ARK RESTAURANTS CORP
Form 10-Q
August 12, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2008

Commission file number 0-14030

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

New York (State or other jurisdiction of incorporation or organization)	13-3156768 (I.R.S. Employer Identification No.)
85 Fifth Avenue, New York, New York (Address of principal executive offices)	10003 (Zip Code)

Registrants telephone number, including area code: (212) 206-8800

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

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 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 _X_

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

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date:

Class	Outstanding shares at August 11, 2008
(Common stock, $.01 par value)	3,596,799

<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>

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

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

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” in Part I of our Annual Report on Form 10-K for the fiscal year ended September 29, 2007 as updated by the information contained under the caption “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q.

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 Quarterly Report on Form 10-Q, our reports on Forms 10-K 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 Quarterly Report on Form 10-Q, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Quarterly Report on Form 10-Q or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

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

PART I
FINANCIAL INFORMATION

Item 1. Financial Information

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands)

	June 28, 2008 (unaudited)	September 29, 2007 (see Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,714	$ 4,009
Short-term investments in available-for-sale securities	5,875	9,201
Accounts receivable	3,742	2,657
Related party receivables, net	904	1,318
Employee receivables	256	316
Current portion of long-term receivables	120	114
Inventories	1,646	1,410
Prepaid expenses and other current assets	697	649
Assets held-for-sale	-	1,120
Total current assets	17,954	20,794
LONG-TERM RECEIVABLES	262	352
FIXED ASSETS - At cost:		
Leasehold improvements	31,274	27,094
Furniture, fixtures and equipment	27,981	25,692
Construction in progress	32	1,142
	59,287	53,928
Less accumulated depreciation and amortization	34,142	33,880
FIXED ASSETS - Net	25,145	20,048
INTANGIBLE ASSETS - Net	67	80
GOODWILL	4,813	5,107
TRADEMARKS	721	721
DEFERRED INCOME TAXES	4,790	4,763
OTHER ASSETS	1,221	316
TOTAL	$ 54,973	$ 52,181
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 2,783	$ 2,404
Accrued expenses and other current liabilities	5,858	5,503
Accrued income taxes	1,628	1,135
Current portion of note payable	191	181
Total current liabilities	10,460	9,223
OPERATING LEASE DEFERRED CREDIT	3,719	3,771
NOTE PAYABLE	560	704
OTHER LIABILITIES	175	229
TOTAL LIABILITIES	14,914	13,927
NON-CONTROLLING INTERESTS	1,537	164

COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Common stock, par value $.01 per share - authorized, 10,000 shares; issued, 5,667				
shares at June 28, 2008 and September 29, 2007, respectively		57		57
Additional paid-in capital		21,990		21,756
Accumulated other comprehensive income (loss)		(13)		49
Retained earnings		24,998		24,780
		47,032		46,642
Less stock option receivable		(124)		(166)
Less treasury stock of 2,070 shares at June 28, 2008 and September 29, 2007		(8,386)		(8,386)
Total shareholders' equity		38,522		38,090
TOTAL	$	54,973	$	52,181

See notes to consolidated condensed financial statements.

