

ARK RESTAURANTS CORP
Form 10-K
December 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTIONS 13 AND 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 1, 2011

or,

☐ TRANSITION REPORT PURSUANT TO SECTIONS 13 AND 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 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: None

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$.01 per share

The NASDAQ Stock Market LLC

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 such 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☒

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller Reporting Company ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

As of April 2, 2011, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting and non-voting stock held by non-affiliates of the registrant was \$28,959,876.

At December 22, 2011, there were outstanding 3,244,845 shares of the Registrant's Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

(1) In accordance with General Instruction G (3) of Form 10-K certain information required by Part III hereof will either be incorporated into this Form 10-K by reference to the registrant's definitive proxy statement for the registrant's 2011 Annual Meeting of Stockholders filed within 120 days of October 1, 2011 or will be included in an amendment to this Form 10-K filed within 120 days of October 1, 2011.

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

On one or more occasions, we may make statements in this Annual Report on Form 10-K 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 and Section 21E of the Securities Exchange Act of 1934.

Words or phrases such as anticipates, believes, estimates, expects, intends, plans, predicts, projects, targets, will likely 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.

We have attempted to identify, in context, certain of the factors that we believe may cause actual future experience and results to differ materially from our current expectation regarding the relevant matter of subject area. In addition to the items specifically discussed above, our business, results of operations and financial position and your investment in our common stock are subject to the risks and uncertainties described in Item 1A Risk Factors of this Annual Report on Form 10-K.

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 in this Annual Report on Form 10-K, our reports on Forms 10-Q and 8-K, our Schedule 14A and any other public statements that are made by us 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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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 and 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 and predecessor entities.

Item 1. Business

Overview

We are a New York corporation formed in 1983. As of the fiscal year ended October 1, 2011, we owned and/or operated 22 restaurants and bars, 28 fast food concepts and catering operations through our subsidiaries. Initially our facilities were located only in New York City. As of the fiscal year ended October 1, 2011, seven of our restaurant and bar facilities are located in New York City, four are located in Washington, D.C., seven are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in the Faneuil Hall Marketplace in Boston, Massachusetts.

In addition to the shift from a Manhattan-based operation to a multi-city operation, the nature of the facilities operated by us has shifted from smaller, neighborhood restaurants to larger, destination restaurants intended to benefit from high patron traffic attributable to the uniqueness of the restaurant's location. Most of our restaurants which are in operation and which have been opened in recent years are of the latter description. As of the fiscal year ended October 1, 2011, these include the restaurant operations at the 12 fast food facilities in Tampa, Florida and Hollywood, Florida, respectively (2004); the *Gallagher's Steakhouse* and *Gallagher's Burger Bar* in the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey (2005); *The Grill at Two Trees* at the Foxwoods Resort Casino in Ledyard, Connecticut (2006); *Durgin Park Restaurant and the Black Horse Tavern* in the Faneuil Hall Marketplace in Boston, Massachusetts (2007); *Yolos* at the Planet Hollywood Resort and Casino in Las Vegas, Nevada (2007); six fast food facilities at MGM Grand Casino at the Foxwoods Resort Casino in Ledyard, Connecticut (2008) and *Robert* at the Museum of Arts & Design at Columbus Circle in Manhattan (2010).

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

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

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

The following table sets forth the facilities we lease and operate as of October 1, 2011:

Name	Location	Year Opened(1)	Restaurant Size (Square Feet)	Seating Capacity(2) Indoor- (Outdoor)	Lease Expiration(3)
America(4)	Union Station Washington, D.C.	1989	10,000	400(50)	2009
Center Café(5)	Union Station Washington, D.C.	1989	4,000	200	2009
Sequoia	Washington Harbour Washington, D.C.	1990	26,000	600(400)	2017
Sequoia	South Street Seaport New York, New York	1991	12,000	300(100)	2013
Canyon Road	First Avenue (between 76 th and 77 th Streets) New York, New York	1984	2,500	130	2014
Bryant Park Grill & Café(6)	Bryant Park New York, New York	1995	25,000	180(820)	2025
America(7)	New York-New York Hotel and Casino Las Vegas, Nevada	1997	20,000	450	2017
Gallagher's Steakhouse(7)	New York-New York Hotel & Casino Las Vegas, Nevada	1997	5,500	260	2023
Gonzalez y Gonzalez(7)	New York-New York Hotel & Casino Las Vegas, Nevada	1997	2,000	120	2022
Village Eateries (7)(8)	New York-New York Hotel & Casino Las Vegas, Nevada	1997	6,300	400(*)	2022
The Grill Room(9)	World Financial Center New York, New York	1997	10,000	250	2011
Red	South Street Seaport New York, New York	1998	7,000	150(150)	2013
Robert	Museum of Arts & Design New York, New York	2009	5,530	150	2035

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Name	Location	Year Opened(1)	Restaurant Size (Square Feet)	Seating Capacity(2) Indoor- (Outdoor)	Lease Expiration(3)
Thunder Grill	Union Station Washington, D.C.	1999	10,000	500	2019
Venetian Food Court(10)	Venetian Casino Resort Las Vegas, Nevada	1999	2,050	300(*)	2014
Rialto Deli	Venetian Casino Resort Las Vegas, Nevada	1999	1,150	150(*)	2014
V-Bar	Venetian Casino Resort Las Vegas, Nevada	2000	3,000	100	2015
Gallagher s Steakhouse	Resorts Atlantic City Hotel and Casino Atlantic City, New Jersey	2005	6,280	196	2020
Gallagher s Burger Bar	Resorts Atlantic City Hotel and Casino Atlantic City, New Jersey	2005	2,270	114	2020
The Grill at Two Trees	Foxwoods Resort Casino Ledyard, Connecticut	2006	3,359	101	2026
Durkin Park Restaurant and the Black Horse Tavern	Faneuil Hall Marketplace Boston, Massachusetts	2007	18,500	575	2032
Yolos	Planet Hollywood Resort and Casino Las Vegas, Nevada	2007	4,100	206	2027
The Sporting House(11)	New York-New York Hotel and Casino Las Vegas, Nevada	2010	31,000	350	2011

- (1) Restaurants are, from time to time, renovated, renamed and/or converted from or to managed or owned facilities. Year Opened refers to the year in which we, or an affiliated predecessor of us, first opened, acquired or began managing a restaurant at the applicable location, notwithstanding that the restaurant may have been renovated, renamed and/or converted from or to a managed or owned facility since that date.

- (2) Seating capacity refers to the seating capacity of the indoor part of a restaurant available for dining in all seasons and weather conditions. Outdoor seating capacity, if applicable, is set forth in parentheses and refers to the seating capacity of terraces and sidewalk cafes which are available for dining only in the warm seasons and then only inclement weather.
- (3) Assumes the exercise of all our available lease renewal options.
- (4) We vacated this property, which was on a month-to-month lease, on November 7, 2011 at the request of the landlord.
- (5) The lease for this location expired prior to October 2, 2010 and has been operating on a month-to-month basis with the consent of the landlord.
- (6) The lease governing a substantial portion of the outside seating area of this restaurant expires on April 30, 2019.
- (7) Includes two five-year renewal options exercisable by us if certain sales goals are achieved during the two year period prior to the exercise of the renewal option. Under the *America* lease, the sales goal is \$6.0 million. Under the *Gallagher's Steakhouse* lease the sales goal is \$3.0 million. Under the lease for *Gonzalez y Gonzalez* and the *Village Eateries*, the combined sales goal is \$10.0 million. Each of the restaurants is currently operating at a level in excess of the minimum sales level required to exercise the renewal option for each respective restaurant.
- (8) We operate six small food court restaurants and one full-service restaurant in the *Village Eateries* food court at the New York-New York Hotel & Casino. We also operate that hotel's room service, banquet facilities and employee cafeteria.
- (9) On July 8, 2011, we entered into an agreement with the landlord whereby in exchange for a payment of \$350,000 we vacated this property on October 31, 2011.
- (10) We operate two small food court restaurants in a food court at the Venetian Casino Resort.
- (11) This lease is cancellable upon 90 days written notice and provides for rent based on profits only. This restaurant opened at the end of October 2010.
- (*) Represents common area seating.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

The following table sets forth the facilities managed by us as of October 1, 2011:

Name	Location	Year Opened(1)	Restaurant Size (Square Feet)	Seating Capacity(2) Indoor- (Outdoor)	Lease Expiration(3)
El Rio Grande (4)(5)	Third Avenue (between 38 th and 39 th Streets) New York, New York	1987	4,000	160	2019
Tampa Food Court(7)	Hard Rock Hotel and Casino Tampa, Florida	2004	4,000	250(*)	2029
Hollywood Food Court(7)	Hard Rock Hotel and Casino Hollywood, Florida	2004	5,000	250(*)	2029
Lucky Seven(6)	Foxwoods Resort Casino Ledyard, Connecticut	2006	4,825	4,000(**)	2026
MGM Grand Food Market(6)(8)	MGM Grand at Foxwoods Resort Casino Ledyard, Connecticut	2008	8,300	256(84)(*)	2028

(1) Restaurants are, from time to time, renovated, renamed and/or converted from or to managed or owned facilities. Year Opened refers to the year in which we, or an affiliated predecessor of us, first opened, acquired or began managing a restaurant at the applicable location, notwithstanding that the restaurant may have been renovated, renamed and/or converted from or to a managed or owned facility since that date.

(2) Seating capacity refers to the seating capacity of the indoor part of a restaurant available for dining in all seasons and weather conditions. Outdoor seating capacity, if applicable, is set forth in parentheses and refers to the seating capacity of terraces and sidewalk cafes which are available for dining only in the warm seasons and then only inclement weather.

(3) Assumes the exercise of all our available lease renewal options.

(4) Management fees earned are based on a percentage of cash flow of the restaurant.

(5) We own a 19% interest in the partnership that owns *El Rio Grande*.

(6) Management fees earned are based on a percentage of gross sales of the restaurant.

(7) We own a 50% interest in the partnership that owns the *Tampa and Hollywood Food Courts*.

(8) We own a 67% interest in the partnership that owns the *MGM Grand Food Market*.

(*) Represents common area seating.

(**) Represents number of seats in the Bingo Hall.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

For the year ended October 2, 2010, revenues from facilities managed by us are not included in our consolidated revenues, with the exception of *El Rio Grande* and the *MGM Grand Food Market* which were consolidated and included in our consolidated financial statements. For the year ended October 1, 2011, all of the managed restaurants have been consolidated due to a change in accounting principle see Notes 1 and 2 to the Consolidated Financial Statements.

Leases

In addition to the above-described facilities, we are committed to several projects as follows:

In February 2010, we entered into an amendment to the lease for the food court space at the *New York-New York Hotel and Casino* in Las Vegas, Nevada. Pursuant to this amendment, we agreed to, among other things; commit no less than \$3,000,000 to remodel the food court by March 2012. In exchange for this commitment, the landlord agreed to extend the food court lease for an additional four years. To date, we have spent approximately \$1,300,000 related to this commitment.

On March 18, 2011, we entered into a lease agreement to operate a yet to be named restaurant and bar in New York City. In connection with the agreement, the landlord has agreed to contribute up to \$1,800,000 towards the construction of the facility, which we expect to be \$6,000,000 to \$7,000,000. The initial term of the lease for this facility will expire on March 31, 2027 and will have one five-year renewal. We anticipate the restaurant will open during the second quarter of fiscal 2012.

