pandemic on its liquidity, debt covenant compliance, and recoverability of long-lived and ROU assets, goodwill and intangible assets, among others. In addition, we cannot predict how soon we will be able to reopen any or all of our restaurants at full capacity or whether they will be required to close again in the future, as these decisions will depend primarily on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses. If these disruptions continue, the Company expects a continued material negative impact on its consolidated financial position, future results of operations and liquidity. The extent of such negative impact will be determined, in part, by the longevity and severity of the pandemic.

Overview

As of January 2, 2021, the Company owned and operated 18 restaurants and bars, 17 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customer and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance. The consolidated condensed statements of operations for the 13 weeks ended January 2, 2021 include revenues and income of approximately $478,000 and $7,000, respectively, related to *Blue Moon Fish Company*, which was acquired on December 1, 2020.

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 periods ended January 2, 2021 and December 28, 2019 each included 13 weeks.

Seasonality

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

Results of Operations

The Company's operating loss for the 13 weeks ended January 2, 2021 was $(3,307,000), as compared to operating income of $2,436,000 for the 13 weeks ended December 28, 2019. This decrease resulted primarily from the government mandated closures and/or capacity restrictions (discussed above) at all of our restaurants in the current period in connection with the COVID-19 pandemic.

In addition to the decrease in restaurant revenue from the mandatory closures and operating at varying levels of limited capacity, the Company estimates that it incurred approximately $150,000 of costs directly related to COVID-19 during the 13 weeks ended January 2, 2021 consisting primarily of payments to employees for paid-time off during restaurant closures or while they are out due to illness.

Further, we cannot predict how soon we will be able to reopen any or all of our restaurants at full capacity or whether they will be required to close again in the future, as these decisions will depend primarily on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses.

The following table summarizes the significant components of the Company's operating results for the 13-week periods ended January 2, 2021 and December 28, 2019:

	13 Weeks Ended		Variance	
	January 2, 2021	December 28, 2019	$	%
	(in thousands)			
REVENUES:				
Food and beverage sales	$ 19,889	$ 42,829	$ (22,940)	-53.6%
Other revenue	410	685	(275)	-40.1%
Total revenues	20,299	43,514	(23,215)	-53.4%
COSTS AND EXPENSES:				
Food and beverage cost of sales	5,943	10,940	(4,997)	-45.7%
Payroll expenses	8,651	15,122	(6,471)	-42.8%
Occupancy expenses	3,473	5,439	(1,966)	-36.1%
Other operating costs and expenses	2,811	5,328	(2,517)	-47.2%
General and administrative expenses	1,787	3,054	(1,267)	-41.5%
Depreciation and amortization	941	1,195	(254)	-21.3%
Total costs and expenses	23,606	41,078	(17,472)	-42.5%
OPERATING INCOME (LOSS)	$ (3,307)	$ 2,436	$ (5,743)	-235.8%

Revenues

During the Company's 13-week period ended January 2, 2021, revenues decreased 53.4% as compared to revenues in the 13-week period ended December 28, 2019. This decrease resulted primarily from the government mandated closures and/or capacity restrictions at all of our restaurants in the current period in connection with the COVID-19 pandemic.

Food and Beverage Same-Store Sales

On a Company-wide basis, same-store sales decreased 51.9% during the first fiscal quarter of 2021 as compared to the same period last year as follows:

	13 Weeks Ended		Variance	
	January 2, 2021	December 28, 2019	$	%
	(in thousands)			
Las Vegas	$ 5,819	$ 12,206	$ (6,387)	-52.3%
New York	2,249	11,489	(9,240)	-80.4%
Washington, D.C.	903	2,466	(1,563)	-63.4%
Atlantic City, NJ	594	1,513	(919)	-60.7%
Connecticut	88	410	(322)	-78.5%
Alabama	2,016	2,601	(585)	-22.5%
Florida	7,931	10,053	(2,122)	-21.1%
Same-store sales	19,600	40,738	$ (21,138)	-51.9%
Other	289	2,091		
Food and beverage sales	$ 19,889	$ 42,829		

A discussion of same-store sales has not been presented for the 13-week period ended January 2, 2021 as it is not meaningful as a result of the government mandated closures and/or capacity restrictions at all of our restaurants in the current period in connection with the COVID-19 pandemic.