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

	13 Weeks Ended		39 Weeks Ended	
	June 28, 2008	June 30, 2007 (see Note 1)	June 28, 2008	June 30, 2007 (see Note 1)
REVENUES				
Food and beverage sales	$ 35,406	$ 33,892	$ 88,823	$ 83,638
Other income	671	519	1,941	1,800
Total revenues	36,077	34,411	90,764	85,438
COST AND EXPENSES:				
Food and beverage cost of sales	9,224	8,625	23,384	21,618
Payroll expenses	10,125	9,694	28,023	26,482
Occupancy expenses	4,696	4,210	12,259	11,340
Other operating costs and expenses	4,063	4,297	11,209	10,396
General and administrative expenses	2,260	2,270	6,594	6,325
Depreciation and amortization	771	687	2,153	1,967
Total cost and expenses	31,139	29,783	83,622	78,128
OPERATING INCOME	4,938	4,628	7,142	7,310
OTHER (INCOME) EXPENSE:				
Interest expense	14	48	44	48
Interest income	(105)	(114)	(397)	(262)
Other income	(158)	(184)	(322)	(657)
Total other income	(249)	(250)	(675)	(871)
Income from continuing operations before provision for income taxes and non-controlling interests	5,187	4,878	7,817	8,181
Provision for income taxes	1,762	1,430	2,698	2,569
Income attributable to non-controlling interests	(175)	(102)	(174)	(136)
INCOME FROM CONTINUING OPERATIONS	3,250	3,346	4,945	5,476
DISCONTINUED OPERATIONS:				
Income (loss) from operations of discontinued restaurants (includes net loss on disposal of $19 and net gain on disposal of $7,814 for the 39 weeks ended June 28, 2008 and June 30, 2007, respectively)	(178)	155	33	7,542
Provision (benefit) for income taxes	(64)	30	12	2,579
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(114)	125	21	4,963
NET INCOME	$ 3,136	$ 3,471	$ 4,966	$ 10,439
PER SHARE INFORMATION - BASIC AND DILUTED:				
Income from continuing operations	$ 0.90	$ 0.93	$ 1.37	$ 1.53
Discontinued operations	(0.03)	0.04	0.01	1.39
BASIC	$ 0.87	$ 0.97	$ 1.38	$ 2.92
Income from continuing operations	$ 0.90	$ 0.92	$ 1.37	$ 1.52

Discontinued operations		(0.03)		0.04		0.01		1.38
DILUTED	$	0.87	$	0.96	$	1.38	$	2.90
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC		3,597		3,590		3,597		3,578
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED		3,597		3,624		3,612		3,596

See notes to consolidated condensed financial statements.

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

	39 Weeks Ended	
	June 28, 2008	June 30, 2007 (see Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,966	$ 10,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(27)	(223)
Tax benefit on exercise of stock options	-	(89)
Stock-based compensation	234	330
Depreciation and amortization	2,208	3,052
Gain (loss) on disposal of discontinued operation	19	(7,814)
Impairment loss on goodwill related to discontinued operations	294	537
Income attributable to non-controlling interests	174	136
Operating lease deferred credit	(52)	(239)
Changes in operating assets and liabilities:		
Accounts receivable	(1,085)	(628)
Related party receivables	(86)	(107)
Employee receivables	60	79
Inventories	(236)	(119)
Prepaid expenses and other current assets	(65)	(139)
Other assets	(405)	144
Accounts payable - trade	379	317
Accrued income taxes	493	1,502
Accrued expenses and other current liabilities	356	1,487
Net cash provided by continuing operating activities	7,227	8,665
Net cash provided by discontinued operating activities	36	86
Net cash provided by operating activities	7,263	8,751
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(7,429)	(4,090)
Proceeds from sale of discontinued operation	1,030	14,000
Purchases of investment securities	(9,413)	(23,797)
Proceeds from sales of investment securities	12,677	15,203
Payment for purchase of Durgin Park	-	(2,000)
Payments received on long-term receivables	84	662
Net cash used in continuing investing activities	(3,051)	(22)
Net cash provided by discontinued investing activities	134	-
Net cash used in investing activities	(2,917)	(22)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit on exercise of stock options	-	89
Principal payments on note payable	(134)	(71)
Dividends paid	(4,748)	(14,500)
Exercise of stock options	-	568

Payments received on stock option receivable		42		-
Capital contrinbutions from limited partners of non-controlling interest		1,400		-
Distributions to limited partners of non-controlling interest		(201)		(61)
Net cash used in financing activities		(3,641)		(13,975)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		705		(5,246)
CASH AND CASH EQUIVALENTS, Beginning of period		4,009		7,671
CASH AND CASH EQUIVALENTS, End of period	$	4,714	$	2,425
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	$	44	$	48
Income taxes	$	2,256	$	3,240

See notes to consolidated condensed financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
June 28, 2008
(Unaudited)

1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The condensed balance sheet as of September 29, 2007, which has been derived from audited financial statements included in the Form 10-K, and the unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended September 29, 2007. The results of operations for interim periods are not necessarily indicative of the operating results to be expected for the full year.