On June 7, 2011, we entered into a 10-year exclusive agreement to manage a restaurant and catering service at *Basketball City* in New York City in exchange for a fee of \$1,000,000. Under the terms of the agreement the owner of the property will construct the facility at their expense and we will pay the owner an annual fee based on sales, as defined in the agreement. We expect to begin operating this property in the second quarter of fiscal 2012.

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

Restaurant Expansion

In August 2010, we entered into an agreement to lease the former *ESPN Zone* space at the New York-New York Hotel & Casino Resort in Las Vegas and re-open the space under the name *The Sporting House*. Such lease is cancellable upon 90 days written notice and provides for rent based on profits only. This restaurant opened at the end of October 2010 and we did not invest significant funds to re-open the space.

In the quarter ended January 1, 2011 we combined three fast food outlets located in the *Village Eateries* in the New York-New York Hotel & Casino Resort in Las Vegas into a new restaurant, *The Broadway Burger Bar*, which opened at the end of December 2010.

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

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

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.

Recent Restaurant Dispositions and Charges

During the fourth fiscal quarter of 2010, we closed our *Pinch & S Mac* operation located in New York City, and re-concepted the location as *Polpette*, which featured meatballs and other Italian food. Sales at *Polpette* failed to reach the level sufficient to achieve the results we required. As a result, we closed this restaurant on February 6, 2011 and it was sold on April 28, 2011 for \$400,000.

We were advised by the landlord that we would have to vacate the *Gonzalez y Gonzalez* property located in New York, NY, which was on a month-to-month lease. The closure of this property occurred on January 31, 2011.

On July 8, 2011, we entered into an agreement with the landlord *The Grill Room* property located in New York City, whereby in exchange for a payment of \$350,000 we vacated the property on October 31, 2011. This lease was scheduled to expire on December 31, 2011.

We were advised by the landlord that we would have to vacate the *America* property located in Washington, D.C., which was on a month-to-month lease. The closure of this property occurred on November 7, 2011.

Restaurant Management

Each restaurant is managed by its own manager and has its own chef. Food products and other supplies are purchased primarily from various unaffiliated suppliers, in most cases by our headquarters personnel. Our Columbus Bakery in Las Vegas supplies bakery products to most of our Las Vegas restaurants in addition to operating a wholesale bakery. Each of our restaurants has two or more assistant managers and sous chefs (assistant chefs). Financial and management control is maintained at the corporate level through the use of automated systems that include centralized accounting and reporting.

Purchasing and Distribution

We strive to obtain quality menu ingredients, raw materials and other supplies and services for our operations from reliable sources at competitive prices. Substantially all menu items are prepared on each restaurant's premises daily from scratch, using fresh ingredients. Each restaurant's management determines the quantities of food and supplies required and orders the items from local, regional and national suppliers on terms negotiated by our centralized purchasing staff. Restaurant-level inventories are maintained at a minimum dollar-value level in relation to sales due to the relatively rapid turnover of the perishable produce, poultry, meat, fish and dairy commodities that are used in operations.

We attempt to negotiate short-term and long-term supply agreements depending on market conditions and expected demand. However, we do not contract for long periods of time for our fresh commodities such as produce, poultry, meat, fish and dairy items and, consequently, such commodities can be subject to unforeseen supply and cost fluctuations. Independent foodservice distributors deliver most food and supply items daily to restaurants. The financial impact of the termination of any such supply agreements would not have a material adverse effect on our financial position.

Employees

At December 16, 2011, we employed 1,953 persons (including employees at managed facilities), 1,293 of whom were full-time employees, and 660 of whom were part-time employees; 47 of whom were headquarters personnel, 172 of whom were restaurant management personnel, 559 of whom were kitchen personnel and 1,178 of whom were restaurant service personnel. A number of our restaurant service personnel are employed on a part-time basis. Changes in minimum wage levels may affect our labor costs and the restaurant industry generally because a large percentage of restaurant personnel are paid at or slightly above the minimum wage. Our employees are not covered by any collective bargaining agreements.

Government Regulation

We are subject to various federal, state and local laws affecting our business. Each restaurant is subject to licensing and regulation by a number of governmental authorities that may include alcoholic beverage control, health, sanitation, environmental, zoning and public safety agencies in the state or municipality in which the restaurant is located. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development and openings of new restaurants, or could disrupt the operations of existing restaurants.

Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county and municipal authorities for licenses and permits to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be subject to penalties, temporary suspension or revocation for cause at any time. Alcoholic beverage control regulations impact many aspects of the daily operations of our restaurants, including the minimum ages of patrons and employees consuming or serving such beverages; employee alcoholic beverages training and certification requirements; hours of operation; advertising; wholesale purchasing and inventory control of such beverages; seating of minors and the service of food within our bar areas; and the storage and dispensing of alcoholic beverages. State and local authorities in many jurisdictions routinely monitor compliance with alcoholic beverage laws. The failure to receive or retain, or a delay in obtaining, a liquor license for a particular restaurant could adversely affect our ability to obtain such licenses in jurisdictions where the failure to receive or retain, or a delay in obtaining, a liquor license occurred.

We are subject to dram-shop statutes in most of the states in which we have operations, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to such person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance. A settlement or judgment against us under a dram-shop statute in excess of liability coverage could have a material adverse effect on our operations.

Various federal and state labor laws govern our operations and our relationship with employees, including such matters as minimum wages, breaks, overtime, fringe benefits, safety, working conditions and citizenship requirements. We are also subject to the regulations of the Immigration and Naturalization Service (INS). If our employees do not meet federal citizenship or residency requirements, this could lead to a disruption in our work force. Significant government-imposed increases in minimum wages, paid leaves of absence and mandated health benefits, or increased tax reporting, assessment or payment requirements related to employees who receive gratuities could be detrimental to our profitability.

Our facilities must comply with the applicable requirements of the Americans With Disabilities Act of 1990 (ADA) and related state statutes. The ADA prohibits discrimination on the basis of disability with respect to public accommodations and employment. Under the ADA and related state laws, when

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

constructing new restaurants or undertaking significant remodeling of existing restaurants, we must make them more readily accessible to disabled persons.

The New York State Liquor Authority must approve any transaction in which a shareholder of the licensee increases his holdings to 10% or more of the outstanding capital stock of the licensee and any transaction involving 10% or more of the outstanding capital stock of the licensee.

Seasonal Nature of Business

Our business is highly seasonal. The second quarter of our fiscal year, consisting of the non-holiday portion of the cold weather season in New York and Washington (January, February and March), is the poorest performing quarter. We achieve our best results during the warm weather, attributable to our extensive outdoor dining availability, particularly at *Bryant Park* in New York and *Sequoia* in Washington, D.C. (our largest restaurants) and our outdoor cafes. However, even during summer months these facilities can be adversely affected by unusually cool or rainy weather conditions. Our facilities in Las Vegas generally operate on a more consistent basis through the year.

Item 1A. Risk Factors.

The following are the most significant risk factors applicable to us:

RISKS RELATED TO OUR BUSINESS

The recent disruptions in the overall economy and the financial markets may adversely impact our business.

The restaurant industry has been affected by current economic factors, including the deterioration of national, regional and local economic conditions, declines in employment levels, and shifts in consumer spending patterns. The recent disruptions in the overall economy and volatility in the financial markets have reduced, and may continue to reduce, consumer confidence in the economy, negatively affecting consumer restaurant spending, which could be harmful to our financial position and results of operations. As a result, decreased cash flow generated from our business may adversely affect our financial position and our ability to fund our operations. In addition, macro economic disruptions, as well as the restructuring of various commercial and investment banking organizations, could adversely affect our ability to access the credit markets. The disruption in the credit markets may also adversely affect the availability of financing for our expansions and operations, and could impact our vendors' ability to meet supply requirements. There can be no assurance that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets, or increase liquidity and the availability of credit.

Failure of our restaurants to achieve expected results could have a negative impact on our revenues and performance results.

Performance results currently achieved by our restaurants may not be indicative of longer term performance or the potential market acceptance of restaurants in new locations. We cannot be assured that new restaurants that we open will have similar operating results as existing restaurants. New restaurants take several months to reach expected operating levels due to inefficiencies typically associated with new restaurants, including lack of market awareness, inability to hire sufficient staff and other factors. The failure of our existing or new restaurants to perform as predicted could negatively impact our revenues and results of operations.

Our unfamiliarity with new markets may present risks, which could have a material adverse effect on our future growth and profitability.

Due to higher operating costs caused by temporary inefficiencies typically associated with expanding into new regions and opening new restaurants, such as lack of market awareness and acceptance and limited availability of experienced staff, continued expansion may result in an increase in our operating costs. New markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our restaurants in these new markets to be less successful than our restaurants in our existing markets. We cannot assure you that restaurants in new markets will be successful.

Our ability to open new restaurants efficiently is subject to a number of factors beyond our control, including, but not limited to:

Selection and availability of suitable restaurant sites;

Negotiation of acceptable lease or purchase terms for such sites;

Negotiation of reasonable construction contracts and adequate supervision of construction;

Our ability to secure required governmental permits and approvals for both construction and operation;

Availability of adequate capital;

General economic conditions; and

Adverse weather conditions.

We may not be successful in addressing these factors, which could adversely affect our ability to open new restaurants on a timely basis, or at all. Delays in opening or failures to open new restaurants could cause our business, results of operations and financial condition to suffer.

Terrorism and war may have material adverse effect on our business.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of violence or war in the United States or abroad, may affect the markets in which we operate and our business, results of operations and financial conditions. The potential near-term and long-term effects these events may have on our business operations, our customers, the markets in which we operate and the economy is uncertain. Because the consequences of any terrorist attacks, or any armed conflicts, are unpredictable, we may not be able to foresee events that could have an adverse effect on our markets or our business.

Increases in the minimum wage may have a material adverse effect on our business and financial results.

Many of our employees are subject to various minimum wage requirements. Many of our restaurants are located in states where the minimum wage was recently increased. There likely will be additional increases implemented in jurisdictions in which we operate or seek to operate. These minimum wage increases may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Future changes in financial accounting standards may cause adverse unexpected operating results and affect our reported results of operations.

Changes in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. See Notes 1 and 2 to the Consolidated Financial Statements related to recently adopted accounting standards.

Changes to existing rules or differing interpretations with respect to our current practices may adversely affect our reported financial results.

Rising insurance costs could negatively impact profitability.

The cost of insurance (workers compensation insurance, general liability insurance, property insurance, health insurance and directors and officers liability insurance) has risen significantly over the past few years and is expected to continue to increase. These increases, as well as potential state legislation requirements for employers to provide health insurance to employees, could have a negative impact on our profitability if we are not able to negate the effect of such increases with plan modifications and cost control measures or by continuing to improve our operating efficiencies.

Compliance with existing and new regulations of corporate governance and public disclosure may result in additional expenses.

Compliance with changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, new SEC regulations and NASDAQ Stock Market rules, has required an increased amount of management attention and external resources. We are committed to maintaining high standards of corporate governance and public disclosure. This investment, required to comply with these changing regulations, may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenues and profitability.