Costs and Expenses

Costs and expenses for the 13 weeks ended January 2, 2021 and December 28, 2019 were as follows (in thousands):

	13 Weeks Ended January 2, 2021	% to Total Revenues	13 Weeks Ended December 28, 2019	% to Total Revenues	Increase (Decrease) $	Increase (Decrease) %
Food and beverage cost of sales	$ 5,943	29.3 %	$ 10,940	25.1 %	$ (4,997)	-45.7%
Payroll expenses	8,651	42.6 %	15,122	34.8 %	(6,471)	-42.8%
Occupancy expenses	3,473	17.1 %	5,439	12.5 %	(1,966)	-36.1%
Other operating costs and expenses	2,811	13.8 %	5,328	12.2 %	(2,517)	-47.2%
General and administrative expenses	1,787	8.8 %	3,054	7.0 %	(1,267)	-41.5%
Depreciation and amortization	941	4.6 %	1,195	2.7 %	(254)	-21.3%
Total costs and expenses	$ 23,606		$ 41,078		$ (17,472)	

Food and beverage costs as a percentage of total revenues for the 13 weeks ended January 2, 2021 increased as compared with the same period of last year primarily as a result of increases in costs of seafood and other high volume items.

Payroll expenses as a percentage of total revenues for the 13 weeks ended January 2, 2021 increased as compared with the same period of last year primarily as a result of retaining key restaurant management personnel with lower corresponding revenues in the current period as a result of the government mandated closures and/or capacity restrictions at all of our restaurants in connection with the COVID-19 pandemic.

Occupancy expenses as a percentage of total revenues for the 13 weeks ended January 2, 2021 increased as compared with the same period of last year primarily as a result of accrued rents where we have not finalized abatement agreements and lower sales in the current period as a result of the government mandated closures and/or capacity restrictions at all of our restaurants in connection with the COVID-19 pandemic.

Other operating costs and expenses as a percentage of total revenues for the 13 weeks ended January 2, 2021 as compared to the same period of last year increased primarily as a result of the fixed nature of some of the expenses.

General and administrative expenses (which relate solely to the corporate office in New York City) for the 13 weeks ended January 2, 2021 decreased as compared with the same period of last year primarily as a result of headcount and continued salary reductions of corporate personnel as a result of the impacts on our business from COVID-19 pandemic.

Depreciation and amortization expense for the 13 weeks ended January 2, 2021 decreased as compared to the same period of last year primarily as a result of lower charges in the current period as a result of asset impairments in the first quarter of 2020.

Income Taxes

We calculate our interim income tax provision in accordance with ASC Topic 270, Interim Reporting and ASC Topic 740, Accounting for Income Taxes. At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary year to date earnings. The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including the expected operating (loss) income for the year, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated in the current fiscal year. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained, or the tax environment changes.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted to provide economic relief to those impacted by the COVID-19 pandemic. In addition to the PPP loans, the CARES Act made various tax law changes including among other things (i) modifications to the federal net operating loss rules including permitting federal net operating losses incurred in 2018, 2019, and 2020 tax years to be carried back to the five preceding taxable years in order to generate a refund of previously paid income taxes, (ii) enhanced recoverability of AMT tax credit carryforwards, (iii) increased the limitation under IRC Section 163(j) for 2019 and 2020 to permit additional expensing of interest, and (iv) enacted a technical correction so that qualified improvement property can be immediately expensed under IRC Section 168(k). On December 27, 2020, the Consolidated Appropriations Act of 2021 ("CAA") was enacted and provided clarification on the tax deductibility of expenses funded with PPP loans as fully deductible for tax purposes.

As a result of the CARES Act and the CAA, the Company carried back taxable losses from fiscal year 2020 and is expected to carryback taxable losses from fiscal 2021 to generate a refund of previously paid income taxes. As a result of these carrybacks, the Company recorded income tax benefits as the taxable losses from fiscal 2020 and fiscal 2021 are being carried back to tax years in which the Company was subject to a higher federal corporate income tax rate. The carryback of taxable losses from fiscal 2021 was recorded as a component of the estimated annual effective tax rate. The adjustment to the fiscal 2020 carryback was recorded as a discrete item.

The income tax benefit for the 13-week period ended January 2, 2021 was $(2,919,000). The effective tax rate for the 13-week period ended January 2, 2021 of 80.67% differed from the statutory rate of 21% primarily as a result of the tax benefits related to the generation of FICA tax credits, the carryback of fiscal 2021 taxable losses to prior years when the Federal corporate tax rate was 34% and operating income attributable to non-controlling interests that is not taxable to the Company. The effective tax rate also includes a discrete benefit of $(352,000) primarily related to an adjustment of the estimated fiscal year 2020 carryback claim.

The income tax provision for the 13-week period ended December 28, 2019 was $319,000. The effective tax rate for the 13 week period ended December 28, 2019 was 15.2% and differed from the statutory rate of 21% as a result of the tax benefits related to the generation of FICA tax credits and operating income attributable to non-controlling interests that is not taxable to the Company.

The Company's overall effective tax rate in the future will be affected by factors such as changes in tax law, the utilization of state and local net operating loss carryforwards, the generation of FICA tax credits and the mix of earnings by state taxing jurisdictions as Nevada does not impose a state income tax, as compared to the other major state and local jurisdictions in which the Company has operations. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual tax rate could differ from current estimates.

Liquidity and Capital Resources

Our primary source of capital has been cash provided by operations and, in recent years, bank and other borrowings to finance specific transactions, acquisitions and large remodeling projects. We utilize cash generated from operations to fund the cost of developing and opening new restaurants and smaller remodeling projects of existing restaurants we own. Consistent with many other restaurant operators, we typically use operating lease arrangements for our restaurants. In recent years we have been able to acquire the underlying real estate at several locations along with the restaurant operation. We believe that our operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. As of January 2, 2021, we had a cash and cash equivalents balance of $10,813,000.

The Company had a working capital deficiency of $(1,560,000) at January 3, 2021 as compared with a deficiency of $(3,234,000) at October 3, 2020. This increase resulted primarily from the change in our debt maturities in connection with an amendment to our credit agreement. We believe that our existing cash balances combined with measures taken due to COVID-19 pandemic described above, will be sufficient to meet our liquidity and capital spending requirements and finance our operating activities for at least the next 12 months.

Our liquidity has been adversely affected primarily by decreased customer traffic as a result the government mandated closures and capacity restrictions at all our of restaurants in connection with the COVID-19 pandemic. Due to the rapid development and fluidity of the COVID-19 pandemic, management cannot determine the ultimate impact that it will have on the Company's consolidated financial condition, liquidity, future results of operations, suppliers, industry, and workforce and therefore any prediction as to the ultimate material adverse impact on the Company's consolidated financial condition, liquidity, and future results of operations is uncertain. The disruption in operations has led the Company to consider the impact of the COVID-19 pandemic on its liquidity, debt covenant compliance, and recoverability of long-lived and ROU assets, goodwill and intangible assets, among others. In addition, we cannot predict how soon we will be able to reopen any or all of our restaurants at full capacity or whether they will be required to close again in the future, as these decisions will depend primarily on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses. If these disruptions continue, the Company expects a continued material negative impact on its consolidated financial condition, future results of operations and liquidity. The extent of such negative impact will be determined, in part, by the longevity and severity of the pandemic.

In response to the uncertain market conditions resulting from the COVID-19 pandemic, we have enhanced our liquidity position through the following measures:

- Fully drew down our Revolving Facility as of June 9, 2020.

- Extended the maturity date of all outstanding revolver borrowings under our credit agreement in the amount of $9,666,000 to February 17, 2022.

- Although we were in compliance with all of our financial covenants under our Revolving Facility, our lender agreed to modified financial covenants through fiscal Q2 2022.

- Canceled the payment of the $0.25 dividend declared on March 2, 2020.

- Suspended future dividend payments until such time as the Board deems appropriate to reinstate.

- Canceled or delayed all non-essential capital expenditures.