The restaurant industry is intensely competitive with respect to food quality, price-value relationships, ambiance, service and location, and many restaurants compete with us at each of our locations. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants, or in which we intend to locate restaurants. Additionally, other companies may develop restaurants that operate with similar concepts.

Any inability to successfully compete with the other restaurants in our markets will prevent us from increasing or sustaining our revenues and profitability and result in a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant formats or concepts that may develop in the future. We cannot assure you that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

Our profitability is dependent in large measure on food, beverage and supply costs which are not within our control.

Our profitability is dependent in large measure on our ability to anticipate and react to changes in food, beverage and supply costs. Various factors beyond our control, including climatic changes and government regulations, may affect food and beverage costs. Specifically, our dependence on frequent, timely deliveries of fresh beef, poultry, seafood and produce subjects us to the risks of possible shortages or interruptions in supply caused by adverse weather or other conditions, which could adversely affect the availability and cost of any such items. We cannot assure you that we will be able to anticipate or react to increasing food and supply costs in the future. The failure to react to these increases could materially and adversely affect our business, results of operations and financial condition.

The restaurant industry is affected by changes in consumer preferences and discretionary spending patterns that could result in a reduction in our revenues.

Consumer preferences could be affected by health concerns or by specific events such as the outbreak of or scare caused by mad cow disease , the popularity of the Atkins diet and the South Beach diet and changes in consumer preferences, such as carb consciousness . If we were to have to modify our restaurants' menus, we may lose customers who would be less satisfied with a modified menu, and we may not be able to attract a new customer base to generate the necessary revenues to maintain our income from restaurant operations. A change in our menus may also result in us having different competitors. We may not be able to successfully compete against established competitors in the general restaurant market. Our success also depends on various factors affecting discretionary consumer spending, including

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

economic conditions, disposable consumer income, consumer confidence and the United States participation in military activities. Adverse changes in these factors could reduce our customer base and spending patterns, either of which could reduce our revenues and results of operations.

Our geographic concentrations could have a material adverse effect on our business, results of operations and financial condition.

We currently operate in seven regions, New York City, Washington, D.C., Las Vegas, Nevada, Tampa and Hollywood, Florida, Atlantic City, New Jersey, Ledyard, Connecticut, and Boston, Massachusetts and our Las Vegas, Florida, Atlantic City, and Connecticut operations are all located in casinos. As a result, we are particularly susceptible to adverse trends and economic conditions in these markets, including its labor market, and the casino market in general, which could have a negative impact on our profitability as a whole. In addition, given our geographic concentration, negative publicity regarding any of our restaurants could have a material adverse effect on our business, results of operations and financial condition, as could other regional occurrences such as acts of terrorism, local strikes, natural disasters or changes in laws or regulations.

Our operating results may fluctuate significantly due to seasonality and other factors beyond our control.

Our business is subject to seasonal fluctuations, which may vary greatly depending upon the region of the United States in which a particular restaurant is located. In addition to seasonality, our quarterly and annual operating results and comparable unit sales may fluctuate significantly as a result of a variety of factors, including, but not limited to:

The amount of sales contributed by new and existing restaurants;

The timing of new openings;

Increases in the cost of key food or beverage products;

Labor costs for our personnel;

Our ability to achieve and sustain profitability on a quarterly or annual basis;

Adverse weather;

Consumer confidence and changes in consumer preferences;

Health concerns, including adverse publicity concerning food-related illness;

The level of competition from existing or new competitors;

Economic conditions generally and in each of the market in which we are located; and

Acceptance of a new or modified concept in each of the new markets in which we could be located.

These fluctuations make it difficult for us to predict and address in a timely manner factors that may have a negative impact on our business, results of operations and financial condition.

Any expansion may strain our infrastructure, which could slow restaurant development.

Any expansion may place a strain on our management systems, financial controls, and information systems. To manage growth effectively, we must maintain the high level of quality and service at our existing and future restaurants. We must also continue to enhance our operational, information, financial and management systems and locate, hire, train and retain qualified personnel, particularly restaurant managers. We cannot predict whether we will be able to respond on a timely basis to all of the changing demands that any expansion will impose on management and those systems and controls. If we are not

able to effectively manage any one or more of these or other aspects of expansion, our business, results of operations and financial condition could be materially adversely affected.

Our inability to retain key personnel could negatively impact our business.

Our success will continue to be highly dependent on our key operating officers and employees. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including general managers and chefs. The ability of these key personnel to maintain consistency in the quality and atmosphere of our restaurants is a critical factor in our success. Any failure to do so may harm our reputation and result in a loss of business.

We could face labor shortages, increased labor costs and other adverse effects of varying labor conditions.

The development and success of our restaurants depend, in large part, on the efforts, abilities, experience and reputations of the general managers and chefs at such restaurants. In addition, our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers, kitchen staff and wait staff. Qualified individuals needed to fill these positions are in short supply and the inability to recruit and retain such individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants. A significant delay in finding qualified employees or high turnover of existing employees could materially and adversely affect our business, results of operations and financial condition. Also, competition for qualified employees could require us to pay higher wages to attract sufficient qualified employees, which could result in higher, labor costs. In addition, increases in the minimum hourly wage, employment tax rates and levies, related benefits costs, including health insurance, and similar matters over which we have no control may increase our operating costs.

Unanticipated costs or delays in the development or construction of future restaurants could prevent our timely and cost-effective opening of new restaurants.

We depend on contractors and real estate developers to construct our restaurants. Many factors may adversely affect the cost and time associated with the development and construction of our restaurants, including, but not limited to:

Labor disputes;

Shortages of materials or skilled labor;

Adverse weather conditions;

Unforeseen engineering problems;

Environmental problems;

Construction or zoning problems;

Local government regulations;

Modifications in design; and

Other unanticipated increases in costs.

Any of these factors could give rise to delays or cost overruns, which may prevent us from developing additional restaurants within our anticipated budgets or time periods or at all. Any such failure could cause our business, results of operations and financial condition to suffer.

We may not be able to obtain and maintain necessary federal, state and local permits which could delay or prevent the opening of future restaurants.

Our business is subject to extensive federal, state and local government regulations, including regulations relating to:

Alcoholic beverage control;

The purchase, preparation and sale of food;

Public health and safety;

Sanitation, building, zoning and fire codes; and

Employment and related tax matters.

All of these regulations impact not only our current operations but also our ability to open future restaurants. We will be required to comply with applicable state and local regulations in new locations into which we expand. Any difficulties, delays or failures in obtaining licenses, permits or approvals in such new locations could delay or prevent the opening of a restaurant in a particular area or reduce operations at an existing location, either of which would materially and adversely affect our business, results of operations and financial condition.

The restaurant industry is affected by litigation and publicity concerning food quality, health and other issues, which can cause guests to avoid our restaurants and result in liabilities.

Health concerns, including adverse publicity concerning food-related illness, although not specifically related to our restaurants, could cause guests to avoid restaurants in general, which would have a negative impact on our sales. We may also be the subject of complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. A lawsuit or claim could result in an adverse decision against us that could have a material adverse effect on our business and results of operations. We may also be subject to litigation which, regardless of the outcome, could result in adverse publicity. Adverse publicity resulting from such allegations may materially adversely affect us and our restaurants, regardless of whether such allegations are true or whether we are ultimately held liable. Such litigation, adverse publicity or damages could have a material adverse effect on our competitive position, business, results of operations and financial condition and results of operations.

Many of our operations are located in casinos and much of our success will be dependent on the success of those casinos.

The success of the business of our restaurants located in Las Vegas, Nevada, Atlantic City, New Jersey, Tampa and Hollywood, Florida, and Ledyard, Connecticut will be substantially dependent on the success of the casinos in which the Company operates in these locations to attract customers for themselves and for our restaurants. The successful operation of the casinos in these locations is subject to various risks and uncertainties including, but not limited to:

The risk associated with governmental approvals of gaming;

The risk of a change in laws regulating gaming operations;

Operating in a limited market;

Competitive risks relating to casino operations; and

Risks of terrorism and war.

RISKS RELATED TO OUR COMMON STOCK

The fact that a relatively small number of investors hold our publicly traded common stock could cause our stock price to fluctuate.

The market price of our common stock could fluctuate as a result of sales by our existing stockholders of a large number of shares of our common stock in the market or the perception that such sales could occur. A large number of shares of our common stock is concentrated in the hands of a small number of individual and institutional investors and is thinly traded. An attempt to sell by a large holder could adversely affect the price of our stock.

Ownership of a substantial majority of our outstanding common stock by a limited number of stockholders will limit your ability to influence corporate matters.

A substantial majority of our capital stock is held by a limited number of stockholders. Accordingly, such stockholders will likely have a strong influence on major decisions of corporate policy, and the outcome of any major transaction or other matters submitted to our stockholders or board of directors, including potential mergers or acquisitions, and amendments to our Amended and Restated Certificate of Incorporation. Stockholders other than these principal stockholders are therefore likely to have little influence on decisions regarding such matters.

The price of our common stock may fluctuate significantly.

The price at which our common stock will trade may fluctuate significantly. The stock market has from time to time experienced significant price and volume fluctuations. The trading price of our common stock could be subject to wide fluctuations in response to a number of factors, including, but not limited to:

Fluctuations in quarterly or annual results of operations;

Changes in published earnings estimates by analysts and whether our actual earnings meet or exceed such estimates;

Additions or departures of key personnel; and

Changes in overall stock market conditions, including the stock prices of other restaurant companies.

In the past, companies that have experienced extreme fluctuations in the market price of their stock have been the subject of securities class action litigation. If we were to be subject to such litigation, it could result in substantial costs and a diversion of our management's attention and resources, which may have a material adverse effect on our business, results of operations, and financial condition.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

Our restaurant facilities and our executive offices are occupied under leases. Most of our restaurant 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 our sales at such facility. As of October 1, 2011, these leases (including leases for managed restaurants) have terms (including any available renewal options) expiring as follows:

Years Lease Terms Expire	Number of Facilities
2012-2016	6
2017-2021	7
2022-2026	5
2027-2031	4
2032-2036	2

Our executive, administrative and clerical offices are located in approximately 8,500 square feet of office space at 85 Fifth Avenue, New York, New York. Our lease for this office space expires in 2015.

Our lease for office space related to our Washington, D.C. catering operations expires in 2012.

For information concerning our future minimum rental commitments under non-cancelable operating leases, see Note 10 of the Consolidated Financial Statements for additional information concerning our leases.

Item 3. Legal Proceedings

In the ordinary course of our business, we are a party to various lawsuits arising from accidents at our restaurants and workers' compensation claims, which are generally handled by our insurance carriers.

Our employment 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 us of employment discrimination laws. We do not believe that any of such suits will have a materially adverse effect upon us, our financial condition or operations.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Item 4. Executive Officers of the Registrant

The following table sets forth the names and ages of our executive officers and all offices held by each person:

Name	Age	Positions and Offices
Michael Weinstein	68	Chairman and Chief Executive Officer
Vincent Pascal	68	Senior Vice President
Robert Towers	64	President, Chief Operating Officer and Treasurer
Paul Gordon	60	Senior Vice President
Robert Stewart	55	Chief Financial Officer

Each of our executive officers serves at the pleasure of the Board of Directors and until his successor is duly elected and qualifies.

Michael Weinstein has been our Chief Executive Officer and a director since our inception in January 1983. During the past five years, Mr. Weinstein has been an officer, director and 25% shareholder of Easy Diners, Inc., RSWB Corp. and BSWR Corp. (since 1998). Mr. Weinstein is the owner of 24% of the membership interests in each of Dockeast, LLC and Dockwest, LLC. These companies operate four restaurants in New York City, and none of these companies is a parent, subsidiary or other affiliate of us. Mr. Weinstein spends substantially all of his business time on Company-related matters.

Vincent Pascal was elected our Vice President, Assistant Secretary and a director in October 1985. Mr. Pascal became a Senior Vice President in 2001.

Robert Towers has been employed by us since November 1983 and was elected Vice President, Treasurer and a director in March 1987. Mr. Towers became an Executive Vice President and Chief Operating Officer in 2001 and was elected President in 2007. Mr. Towers announced he is retiring effective December 31, 2011. The Company is in the process of negotiating a proper separation agreement with Mr. Towers.

Paul Gordon has been employed by us since 1983 and was elected as a director in November 1996 and a Senior Vice President in 2001. Mr. Gordon is the manager of our Las Vegas operations. Prior to assuming that role in 1996, Mr. Gordon was the manager of our operations in Washington, D.C. since 1989.

Robert Stewart has been employed by us since June 2002 and was elected Chief Financial Officer effective as of June 24, 2002. For the three years prior to joining us, Mr. Stewart was a Chief Financial Officer and Executive Vice President at Fortis Capital Holdings. For eleven years prior to joining Fortis Capital Holdings, Mr. Stewart held senior financial and audit positions in Skandinaviska Enskilda Banken in their New York, London and Stockholm offices.

PART II**Item 5. Market For The Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**
Market for Our Common Stock

Our Common Stock, \$.01 par value, is traded in the over-the-counter market on the Nasdaq National Market under the symbol ARKR. The high and low sale prices for our Common Stock from October 5, 2009 through September 30, 2011 are as follows:

Calendar 2009	High	Low
Fourth Quarter	\$ 17.80	\$ 12.48
<u>Calendar 2010</u>		
First Quarter	14.27	13.21
Second Quarter	14.93	13.35
Third Quarter	15.00	12.55
Fourth Quarter	15.00	14.25
<u>Calendar 2011</u>		
First Quarter	14.74	14.20
Second Quarter	17.39	14.34
Third Quarter	16.61	12.95

Dividend Policy

On December 1, 2009, March 1, 2010, May 26, 2010, August 27, 2010, November 23, 2010, March 4, 2011, June 17, 2011, September 8, 2011 and December 7, 2011 our Board of Directors declared quarterly cash dividends in the amount of \$0.25 per share. We intend to continue to pay such quarterly cash dividends for the foreseeable future, however, the payment of future dividends is at the discretion of our Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Securities Authorized for Issuance under Equity Compensation Plans

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

Options granted under the 2004 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

The 2010 Stock Option Plan is the Company's only equity compensation plan currently in effect. Under the 2010 Stock Option Plan, 500,000 options were authorized for future grant. Options granted under the 2010 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted.

The following is a summary of the securities issued and authorized for issuance under our Stock Option Plans at October 1, 2011:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted - average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	396,600	\$22.82	500,000
Equity compensation plans not approved by shareholders ¹	None	N/A	None
Total	396,600	\$22.82	500,000

Of the 396,600 options outstanding on October 1, 2011, 295,000 were held by the Company's officers and directors.

(1) The Company has no equity compensation plan that was not approved by shareholders.
Stock Performance Graph

The graph set forth below compares the yearly percentage change in cumulative total shareholder return on the Company's Common Stock for the five-year period commencing September 30, 2006 and ending October 1, 2011 against the cumulative total return on the NASDAQ Market Index and a peer group comprised of those public companies whose business activities fall within the same standard industrial classification code as the Company. This graph assumes a \$100 investment in the Company's Common Stock and in each index on September 30, 2006 and that all dividends paid by companies included in each index were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

**Among Ark Restaurants Corp., the NASDAQ Composite Index
and SIC Code 5812 - Eating & Drinking Places**

* \$100 invested on 9/30/06 in stock or index, including
reinvestment of dividends.
Index calculated on month-end basis

	Cumulative Total Return					
	9/30/06	9/29/07	9/27/08	10/3/09	10/2/10	10/1/11
Ark Restaurants Corp.	100.00	159.41	82.98	86.46	78.50	76.38
NASDAQ Composite	100.00	121.91	92.50	96.20	108.59	111.24
SIC Code 5812 - Eating & Drinking Places	100.00	115.66	112.84	111.93	153.27	185.86

Item 6. Selected Consolidated Financial Data
Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Overview

The Company's operating income of \$1,902,000 for the year ended October 1, 2011 decreased 36.6% compared to operating income of 2,999,000 for the year ended October 2, 2010. This decrease resulted primarily from: (i) a charge of \$2,603,000 to impair the leasehold improvements and equipment of an underperforming restaurant that the Company is a majority partner in, (ii) an interruption of business at our *Sequoia* property located in Washington, DC due to a flood, (iii) increased food costs as a result of higher commodity prices, (iv) a slight decrease in sales at our properties that have significant amounts of outdoor seating due to poor weather conditions, and (v) the closure of our *Gonzalez y Gonzalez* property located in New York, NY, partially offset by operating income from variable interest entities (VIEs) that were consolidated as of October 3, 2010 due to the adoption of new accounting guidance (see below).

Effective October 3, 2010, the Company adopted amendments to ASC 810 (formerly FASB Statement of Accounting Standards (SFAS) No. 167 *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167)). This guidance requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance. This guidance also requires the Company to focus on a more qualitative approach, rather than a quantitative approach previously required for determining the primary beneficiary of a VIE, amended certain guidance for determining whether an entity is a VIE, added an additional requirement to assess whether an entity is a VIE on an ongoing basis, and required enhanced disclosures that provide users of financial statements with more transparent information about an enterprise's involvement in a VIE. The adoption of this guidance resulted in the consolidation of two VIEs which had not been previously consolidated, *Ark Hollywood/Tampa Investment, LLC* and *Ark Connecticut Investment, LLC*, as of October 3, 2010. The Company did not retroactively apply this guidance.

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

The following discussion and analysis excludes the impacts of the VIEs consolidated as of October 3, 2010 and whose impacts were included in Other Revenue in prior periods.

Accounting period

Our fiscal year ends on the Saturday nearest September 30. We report fiscal years under a 52/53-week format. This reporting method is used by many companies in the hospitality industry and is meant to improve year-to-year comparisons of operating results. Under this method, certain years will contain 53 weeks. The fiscal years ended October 1, 2011 and October 2, 2010 included 52 weeks.

Revenues

During the Company's year ended October 1, 2011, revenues of \$117,229,000 (excluding revenues from VIEs in the amount of \$22,216,000) decreased 0.5% compared to revenues of \$117,768,000 in the year ended October 2, 2010. This decrease is primarily due to: (i) the closure of *Gonzalez y Gonzalez*, in January 2011, (ii) a slight decrease in sales at our properties that have significant amounts of outdoor seating due to poor weather conditions, (iii) the impact of management fees related to the VIEs which were included in Other Revenue in the prior period and are now consolidated, as discussed above, and (iv) a decrease in sales at *Sequoia DC* as a result of the interruption of our business due to a flood, offset by sales at our restaurants *Robert* in New York City, which opened in December 2009, and *The Sporting House* in Las Vegas, which opened in October 2010 combined with an improvement in sales at our Atlantic City, NJ properties.

Food and Beverage Sales

On a Company-wide basis, same store sales increased 1.6%, or \$1,670,000, from fiscal 2010 to fiscal 2011. Same store sales in Las Vegas increased by \$1,430,000, or 2.9%, in fiscal 2011 compared to fiscal 2010 primarily as a result of combining three fast food outlets located in the *Village Eateries* in the New York-New York Hotel & Casino Resort in Las Vegas into a new restaurant, *The Broadway Burger Bar*, which opened at the end of December 2010. Same store sales in New York were essentially unchanged during fiscal 2011 compared to fiscal 2010 which is reflective of local economic factors. Same store sales in Washington D.C. decreased by \$205,000, or 1.2%, during fiscal 2011 compared to 2010 primarily as a result of the interruption of our business at *Sequoia DC* due to a flood. Same-store sales in Atlantic City increased by \$402,000, or 16.3% in fiscal 2011 compared to 2010 as result of new ownership at *Resorts Casino Hotel* and their significant marketing efforts for the property. Same-store sales in Boston decreased \$58,000 or 1.3% during fiscal 2011 compared to 2010. Same store sales in Connecticut decreased \$541,000, or 11.9%, during fiscal 2011 as they were negatively affected by the continued unwillingness of the public to engage in gaming activities.

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

Other Revenue

The decrease in Other Revenue for fiscal 2011 as compared to fiscal 2010 is due to the impact of management fees included in Other Revenue in the prior periods related to VIEs which are now consolidated.

Costs and Expenses

Food and beverage costs for the year ended October 1, 2011 as a percentage of total revenues were 27.0% (excluding food and beverage costs associated with VIEs in the amount of \$5,874,000) as compared to 25.8% for the year ended October 2, 2010. This increase is the result of higher commodity prices in the current fiscal year.

Payroll expenses as a percentage of total revenues were 34.2% for the year ended October 1, 2011 (excluding payroll expenses associated with VIEs in the amount of \$5,776,000) as compared to 32.3% for the year ended October 2, 2010. These increases in payroll expenses as a percentage of revenue were primarily due to higher than expected payroll at *The Sporting House* in Las Vegas combined with the interruption of our business at *Sequoia DC* due to a flood.

Occupancy expenses for the year ended October 1, 2011 as a percentage of total revenues were 14.1% (excluding occupancy expenses associated with VIEs in the amount of \$2,767,000) as compared to 14.2% for the year ended October 2, 2010. This slight decrease in occupancy expenses as a percentage of revenue was due to increased sales at properties where rents are fixed offset by contingent rentals at *The Sporting House* in Las Vegas.

Other operating costs and expenses for the year ended October 1, 2011 as a percentage of total revenues were 13.4% (excluding other operating costs and expenses associated with VIEs in the amount of \$2,539,000) as compared to 13.8% for the year ended October 2, 2010. This decrease in other operating costs as a percentage of revenue was due to cost cutting measures implemented in fiscal 2011.

General and administrative expenses (which relate solely to the corporate office in New York City and therefore there is no impact from the VIEs) as a percentage of total revenues were 8.1% for the year ended October 1, 2011, compared to 8.1% for the year ended October 2, 2010, and were in line with management expectations.

Interest expense was \$14,000 in fiscal 2011 and \$29,000 in fiscal 2010. Interest income was \$72,000 in fiscal 2011 and \$82,000 in fiscal 2010. Investments are made in government securities and investment quality corporate instruments.

Other income, which generally consists of purchasing service fees and other income at various restaurants, was \$636,000 and \$386,000 for fiscal 2011 and 2010, respectively.

Income Taxes

The provision for income taxes reflects federal income taxes calculated on a consolidated basis and state and local income taxes which are calculated on a separate entity basis. Most of the restaurants we own or manage are owned or managed by a separate legal entity.