- Suspended the vast majority of lease payments while our restaurants were closed as a result of government mandated shutdowns, and attempted to negotiate rent concessions, abatements and deferrals with these landlords to reduce the lease payments. While some landlords have agreed to concessions, several negotiations are still ongoing as of the date of this filing and we will attempt to obtain further concessions at many of our leased properties. However, there can be no assurance that the Company will be successful in obtaining the relief it is seeking.

- Certain Company subsidiaries applied for and received approximately $15.0 million of loans under the Paycheck Protection Program of the CARES Act, which was enacted March 27, 2020.

- Utilized additional provisions of the CARES Act to obtain tax savings, file carryback claims and defer a portion of our social security taxes to future years.

Cash Flows for 13 Weeks Ended January 2, 2021 and December 28, 2019

Net cash used in operating activities for the 13 weeks ended January 2, 2021 decreased to $(2,985,000) as compared to $2,452,000 provided by operations in the same period of last year. This decrease was attributable to a decrease in net income as a result of the impacts of the COVID-19 pandemic on our operations and changes in net working capital primarily related to accounts receivable, inventory and accounts payable and accrued expenses.

Net cash used in investing activities for the 13 weeks ended January 2, 2021 and December 28, 2019 was $(2,413,000) and $(796,000), respectively, and resulted primarily from purchases of fixed assets at existing restaurants and, in the current period, the cash portion of the purchase price of the *Blue Moon Fish Company* acquisition.

Net cash used in financing activities for the 13 weeks ended January 2, 2021 and December 28, 2019 of $(675,000) and $(1,622,000), respectively, resulted primarily from principal payments on notes payable and in the prior period the payment of dividends and distributions to non-controlling interests.

On November 26, 2019, the Board of Directors declared a quarterly dividend of $0.25 per share on the Company's common stock which was paid on January 7, 2020, to shareholders of record at the close of business on December 16, 2019.

On March 13, 2020, the Company announced that, in light of the unprecedented circumstances and rapidly changing situation with respect to COVID-19, as part of an overall plan to preserve cash flow, the Board of Directors determined that it was appropriate for the Company to defer payment of the dividend that was declared on March 2, 2020. Payment of such dividend, which was scheduled for April 6, 2020 to shareholders of record on March 16, 2020, was canceled on July 1, 2020.

The payment of future dividends is at the discretion of the Company's Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors. The Company does not expect to pay quarterly cash dividends for the foreseeable future as a result of the disruption to its operations from the COVID-19 pandemic.

Recent Restaurant Expansions and Other Developments

On December 1, 2020, the Company, through a newly formed, wholly-owned subsidiary, acquired the assets of Bear Ice, Inc. and File Gumbo Inc., which collectively operated a restaurant and bar named *Blue Moon Fish Company* located in Lauderdale by the Sea, FL. The total purchase price of $2,820,000 was paid with cash in the amount of $1,820,000 and a four year note held by the sellers in the amount of $1,000,000 payable monthly with 5% interest. Concurrent with the acquisition, the Company assumed the related lease which expires in 2026 and has four, five-year extension options. Rent payments under the lease are approximately $360,000 per year and increase by approximately 15% as each option is exercised.

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

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

Recent Restaurant Dispositions

On November 13, 2020, the Company was advised by the landlord that it would have to vacate *Gallagher's Steakhouse* and *Gallagher's Burger Bar* at the Resorts Casino Hotel located in Atlantic City, NJ which were on a month-to-month, no rent lease. The closure of these properties occurred on January 2, 2021 and did not result in a material charge to the Company's operations.

As of January 2, 2021, the Company determined that, given the current situation, it will not reopen *Thunder Grill* in Washington, D.C. which has been closed since March 20, 2020. This closure did not result in a material charge to the Company's operations.

Investment in and Receivable from New Meadowlands Racetrack

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6% of Meadowlands Newmark, LLC, and an effective ownership interest in NMR of 7.4%, subject to dilution. In 2015, the Company invested an additional $222,000 in NMR with no change in ownership. In February 2017 the Company funded its proportionate share ($222,000) of a $3,000,000 capital call bringing its total investment to $5,108,000 with no change in ownership.

In addition to the Company's ownership interest in NMR, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant.