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

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

The Revenue Reconciliation Act of 1993 provides tax credits to us for FICA taxes paid on tip income of restaurant service personnel. The net benefit to us was \$564,000 in fiscal 2011 and \$607,000 in fiscal 2010.

Liquidity and Capital Resources

Our primary source of capital has been cash provided by operations. We utilize cash generated from operations to fund the cost of developing and opening new restaurants, acquiring existing restaurants owned by others and remodeling existing restaurants we own.

Net cash provided by operating activities for the year ended October 1, 2011 was \$8,530,000, compared to \$5,548,000 for the prior year. This net change was primarily attributable to the consolidation of the VIEs as discussed above. Also see Notes 1 and 2 to the Consolidated Financial Statements.

Net cash provided by investing activities for the year ended October 1, 2011 was \$2,623,000 and resulted from net proceeds from the sales of investment securities and the inclusion of cash balances from VIEs in the amount of \$757,000 partially offset by purchases of fixed assets at existing restaurants and the construction of *The Broadway Burger Bar* located in the New York-New York Hotel & Casino in Las Vegas, NV.

Net cash used in investing activities for the year ended October 2, 2010 was \$1,739,000 and resulted from net proceeds from the sales of investment securities partially offset by purchases of fixed assets at existing restaurants and the construction of *Robert* in New York City.

Net cash used in financing activities for the years ended October 1, 2011 and October 2, 2010 of \$5,384,000 and \$7,250,000, respectively, was principally used for the payment of dividends and distributions to non-controlling interests.

The Company had a working capital surplus of \$4,170,000 at October 1, 2011 (excluding a working capital deficit of the VIEs in the amount of \$90,000) as compared to a working capital surplus of \$4,897,000 at October 2, 2010.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

On December 8, 2010, April 1, 2011, June 29, 2011 and October 3, 2011 the Company paid quarterly cash dividends in the amount of \$0.25 per share on the Company's common stock. The Company intends to continue to pay such quarterly cash dividend for the foreseeable future, however, the payment of future dividends is at the discretion of the Company's Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors

In February 2010, the Company entered into an amendment to its lease for the food court space at the *New York-New York Hotel and Casino* in Las Vegas, Nevada. Pursuant to this amendment, the Company agreed to, among other things; commit no less than \$3,000,000 to remodel the food court by March 2012. In exchange for this commitment, the landlord agreed to extend the food court lease for an additional four years. As of October 1, 2011, the Company has spent approximately \$1,300,000 related to this commitment in connection with *The Broadway Burger Bar* construction discussed above.

On March 18, 2011, a subsidiary of the Company entered into a lease agreement to operate a yet to be named restaurant and bar in New York City. In connection with the agreement, the landlord has agreed to contribute up to \$1,800,000 towards the construction of the facility, which the Company expects to be \$6,000,000 to \$7,000,000. The initial term of the lease for this facility will expire on March 31, 2027 and will have one five-year renewal. The Company anticipates the restaurant will open during the second quarter of fiscal 2012.

On April 17, 2011, the Company suffered a flood at its *Sequoia* property located in Washington, DC (*Sequoia DC*). The Company expects to recover substantially all of its losses from insurance proceeds and/or the landlord and does not expect unrecovered amounts to have a material impact on its financial position, results of operations or cash flows.

On June 7, 2011, the Company entered into a 10-year exclusive agreement to manage a yet to be constructed restaurant and catering service at *Basketball City* in New York City in exchange for a fee of \$1,000,000 (\$600,000 of which has been paid as of October 1, 2011 and is included in Intangible Assets in the accompanying Consolidated Balance Sheet). Under the terms of the agreement the owner of the property will construct the facility at their expense and the Company will pay the owner an annual fee based on sales, as defined in the agreement. The Company expects to begin operating this property in the second quarter of fiscal 2012.

Restaurant Expansion

In August 2010, the Company entered into an agreement to lease the former *ESPN Zone* space at the New York-New York Hotel & Casino Resort in Las Vegas and re-open the space under the name *The Sporting House*, which has been licensed from the landlord as well. Such lease is cancellable upon 90 days written notice and provides for rent based on profits only. This restaurant opened at the end of October 2010 and the Company did not invest significant funds to re-open the space.

In the quarter ended January 1, 2011, the Company combined three fast food outlets located in the *Village Eateries* in the New York-New York Hotel & Casino Resort in Las Vegas into a new restaurant, *The Broadway Burger Bar*, which opened at the end of the December 2010.

The opening of a new restaurant is invariably accompanied by substantial pre-opening expenses and early operating losses associated with the training of personnel, excess kitchen costs, costs of supervision and other expenses during the pre-opening period and during a post-opening shake out period until operations can be considered to be functioning normally. The amount of such pre-opening expenses and

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

early operating losses can generally be expected to depend upon the size and complexity of the facility being opened.

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

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

Recent Restaurant Dispositions and Charges

We were advised by the landlord that we would have to vacate the *Gonzalez y Gonzalez* property located in New York, NY, which was on a month-to-month lease. The closure of this property occurred on January 31, 2011.

During the fourth fiscal quarter of 2010, we closed our *Pinch & S Mac* operation located in New York City, and re-concepted the location as *Polpette*, which featured meatballs and other Italian food. Sales at *Polpette* failed to reach the level sufficient to achieve the results we required. As a result, we closed this restaurant on February 6, 2011 and it was sold on April 28, 2011 for \$400,000.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

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

Below are listed certain policies that management believes are critical:

Use of Estimates

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

value of our tax assets and other matters. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Long-Lived Assets

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

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. During the year ended October 1, 2011, the Company recorded a charge of \$2,603,000 to impair the leasehold improvements and equipment of an underperforming restaurant that the Company is a majority partner in. Therefore, the impairment amount reflected in our fiscal 2011 Consolidated Statement of Income is offset by the share of the charge attributable to the limited partners, or \$856,000, which is included in the Net Income (Loss) Attributable to Non-controlling Interests line item in the accompanying Consolidated Statement of Income. Based on the current facts and circumstances, the property does not meet the criteria for held for sale classification. No impairment charges were recorded for the year ended October 2, 2010.

Leases

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

Deferred Income Tax Valuation Allowance

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

Goodwill and Trademarks

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

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, we perform internal valuation analyses and consider other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were necessary in fiscal 2011 and 2010.

Share-Based Compensation

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

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

the risk free interest rate. The Company did not grant any options during the fiscal years ended 2011 and 2010. The Company generally issues new shares upon the exercise of employee stock options.

Recent Developments

On December 7, 2011, the Board of Directors declared a quarterly dividend of \$0.25 per share on our common stock to be paid on January 3, 2012 to shareholders of record at the close of business on December 21, 2011.

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

We were advised by the landlord that we would have to vacate the *America* property located in Washington, DC, which was on a month-to-month lease. The closure of this property occurred on November 7, 2011.

Our President, Chief Operating Officer and Treasurer announced he is retiring effective December 31, 2011. We are in the process of negotiating a proper separation agreement with him.

Recently Adopted and Issued Accounting Standards

See Note 1 to the Consolidated Financial Statements for a description of recent accounting pronouncements, including those adopted in 2011 and the expected dates of adoption and the anticipated impact on the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements are included in this report immediately following Part IV.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

As of October 1, 2011 (the end of the period covered by this report), management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at the end of such period, our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

Management's Annual Report on Internal Control Over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f), and for performing an assessment of the effectiveness of internal control over financial reporting as of October 1, 2011. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, 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. Our internal control over financial reporting includes those

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U. S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of October 1, 2011 based upon the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management determined that our internal control over financial reporting was effective as of October 1, 2011.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting as management's report was not subject to attestation by our registered public accounting firm pursuant to the permanent exemption of the SEC that permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended October 1, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

See Part I, Item 4. Executive Officers of the Registrant. Other information relating to our directors and executive officers is incorporated by reference to the definitive proxy statement for our 2011 annual meeting of stockholders to be filed with the Securities and Exchange Commission (the "SEC") pursuant to Regulation 14A no later than 120 days after the end of the fiscal year covered by this form (the "Proxy Statement"). Information relating to compliance with Section 16(a) of the Exchange Act is incorporated by reference to the Proxy Statement.

Code of Ethics.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We will provide any person without charge, upon request, a copy of such code of ethics by mailing the request to us at 85 Fifth Avenue, New York, NY 10003, Attention: Robert Stewart.

Audit Committee Financial Expert

Our Board of Directors has determined that Marcia Allen, Director, is our Audit Committee Financial Expert, as defined under Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC in furtherance of Section 407. Ms. Allen is independent of management. Other information regarding the Audit Committee is incorporated by reference from the Proxy Statement.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated by reference to the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)	(1) Financial Statements:	Page
	<u>Report of Independent Registered Public Accounting Firm</u>	F-1
	<u>Consolidated Balance Sheets --</u> <u>at October 1, 2011 and October 2, 2010</u>	F-2
	<u>Consolidated Statements of Income --years ended</u> <u>October 1, 2011 and October 2, 2010</u>	F-3
	<u>Consolidated Statements of Changes in Equity --</u> <u>years ended October 1, 2011 and October 2, 2010</u>	F-4
	<u>Consolidated Statements of Cash Flows --</u> <u>years ended October 1, 2011 and October 2, 2010</u>	F-5
	<u>Notes to Consolidated Financial Statements</u>	F-6
(2)	Financial Statement Schedules	
	None	
(3)	Exhibits:	
	The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.	

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Ark Restaurants Corp.

We have audited the accompanying consolidated balance sheets of Ark Restaurants Corp. and Subsidiaries as of October 1, 2011 and October 2, 2010, and the related consolidated statements of income, changes in equity and cash flows for each of the two years in the period ended October 1, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ark Restaurants Corp. and Subsidiaries as of October 1, 2011 and October 2, 2010, and their consolidated results of operations and cash flows for each of the two years in the period ended October 1, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, Ark Restaurants Corp. changed its method of accounting for the consolidation of variable interest entities in 2011.

/s/ J.H. Cohn LLP

Jericho, New York
December 30, 2011

F-1

ARK RESTAURANTS CORP. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

(In Thousands, Except Per Share Amounts)

	October 1, 2011	October 2, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (includes \$852 at October 1, 2011 related to VIEs)	\$ 7,780	\$ 2,011
Short-term investments in available-for-sale securities	2,699	7,438
Accounts receivable (includes \$1,423 at October 1, 2011 related to VIEs)	3,678	2,048
Related party receivables, net	-	1,044
Employee receivables	288	290
Current portion of note receivable	-	102
Inventories (includes \$23 at October 1, 2011 related to VIEs)	1,612	1,652
Prepaid expenses and other current assets (includes \$253 at October 1, 2011 related to VIEs)	656	797
Total current assets	16,713	15,382
FIXED ASSETS - Net (includes \$3,660 at October 1, 2011 related to VIEs)	23,239	24,113
INTANGIBLE ASSETS - Net	629	37
GOODWILL	4,813	4,813
TRADEMARKS	721	721
DEFERRED INCOME TAXES	7,253	6,149
OTHER ASSETS (includes \$71 at October 1, 2011 related to VIEs)	893	416
TOTAL ASSETS	\$ 54,261	\$ 51,631
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade (includes \$565 at October 1, 2011 related to VIEs)	\$ 2,522	\$ 2,423
Accrued expenses and other current liabilities (includes \$2,076 at October 1, 2011 related VIEs)	9,645	7,548
Accrued income taxes	388	290
Current portion of note payable	78	224
Total current liabilities	12,633	10,485
OPERATING LEASE DEFERRED CREDIT	3,442	3,628
NOTE PAYABLE, LESS CURRENT PORTION	-	78
TOTAL LIABILITIES	16,075	14,191
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, par value \$.01 per share - authorized, 10,000 shares; issued, 5,672 shares and 5,668 shares at October 1, 2011 and October 2, 2010, respectively; outstanding, 3,495 shares and 3,491 shares at October 1, 2011 and October 2, 2010, respectively	57	57
Additional paid-in capital	23,291	23,050
Accumulated other comprehensive income	3	8
Retained earnings	20,128	22,554

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

	43,479	45,669
Less stock option receivable	(29)	(29)
Less treasury stock, at cost, of 2,177 shares at October 1, 2011 and October 2, 2010	(10,095)	(10,095)
Total Ark Restaurants Corp. shareholders' equity	33,355	35,545
NON-CONTROLLING INTERESTS	4,831	1,895
TOTAL EQUITY	38,186	37,440
TOTAL LIABILITIES AND EQUITY	\$ 54,261	\$ 51,631

See notes to consolidated financial statements.

F-2

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

	Year Ended	
	October 1, 2011	October 2, 2010
REVENUES:		
Food and beverage sales	\$ 138,662	\$ 114,669
Other revenue	783	3,099
Total revenues (includes \$22,216 for the year ended October 1, 2011 related to VIEs)	139,445	117,768
COSTS AND EXPENSES:		
Food and beverage cost of sales	37,565	30,326
Payroll expenses	45,921	38,003
Occupancy expenses	19,244	16,758
Other operating costs and expenses	18,243	16,293
General and administrative expenses	9,476	9,516
Impairment loss from write-down of long-lived assets	2,603	-
Depreciation and amortization	4,491	3,873
Total costs and expenses (includes \$17,569 for the year ended October 1, 2011 related to VIEs)	137,543	114,769
OPERATING INCOME	1,902	2,999
OTHER (INCOME) EXPENSE:		
Interest expense	14	29
Interest income	(72)	(82)
Other income, net	(636)	(386)
Total other income, net	(694)	(439)
Income before provision for income taxes	2,596	3,438
Provision for income taxes	145	1,121
INCOME FROM CONTINUING OPERATIONS	2,451	2,317
DISCONTINUED OPERATIONS:		
Loss from operations of discontinued restaurant (includes a net loss on disposal of \$71 for the year ended October 1, 2011)	(222)	-
Benefit for income taxes	(75)	-
LOSS FROM DISCONTINUED OPERATIONS	(147)	-
CONSOLIDATED NET INCOME	2,304	2,317
Net (income) loss attributable to non-controlling interests	(889)	288

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

NET INCOME ATTRIBUTABLE TO ARK RESTAURANTS CORP.	\$	1,415	\$	2,605
--	----	-------	----	-------

AMOUNTS ATTRIBUTABLE TO ARK RESTAURANTS CORP.:

Income from continuing operations	\$	1,562	\$	2,605
Income (loss) from discontinued operations, net of tax		(147)		-

Net income	\$	1,415	\$	2,605
------------	----	-------	----	-------

NET INCOME (LOSS) PER ARK RESTAURANTS CORP. COMMON SHARE:

From continuing operations:

Basic	\$	0.45	\$	0.75
-------	----	------	----	------

Diluted	\$	0.44	\$	0.74
---------	----	------	----	------

From discontinued operations:

Basic	\$	(0.04)	\$	-
-------	----	--------	----	---

Diluted	\$	(0.04)	\$	-
---------	----	--------	----	---

From net income:

Basic	\$	0.41	\$	0.75
-------	----	------	----	------

Diluted	\$	0.40	\$	0.74
---------	----	------	----	------

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING

Basic	3,494	3,490
-------	-------	-------

Diluted	3,525	3,514
---------	-------	-------

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED OCTOBER 2, 2010 AND OCTOBER 1, 2011
(In Thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Stock Option Receivable	Treasury Stock	Total Ark Restaurants Corp. Shareholders Equity	Non- controlling Interests	Total Equity
	Shares	Amount								
BALANCE - October 3, 2009	5,667	\$ 57	\$ 22,501	\$ (29)	\$ 23,440	\$ (76)	\$ (10,095)	\$ 35,798	\$ 2,304	\$ 38,102
Net income attributable to Ark Restaurants Corp.	-	-	-	-	2,605	-	-	2,605	-	2,605
Net loss attributable to non-controlling interests	-	-	-	-	-	-	-	-	(288)	(288)
Unrealized gain on available-for-sale securities	-	-	-	37	-	-	-	37	-	37
Total comprehensive income (loss)								2,642	(288)	2,354
Exercise of stock options	1	-	13	-	-	-	-	13	-	13
Tax benefit on exercise of stock options	-	-	1	-	-	-	-	1	-	1
Stock-based compensation	-	-	535	-	-	-	-	535	-	535
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(121)	(121)
Payment of dividends - \$1.00 per share	-	-	-	-	(3,491)	-	-	(3,491)	-	(3,491)
Repayments on stock option receivable	-	-	-	-	-	47	-	47	-	47
BALANCE - October 2, 2010	5,668	57	23,050	8	22,554	(29)	(10,095)	35,545	1,895	37,440
Cumulative effect adjustment related to consolidation of variable interest entities upon the adoption of the amendments to ASC Topic 810	-	-	-	-	(348)	-	-	(348)	3,765	3,417
BALANCE - October 3, 2010	5,668	57	23,050	8	22,206	(29)	(10,095)	35,197	5,660	40,857
Net income attributable to Ark Restaurants Corp.	-	-	-	-	1,415	-	-	1,415	-	1,415
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	889	889
Unrealized loss on available-for-sale securities	-	-	-	(5)	-	-	-	(5)	-	(5)
Total comprehensive income								1,410	889	2,299

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Exercise of stock options	4	-	48	-	-	-	-	48	-	48
Tax benefit on exercise of stock options	-	-	3	-	-	-	-	3	-	3
Stock-based compensation	-	-	190	-	-	-	-	190	-	190
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(1,718)	(1,718)
Payment of dividends - \$1.00 per share	-	-	-	-	(3,493)	-	-	(3,493)	-	(3,493)

BALANCE - October 1, 2011 5,672 \$ 57 \$ 23,291 \$ 3 \$ 20,128 \$ (29) \$ (10,095) \$ 33,355 \$ 4,831 \$ 38,186

See notes to consolidated financial statements.

F-4

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

	Year Ended	
	October 1, 2011	October 2, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 2,304	\$ 2,317
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Impairment loss from write-down of long-lived assets	2,603	-
Loss on disposal of discontinued operation	71	-
Deferred income taxes	(1,104)	(933)
Stock-based compensation	190	535
Excess tax benefits related to stock-based compensation	(3)	(1)
Depreciation and amortization	4,491	3,873
Operating lease deferred credit	(18)	(289)
Changes in operating assets and liabilities:		
Accounts receivable	182	(17)
Related party receivables	-	(540)
Inventories	51	(105)
Prepaid expenses and other current assets	142	(369)
Other assets	(406)	131
Accounts payable - trade	(1,233)	(118)
Accrued expenses and other liabilities	1,159	1,513
Accrued income taxes	101	(449)
Net cash provided by operating activities	8,530	5,548
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(2,772)	(2,900)
Purchase of management rights	(600)	-
Proceeds from sale of discontinued operation	400	-
Consolidated cash balances of VIEs	757	-
Loans and advances made to employees	(137)	(101)
Payments received on employee receivables	139	395
Purchases of investment securities	(3,145)	(10,916)
Proceeds from sales of investment securities	7,879	11,654
Payments received on long-term receivables	102	129
Net cash provided by (used in) investing activities	2,623	(1,739)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(224)	(209)
Dividends paid	(3,493)	(6,981)
Proceeds from issuance of stock upon exercise of stock options	48	13
Excess tax benefits related to stock-based compensation	3	1
Distributions to non-controlling interests	(1,718)	(121)
Payments received on stock option receivable	-	47

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Net cash used in financing activities	(5,384)	(7,250)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,769	(3,441)
CASH AND CASH EQUIVALENTS, Beginning of year	2,011	5,452
CASH AND CASH EQUIVALENTS, End of year	\$ 7,780	\$ 2,011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 12	\$ 29
Income taxes	\$ 1,201	\$ 2,553
Non-cash investing activity:		
Note received in connection with sale of discontinued operation	\$ 100	\$ -

See notes to consolidated financial statements.

F-5

ARK RESTAURANTS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ark Restaurants Corp. and Subsidiaries (the Company) owns and operates 22 restaurants and bars, 28 fast food concepts and catering operations. Seven restaurants are located in New York City, four are located in Washington, D.C., seven are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in Boston, Massachusetts. The Las Vegas operations include five restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel's room service, banquet facilities, employee dining room and six food court concepts; one bar within the Venetian Casino Resort as well as three food court concepts; and one restaurant within the Planet Hollywood Resort and Casino. In Atlantic City, New Jersey, the Company operates a restaurant and a bar in the Resorts Atlantic City Hotel and Casino. The operations at the Foxwoods Resort Casino include one fast food concept and six fast food concepts at the MGM Grand Casino. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace. The Florida operations under management include five fast food facilities in Tampa, Florida and seven fast food facilities in Hollywood, Florida, each at a Hard Rock Hotel and Casino.

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

Accounting Period The Company's fiscal year ends on the Saturday nearest September 30. The fiscal years ended October 1, 2011 and October 2, 2010 included 52 weeks.

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

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

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

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

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

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

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

Concentrations of Credit Risk Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits.

For the years ended October 1, 2011 and October 2, 2010, the Company made purchases from one vendor that accounted for approximately 13% of total purchases in each year.

Accounts Receivable Accounts receivable is primarily comprised of normal business receivables such as credit card receivables that are paid off in a short period of time and amounts due from the hotels operators where the Company has a location, and are recorded when the products or services have been delivered. The Company reviews the collectability of its receivables on an ongoing basis, and provides for an allowance when it considers the entity unable to meet its obligation.

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

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

For the year ended October 2, 2010, Revenues - Other Revenue, includes management fees related to the Company's managed restaurants that were not consolidated and were based on either gross restaurant sales or cash flow. Such fees have been eliminated for the year ended October 1, 2011 due to the consolidation of these entities - see accounting policy, *New Accounting Standards Adopted in Fiscal 2011* and Note 2.

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

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

Fixed Assets Leasehold improvements and furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (three to seven years). Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is less, and ranges from 5 to 30 years. For leases with renewal periods at the Company's option, if failure to exercise a renewal option imposes an economic penalty to the Company, management may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of appropriate estimated useful lives. Routine expenditures for repairs and maintenance are charged to expense when incurred. Major replacements and improvements are capitalized. Upon retirement or disposition of fixed assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the Consolidated Statements of Income.

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

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

Long-lived Assets Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including estimated future sales growth and estimated profit margins are included in this analysis. See Note 7 for a discussion of impairment charges for long-lived assets recorded in fiscal 2011 and 2010.