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

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium. On July 13, 2016, the Company made an additional loan to Meadowlands Newmark, LLC in the amount of $200,000. Such amount is subject to the same terms and conditions as the original loan as discussed above. The principal and accrued interest related to this note in the amounts of $1,780,000 and $1,766,000 are included in Investment In and Receivable From New Meadowlands Racetrack in the consolidated condensed balance sheets at January 2, 2021 and October 3, 2020, respectively.

On June 7, 2018, the New Jersey State Legislature voted to legalize sports betting at casinos and racetracks in the state. Pursuant to this legislation NMR opened a sports book in partnership with FanDuel, a leading provider of daily fantasy sports.

Notes Payable – Bank

On June 1, 2018, the Company refinanced (the "Refinancing") its then existing indebtedness with its current lender, Bank Hapoalim B.M. ("BHBM"), by entering into an amended and restated credit agreement (the "Revolving Facility"), which matures on October 3, 2021. The Revolving Facility provides for total availability of the lesser of (i) $10,000,000 and (ii) $35,000,000 less the then aggregate amount of all indebtedness and obligations to BHBM. Borrowings under the Revolving Facility are payable upon maturity of the Revolving Facility with interest payable monthly at LIBOR plus 3.5%, subject to adjustment based on certain ratios. We expect that the LIBOR rate will be discontinued at some point during 2021 and to work with BHBM to identify a suitable replacement rate and amend our debt agreements to reflect this new reference rate accordingly. We do not expect the discontinuation of LIBOR as a reference rate in our debt agreements to have a material adverse effect on our financial position or materially affect our interest expense. As a result of the impacts to our business from the COVID-19 pandemic, on February 15, 2021, BHBM agreed to extend the maturity date of our Revolving Facility including all outstanding borrowings thereunder, in the amount of $9,666,000 (including $6,300,000 which were due on July 31, 2021), to February 17, 2022.

Borrowings under the Revolving Facility, which include the promissory notes as discussed in Note 8 of the consolidated financial statements, are secured by all tangible and intangible personal property (including accounts receivable, inventory, equipment, general intangibles, documents, chattel paper, instruments, letter-of-credit rights, investment property, intellectual property and deposit accounts) and fixtures of the Company. The Revolving Facility also requires, among other things, that the Company meet minimum quarterly tangible net worth amounts, maintain a minimum fixed charge coverage ratio and meet minimum annual net income amounts. The Revolving Facility contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subject to negotiated exceptions on liens, relating to other indebtedness, capital expenditures, liens, affiliate transactions, disposal of assets and certain changes in ownership. As of January 2, 2021 and October 3, 2020, borrowings of $9,666,000 were outstanding under the Revolving Facility and had a weighted average interest rate of 3.6% and 3.0%, respectively.

On June 12, 2020 and again on February 15, 2021, as a result of the impact of the COVID-19 pandemic on our business, BHBM agreed to modified financial covenants through fiscal Q2 2022. The Company was in compliance with all of its financial covenants under the Revolving Facility as of January 2, 2021.

Paycheck Protection Program Loans

During the year ended October 3, 2020, subsidiaries (the "Borrowers") of the Company received loan proceeds from several banks (the "Lenders") in the aggregate amount of $14,995,000 (the "PPP Loans") under the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The PPP Loans are evidenced by individual promissory notes of each of the Borrowers (together, the "Notes") in favor of the Lender, which Notes bear interest at the rate of 1.00% per annum. Funds from the PPP Loans may be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred by a Borrower prior to February 15, 2020 (the "Qualifying Expenses"). Under the terms of the PPP Loans, some or all of the amounts thereunder, including accrued interest, may be forgiven if they are used for Qualifying Expenses as described in and in compliance with the CARES Act. Each Note may be prepaid by the respective Borrower at any time prior to maturity with no prepayment penalties. No payments of principal or interest are due under the Notes until the date on which the amount of loan forgiveness (if any) under the CARES Act for each respective Note is remitted to the Lender and a forgiveness decision is received by the Borrower. Forgiveness applications can be submitted up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the "Deferral Period") and the ultimate forgiveness decisions can be made by the Lenders up to 60 days after submitting the applications and possibly longer if forgiveness is fully or partially denied and the Borrower appeals the decision. While the Company and each Borrower intends to use the PPP Loan proceeds exclusively for Qualifying Expenses, it is unclear and uncertain whether the conditions for forgiveness of the PPP Loans will be met under the current guidelines of the CARES Act. Therefore, we cannot make any assurances that the Company, or any of the Borrowers, will be eligible for forgiveness of the PPP Loans, in whole or in part.

To the extent, if any, that any or all of the PPP Loans are not forgiven, beginning one month following expiration of the Deferral Period, and continuing monthly until 24 months from the date of each applicable Note (the "Maturity Date"), each respective Borrower is obligated to make monthly payments of principal and interest to the Lender with respect to any unforgiven portion of the Notes, in such equal amounts required to fully amortize the principal amount outstanding on such Notes as of the last day of the applicable Deferral Period by the applicable Maturity Date. Each Borrower is permitted to prepay its respective Note at any time without payment of any premium.

Critical Accounting Policies

The preparation of financial statements requires the application of certain accounting policies, which may require the Company to make estimates and assumptions of future events. In the process of preparing its consolidated condensed financial statements, the Company estimates the appropriate carrying value of certain assets and liabilities, which are not readily apparent from other sources. The primary estimates underlying the Company's consolidated condensed financial statements include projected cash flows, allowances for potential bad debts on accounts and notes receivable, assumptions regarding discount rates related to lease accounting, the useful lives and recoverability of its assets, such as property and intangibles, fair values of financial instruments, the realizable value of its tax assets and other matters. Management bases its estimates on certain assumptions, which it believes are reasonable in the circumstances, and actual results could differ from those estimates. Although management does not believe that any change in those assumptions in the near term would have a material effect on the Company's consolidated financial position or the results of operations, differences in actual results could be material to the consolidated condensed financial statements.

The Company's critical accounting policies are described in the Company's Form 10-K for the year ended October 3, 2020. There have been no significant changes to such policies during fiscal 2021 other than those disclosed in Note 1 to the consolidated condensed financial statements.

Recently Adopted and Issued Accounting Standards

See Note 1 to the consolidated condensed financial statements for a description of recent accounting pronouncements, including those adopted in fiscal 2021 and the expected dates of adoption of new accounting standards and the anticipated impact on the consolidated condensed financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of January 2, 2021 to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the first quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Except as otherwise provided below, the Company is not subject to pending legal proceedings, other than ordinary claims incidental to its business, which the Company does not believe will materially impact results of operations.

On May 1, 2018, two former tipped service workers (the "Plaintiffs"), individually and on behalf of all other similarly situated personnel, filed a putative class action lawsuit (the "Complaint") against the Company and certain subsidiaries as well as certain officers of the Company (the "Defendants"). Plaintiffs alleged, on behalf of themselves and the putative class, that the Company violated certain of the New York State Labor Laws and related regulations. The Complaint sought unspecified money damages, together with interest, liquidated damages and attorney fees. On December 14, 2020, the parties reached a settlement agreement resolving all issues alleged in the Complaint, which will be submitted to the New York State Supreme Court for approval, for approximately the amount which was previously accrued.

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

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* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16, 2021

ARK RESTAURANTS CORP.

By: /s/ Michael Weinstein
Michael Weinstein
Chairman & Chief Executive Officer
(Principal Executive Officer)

By: /s/ Anthony J. Sirica
Anthony J. Sirica
Chief Financial Officer
(Authorized Signatory and Principal
Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Weinstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ark Restaurants Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 16, 2021

/s/ Michael Weinstein

Michael Weinstein
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony J. Sirica, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ark Restaurants Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 16, 2021

/s/ Anthony J. Sirica

Anthony J. Sirica
Chief Financial Officer
(Authorized Signatory and Principal Financial and Accounting Officer)

Exhibit 32

Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended January 2, 2021 of Ark Restaurants Corp. (the “Registrant”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Michael Weinstein, Chief Executive Officer and Anthony J. Sirica, Chief Financial Officer, of the Registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

(i) this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated as of this 16th day of February 2021

/s/ Michael Weinstein	/s/ Anthony J. Sirica
Michael Weinstein	Anthony J. Sirica
Chairman and Chief Executive Officer (Principal Executive Officer)	Chief Financial Officer (Authorized Signatory and Principal Financial and Accounting Officer)