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

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, the Company performs internal valuation analyses and considers other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were necessary in fiscal 2011 and 2010.

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

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

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

Defined Contribution Plans The Company offers a defined contribution savings plan (the Plan) to all of its full-time employees. Eligible employees may contribute pre-tax amounts to the Plan subject to the Internal Revenue Code limitations. Company contributions to the Plan are at the discretion of the Board of Directors. During the years ended October 1, 2011 and October 2, 2010, the Company did not make any contributions to the Plan.

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

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

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

Income Per Share of Common Stock Basic net income per share is calculated on the basis of the weighted average number of common shares outstanding during each period. Diluted net income per share reflects the additional dilutive effect of potentially dilutive shares (principally those arising from the assumed exercise of stock options).

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

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The Company did not grant any options during the fiscal years ended 2011 and 2010. The Company generally issues new shares upon the exercise of employee stock options.

New Accounting Standards Adopted in Fiscal 2011 In January 2010, the Financial Accounting Standards Board (the FASB) issued updated guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. This update requires new disclosures about significant transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy (including the reasons for these transfers) and the reasons for any transfers in or out of Level 3. This update also requires a reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, this update clarifies certain existing disclosure requirements. This update also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. This update was effective for the Company's interim and annual reporting periods beginning October 3, 2010, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which is effective for interim and annual reporting periods beginning after December 15, 2010, which corresponds to the Company's fiscal year beginning October 2, 2011. The adoption of this pronouncement did not have any impact on the Company's consolidated financial statements and related disclosures and the adoption of the additional Level 3 requirements discussed above is not expected to have any impact on the Company's consolidated financial statements and related disclosures.

Effective October 3, 2010, the Company adopted amendments to Accounting Standards Codification (ASC) Topic 810 (formerly FASB Statement of Accounting Standards (SFAS) No. 167 Amendments to FASB Interpretation No. 46(R) (SFAS No. 167)). This requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE). This analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance. This statement requires the Company to focus on a more qualitative approach, rather than a quantitative approach previously required for determining the primary beneficiary of a VIE, it also amended certain guidance for determining whether an entity is a VIE, added an additional requirement to assess whether an entity is a VIE, on an ongoing basis, and required enhanced disclosures that provide users of financial statements with more transparent information about an enterprise's involvement in a VIE. The adoption of this guidance resulted in the consolidation of certain limited partnerships as of October 3, 2010. The Company did not retroactively apply this guidance. See Note 2 for additional information regarding the impact of the adoption of this standard on the consolidated financial statements.

New Accounting Standards Not Yet Adopted In May 2011, the FASB issued guidance that amends GAAP to conform it with fair value measurement and disclosure requirements in International Financial Reporting Standards (IFRS). The amendments changed the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The provisions of this guidance are effective for the first reporting period (including interim periods) beginning after December 15, 2011. The Company is currently evaluating the impact this accounting standard update may have on its results of operations, financial condition or disclosures.

In June 2011, the FASB issued new accounting guidance on the presentation of other comprehensive income. The new guidance eliminates the current option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. Instead, an entity has the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. Full retrospective application is required. As the new accounting guidance will only amend the presentation requirements of other comprehensive income, the Company does not expect the adoption to have a significant impact on its financial condition or results of operations.

In September 2011, the FASB issued new accounting guidance intended to simplify how an entity tests goodwill for impairment. The guidance will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The new accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company does not expect the adoption of this guidance to have any impact on its financial condition or results of operations.

2. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Upon adoption of the new accounting guidance for VIEs on October 3, 2010, the Company determined that it is the primary beneficiary of two VIEs which had not been previously consolidated, Ark Hollywood/Tampa Investment, LLC and Ark Connecticut Investment, LLC, as the new guidance requires that a single party (including its related parties and de facto agents) be able to exercise their rights to remove the decision maker in order for the kick-out rights to be considered substantive. Previously, a simple majority of owners that could exercise kick-out rights was considered a substantive right. This change resulted in the need for consolidation.

The assets and liabilities associated with the Company's consolidation of VIEs are as follows:

	October 1, 2011
	(in thousands)
Cash and cash equivalents	\$ 852
Accounts receivable	1,423
Inventories	23
Prepaid expenses and other current assets	253
Due from Ark Restaurants Corp. and affiliates (1)	410
Fixed assets, net	3,660
Other long-term assets	71
Total assets	\$ 6,692
Accounts payable	\$ 565
Accrued expenses and other current liabilities	2,076
Total liabilities	2,641
Equity of variable interest entities	4,051
Total liabilities and equity	\$ 6,692

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

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

For the year ended October 1, 2011, aggregate revenue and operating expenses relating to these VIEs were \$22,216,000 and \$17,569,000, respectively, and are included in the accompanying Consolidated Statements of Operations.

3. RECENT RESTAURANT EXPANSION

In August 2010, the Company entered into an agreement to lease the former *ESPN Zone* space at the New York-New York Hotel & Casino Resort in Las Vegas and re-open the space under the name *The Sporting House*. Such lease is cancellable upon 90 days written notice and provides for rent based on profits only. This restaurant opened at the end of October 2010 and the Company did not invest significant funds to re-open the space.

In the quarter ended January 1, 2011, the Company combined three fast food outlets located in the *Village Eateries* in the New York-New York Hotel & Casino Resort in Las Vegas into a new restaurant, *The Broadway Burger Bar*, which opened at the end of December 2010.

4. RECENT RESTAURANT DISPOSITIONS

During the fourth fiscal quarter of 2010, the Company closed its *Pinch & S Mac* operation located in New York City, and re-concepted the location as *Polpette*, which featured meatballs and other Italian food. In connection with these changes the Company recorded a loss on disposal of fixed assets in the amount of \$358,000 which is included in Other Operating Costs and Expenses in the consolidated statement of income for the year ended October 2, 2010. Sales at *Polpette* failed to reach the level sufficient to achieve the results the Company required. As a result, the Company closed this restaurant on February 6, 2011 and it was sold on April 28, 2011 for \$400,000. The Company realized a loss on the sale of \$71,000 which was recorded during the second quarter of fiscal 2011 as well as operating losses of \$151,000 for the year ended October 1, 2011, all of which are included in discontinued operations in the accompanying Consolidated Statement of Operations.

The Company was advised by the landlord that it would have to vacate the *Gonzalez y Gonzalez* property located in New York, NY, which was on a month-to-month lease. The closure of this property occurred on January 31, 2011.

On July 8, 2011, the Company entered into an agreement with the landlord of *The Grill Room* property located in New York City, whereby in exchange for a payment of \$350,000 the Company vacated the property on October 31, 2011. This lease was scheduled to expire on December 31, 2011.

5. INVESTMENT SECURITIES

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

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
(In thousands)				
At October 1, 2011				
Available-for-sale short-term:				
Government debt securities	\$ 2,696	\$ 3	\$ -	\$ 2,699

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

At October 1, 2011, all of the Company's government debt securities mature within fiscal year 2012.

6. NOTE RECEIVABLE

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

7. FIXED ASSETS

Fixed assets consist of the following:

	October 1, 2011	October 2, 2010
(In thousands)		
Leasehold improvements	\$ 36,472	\$ 34,175
Furniture, fixtures and equipment	34,144	32,142
Construction in progress	587	367
	71,203	66,684
Less: accumulated depreciation and amortization	47,964	42,571
	\$ 23,239	\$ 24,113

Depreciation and amortization expense related to fixed assets for the years ended October 1, 2011 and October 2, 2010 was \$4,483,000 and \$3,865,000, respectively.

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. During the year ended October 1, 2011, the Company recorded a charge of \$2,603,000 to impair the leasehold improvements and equipment of an underperforming restaurant in which the Company is a majority partner. Therefore, the impairment amount reflected in our fiscal 2011 Consolidated Statement of Income is offset by the share of the charge attributable to the limited partners, or \$856,000, which is included in the Net (Income) Loss Attributable to Non-controlling Interests line item in the accompanying Consolidated Statement of Income. Based on the current facts and circumstances, the property does not meet the criteria for held for sale classification. No impairment charges were recorded for the year ended October 2, 2010.

Non-recurring fair value measurements related to impaired fixed assets as of October 1, 2011 consist of the following:

Fair Value Measurements at October 1, 2011 Using:					
	Total	Level 1	Level 2	Level 3	Total Losses
Assets					
Long-lived assets held and used	\$ 390	\$ -	\$ -	\$ 390	\$ 2,603
Total Assets	\$ 390	\$ -	\$ -	\$ 390	\$ 2,603

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	October 1, 2011	October 2, 2010
(In thousands)		
Purchased leasehold rights (a)	\$ 2,343	\$ 2,343
Operating rights (b)	600	-
Noncompete agreements and other	322	322
	3,265	2,665
Less accumulated amortization	2,636	2,628
Total intangible assets	\$ 629	\$ 37

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

(b) Amounts paid in connection with *Basketball City* agreement see Note 10.

Amortization expense related to intangible assets for each of the years ended October 1, 2011 and October 2, 2010 was \$8,000.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	October 1, 2011	October 2, 2010
(In thousands)		
Sales tax payable	\$ 953	\$ 779
Accrued wages and payroll related costs	2,325	1,810
Customer advance deposits	2,180	1,712
Accrued occupancy and other operating expenses	4,187	3,247
	\$ 9,645	\$ 7,548

10. COMMITMENTS AND CONTINGENCIES

Leases The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2032. Most of the leases provide for the payment of base rents plus real estate taxes, insurance and other expenses and, in certain instances, for the payment of a percentage of the restaurants' sales in excess of stipulated amounts at such facility and in one

instance based on profits.

In February 2010, the Company entered into an amendment to its lease for the food court space at the *New York-New York Hotel and Casino* in Las Vegas, Nevada. Pursuant to this amendment, the Company agreed to, among other things; commit no less than \$3,000,000 to remodel the food court by March 2012. In exchange for this commitment, the landlord agreed to extend the food court lease for an additional four years. As of October 1,

F-15

2011, the Company has spent approximately \$1,300,000 related to this commitment in connection with *The Broadway Burger Bar* construction discussed above.

On March 18, 2011, a subsidiary of the Company entered into a lease agreement to operate a yet to be named restaurant and bar in New York City. In connection with the agreement, the landlord has agreed to contribute up to \$1,800,000 towards the construction of the facility, which the Company expects to be \$6,000,000 to \$7,000,000. The initial term of the lease for this facility will expire on March 31, 2027 and will have one five-year renewal. The Company anticipates the restaurant will open during the second quarter of fiscal 2012.

As of October 1, 2011, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	Amount
	(In thousands)
2012	\$ 9,041
2013	8,144
2014	7,599
2015	6,906
2016	6,312
Thereafter	30,371
Total minimum payments	\$ 68,373

In connection with certain of the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of \$657,000 as security deposits under such leases.

Rent expense was approximately \$15,473,000 and \$12,981,000 for the fiscal years ended October 1, 2011 and October 2, 2010, respectively. Contingent rentals, included in rent expense, were approximately \$4,968,000 and \$3,890,000 for the fiscal years ended October 1, 2011 and October 2, 2010, respectively.

Legal Proceedings In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and worker's compensation claims, which are generally handled by the Company's insurance carriers. The employment by the Company of management personnel, waiters, waitresses and kitchen staff at a number of different restaurants has resulted in the institution, from time to time, of litigation alleging violation by the Company of employment discrimination laws. Included in Accrued Expenses and Other Current Liabilities at October 2, 2010 is approximately \$500,000 related to the settlement of various claims against the Company. During fiscal 2011 the Company settled a claim for an amount of approximately \$350,000 and maintains an accrual of \$150,000, which is included in Accrued Expenses and Other Current Liabilities at October 1, 2011.

Other On April 17, 2011, the Company suffered a flood at its *Sequoia* property located in Washington, DC. The Company expects to recover substantially all of its losses from insurance proceeds and/or the landlord and does not expect unrecovered amounts to have a material impact on its financial position, results of operations or cash flows.

On June 7, 2011, the Company entered into a 10-year exclusive agreement to manage a yet to be constructed restaurant and catering service at *Basketball City* in New York City in exchange for a fee of \$1,000,000 (\$600,000 of which has been paid as of October 1, 2011 and is included in Intangible Assets in the accompanying Consolidated Balance Sheet). Under the terms of the agreement the owner of the property will construct the facility at their expense and the Company will pay the owner an annual fee based on sales, as defined in the agreement. The Company expects to begin operating this property in the second quarter of fiscal 2012.

11. STOCK OPTIONS

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

Options granted under the 2004 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant. During fiscal 2009, options to purchase 176,600 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant.

The 2010 Stock Option Plan is the Company's only equity compensation plan currently in effect. Under the 2010 Stock Option Plan, 500,000 options were authorized for future grant. Options granted under the 2010 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire six years after the date of grant.

The following table summarizes stock option activity under all plans:

	2011			2010		
	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, beginning of year	421,064	\$ 22.88		422,100	\$ 22.86	
Options:						
Granted	-			-		
Exercised	(3,964)	\$ 12.04		(1,036)	\$ 12.04	
Canceled or expired	(20,500)	\$ 26.13		-		
Outstanding, end of year (a)	396,600	\$ 22.82	\$ 202,642	421,064	\$ 22.88	\$ 405,553
Options exercisable (a)	396,600	\$ 22.82	\$ 202,642	332,764	\$ 25.76	\$ 201,580
Weighted average remaining contractual life	5.5 Years			6.5 Years		
Shares available for future grant	500,000			500,000		

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

F-17

The following table summarizes information about stock options outstanding as of October 1, 2011 (shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)
\$12.04	166,100	\$ 12.04	7.6	166,100	\$ 12.04	7.6
\$29.60	140,500	\$ 29.60	3.2	140,500	\$ 29.60	3.2
\$32.15	90,000	\$ 32.15	5.2	90,000	\$ 32.15	5.2
	396,600	\$ 22.82	5.5	396,600	\$ 22.82	5.5

Compensation cost charged to operations for the fiscal years ended 2011 and 2010 for share-based compensation programs was approximately \$190,000 and \$535,000, before tax benefits of approximately \$72,000 and \$174,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the Consolidated Statements of Income.

As of October 1, 2011, all compensation cost related to stock options has been recognized.

12. MANAGEMENT FEE INCOME

The Company provides management services to two fast food courts and one fast food unit. Prior to fiscal 2011, the Company did not consolidate these operations. In accordance with the contractual arrangements, the Company earns management fees based on gross sales or cash flow as defined by the agreements. Management fee income, included in Revenues - Other Revenue, relating to these services was approximately \$2,902,000 for the year ended October 2, 2010 and included approximately \$743,000 for management fees and \$2,159,000 for profit distributions. Such fees have been eliminated for the year ended October 1, 2011 due to the consolidation of these entities as discussed in Notes 1 and 2.

Receivables from managed restaurants, included in Related Party Receivables, were approximately \$1,000,000 at October 2, 2010 and included approximately \$827,000 for management fees and profit distributions and \$173,000 for expense advances. Such receivables have been eliminated at October 1, 2011 due to the consolidation of these entities as discussed in Notes 1 and 2.

Managed restaurants had sales of approximately \$17,470,000 for the year ended October 2, 2010 which are not included in consolidated net sales of the Company.

13. INCOME TAXES

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

	Year Ended	
	October 1, 2011	October 2, 2010
	(In thousands)	
Current provision:		
Federal	\$ 342	\$ 1,568
State and local	907	486
	1,249	2,054
Deferred provision:		
Federal	(582)	(850)
State and local	(522)	(83)
	(1,104)	(933)
	\$ 145	\$ 1,121

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

	Year Ended	
	October 1, 2011	October 2, 2010
	(In thousands)	
Provision at Federal statutory rate (34% in 2011 and 2010)	\$ 883	\$ 1,169
State and local income taxes, net of tax benefits	134	172
Tax credits	(503)	(401)
(Income) loss attributable to non-controlling interest	(302)	98
Other	(67)	83
	\$ 145	\$ 1,121

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

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

	October 1, 2011	October 2, 2010
	(In thousands)	
Long-term deferred tax assets (liabilities):		
State net operating loss carryforwards	\$ 2,607	\$ 2,094
Operating lease deferred credits	1,228	1,278
Depreciation and amortization	538	876
Deferred compensation	1,172	1,101
Partnership investments	1,948	964
Other	122	122
 Total long-term deferred tax assets	 7,615	 6,435
Valuation allowance	(362)	(252)
 Net long-term deferred tax assets	 7,253	 6,183
 Deferred gains	 -	 (34)
 Total long-term deferred tax liabilities	 -	 (34)
 Total net deferred tax assets	 \$ 7,253	 \$ 6,149

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The deferred tax valuation allowance of \$362,000 and \$252,000 as of October 1, 2011 and October 2, 2010, respectively, was attributable to state and local net operating loss carryforwards.

As of October 1, 2011, the Company has approximately of \$28,668,000 of state and local net operating loss carryforwards which expire at various times beginning in 2015 through 2031.

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

	October 1, 2011	October 2, 2010
	(In thousands)	
Balance at beginning of year	\$ 209	\$ 209
Additions based on tax positions taken in current and prior years	-	-
Reductions due to settlements with taxing authorities	-	-
Reductions as a result of a lapse of the statute of limitations	-	-
Interest accrued during the current year	-	-

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Balance at end of year	\$	209	\$	209
------------------------	----	-----	----	-----

The entire amount of unrecognized tax benefits if recognized would reduce our annual effective tax rate. As of October 1, 2011 and October 2, 2010, the Company accrued approximately \$85,000 and \$63,000 of interest and penalties, respectively. The Company does not expect its unrecognized tax benefits to change significantly over

F-20

the next 12 months. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions' tax court systems.

The Company files tax returns in the U.S. and various state and local jurisdictions with varying statutes of limitations. The 2008 through 2010 fiscal years generally remain subject to examination by most state and local tax authorities. An audit of the Company's Federal tax returns for the fiscal years 2008 and 2009 was recently completed by the Internal Revenue Service and did not result in a material adjustment to the Company's financial position or results of operations. The 2010 fiscal year remains subject to examination by the Internal Revenue Service.

14. OTHER INCOME

Other income consists of the following:

	Year Ended	
	October 1, 2011	October 2, 2010
	(In thousands)	
Purchase service fees	\$ 44	\$ 62
Video arcade sales	103	-
Other rentals	106	-
Other catering	150	144
Other	233	180
	\$ 636	\$ 386

15. INCOME PER SHARE OF COMMON STOCK

A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended October 1, 2011 and October 2, 2010 follows:

Net Income (Loss) Attributable to Ark Restaurants Corp. (Numerator)	Shares (Denominator)	Per-Share Amount
--	---------------------------------	-----------------------------

(In thousands, except per share amounts)

Year ended October 1, 2011

From continuing operations:

Basic EPS	\$	1,562	3,494	\$	0.45
Stock options		-	31		(0.01)

Diluted EPS	\$	1,562	3,525	\$	0.44
-------------	----	-------	-------	----	------

From discontinued operations:

Basic EPS	\$	(147)	3,494	\$	(0.04)
Stock options		-	31		-

Diluted EPS	\$	(147)	3,525	\$	(0.04)
-------------	----	-------	-------	----	--------

From net income:

Basic EPS	\$	1,415	3,494	\$	0.41
Stock options		-	31		(0.01)

Diluted EPS	\$	1,415	3,525	\$	0.40
-------------	----	-------	-------	----	------

Year ended October 2, 2010

From continuing operations:

Basic EPS	\$	2,605	3,490	\$	0.75
Stock options		-	24		(0.01)

Diluted EPS	\$	2,605	3,514	\$	0.74
-------------	----	-------	-------	----	------

From discontinued operations:

Basic EPS	\$	-	3,490	\$	-
Stock options		-	24		-

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Diluted EPS	\$	-	3,514	\$	-
-------------	----	---	-------	----	---

From net income:

Basic EPS	\$	2,605	3,490	\$	0.75
Stock options		-	24		(0.01)

Diluted EPS	\$	2,605	3,514	\$	0.74
-------------	----	-------	-------	----	------

F-22

For the year ended October 1, 2011, options to purchase 166,100 shares of common stock at a price of \$12.04 were included in diluted earnings per share. Options to purchase 140,500 shares of common stock at a price of \$29.60 and options to purchase 90,000 shares of common stock at a price of \$32.15 per share were not included in diluted earnings per share as their impact would be antidilutive.

For the year ended October 2, 2010, options to purchase 176,600 shares of common stock at a price of \$12.04 were included in diluted earnings per share. Options to purchase 145,500 shares of common stock at a price of \$29.60 and options to purchase 100,000 shares of common stock at a price of \$32.15 per share were not included in diluted earnings per share as their impact would be antidilutive.

16. STOCK OPTION RECEIVABLE

Stock option receivable consists of amounts due from an officer totaling \$29,000 at both October 1, 2011 and October 2, 2010. Such amounts which are due from the exercise of stock options in accordance with the Company's Stock Option Plan are payable on demand with interest (3.25% at both October 1, 2011 and October 2, 2010).

17. RELATED PARTY TRANSACTIONS

Receivables due from officers, excluding stock option receivables, totaled \$37,000 at both October 1, 2011 and October 2, 2010. Other employee loans totaled approximately \$251,000 and \$253,000 at October 1, 2011 and October 2, 2010, respectively. Such loans bear interest at the minimum statutory rate (0.16% at October 1, 2011 and 0.46% at October 2, 2010).

18. SUBSEQUENT EVENTS

On December 7, 2011, the Board of Directors declared a quarterly dividend of \$0.25 per share on the Company's common stock to be paid on January 3, 2012 to shareholders of record at the close of business on December 21, 2011.

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

The Company was advised by the landlord that it would have to vacate the *America* property located in Washington, DC, which was on a month-to-month lease. The closure of this property occurred on November 7, 2011.

The Company's President, Chief Operating Officer and Treasurer announced he is retiring effective December 31, 2011. The Company is in the process of negotiating a proper separation agreement with him.

Edgar Filing: ARK RESTAURANTS CORP - Form 10-K

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARK RESTAURANTS CORP.

By: /s/Michael Weinstein

Michael Weinstein
Chairman of the Board and Chief Executive Officer

Date: December 30, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been duly signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/Michael Weinstein	Chairman of the Board	December 30, 2011
(Michael Weinstein)	and Chief Executive Officer	