PRINCIPLES OF CONSOLIDATION The consolidated interim financial statements included the accounts of the Company and all of its partnerships and other entities in which it has a controlling interest. Also included in the consolidated financial statements are certain variable interest entities, as discussed below. All significant intercompany balances and transactions have been eliminated in consolidation.

RECLASSIFICATIONS In connection with the closure of two facilities, the operations of these restaurants have been presented as discontinued operations for the for the 13-week and 39-week periods ended June 28, 2008 and the Company has reclassified its statements of operations and cash flows data for the prior periods presented, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). This disposition is discussed below in Recent Restaurant Dispositions.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES Effective October 1, 2006, the Company determined that one of its managed restaurants, El Rio Grande (Rio), should be presented on a consolidated basis in accordance with the Emerging Issues Task Force No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-5), and as a result included Rio in its consolidated financial statements. The impact of such consolidation was not material to the Company's condensed consolidated financial position or results of operations for any period presented.

CASH AND CASH EQUIVALENTS Cash and cash equivalents, which primarily consist of money market funds, are stated at cost, which approximates fair value. For financial statement presentation purposes, the Company considers all highly liquid investments having original maturities of three months or less to be cash equivalents. Outstanding checks in excess of account balances, typically vendor payments, payroll and other contractual obligations disbursed on or near the last day of a reporting period are reported as a current liability in the accompanying consolidated balance sheets.

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

RECENT ACCOUNTING DEVELOPMENTS In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN 48 during the first fiscal quarter of 2008. The adoption of FIN 48 had no impact on our consolidated financial position, results of operation, cash flows or financial statement disclosures, nor did the Company have any related interest or penalties.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of SFAS No. 162 is not expected to have a material impact on our consolidated financial statements.

2. RECENT RESTAURANT EXPANSION

In 2006 the Company entered into an agreement to lease space for a Mexican restaurant, *Yolos,* at the Planet Hollywood Resort and Casino (formerly known as the Aladdin Resort and Casino) in Las Vegas, Nevada. The obligation to pay rent for *Yolos* commenced when the restaurant opened for business in January 2008.

In June 2007, the Company entered into an agreement to design and lease a food court at the to be constructed MGM Grand Casino at the Foxwoods Resort Casino. A limited liability company has been established to develop, construct, operate and manage the food court. The Company, through a wholly-owned subsidiary, is the managing member of this limited liability company and has an aggregate ownership interest in the food court operations of 67%. Such operations have been consolidated as of and for the 13-week and 39-week periods ended June 28, 2008.

3. RECENT RESTAURANT DISPOSITIONS

During the first fiscal quarter of 2008, we discontinued the operation of our Columbus Bakery retail and wholesale bakery located in New York City. Columbus Bakery was originally intended to serve as the bakery that would provide all of our New York restaurants with baked goods as well as being a retail bakery operation. As a result of the sale and closure of several of our restaurants in New York City during the last several years, this bakery operation was no longer profitable.

During the second fiscal quarter of 2008 we opened, along with certain third party investors, a new concept at this location called Pinch & SMac which features pizza and macaroni and cheese. We contributed Columbus Bakerys net fixed assets and cash into this venture and received an ownership interest of 37.5% . These operations are not consolidated in the Companys financial statements.

Effective June 30, 2008, the lease for our *Stage Deli* facility at the Forum Shops in Las Vegas, Nevada expired. The landlord for this facility offered to renew the lease at this location prior to its expiration at a significantly increased rent. The Company determined that it would not be able to operate this facility profitably at this location at the rent offered in the landlords renewal proposal. As a result, the Company discontinued these operations during the third fiscal quarter of 2008 and took a charge for the impairment of goodwill of $294,000 and a loss on disposal of $19,000. The impairment charge and disposal loss are included in discontinued operations. Operations for the 13 weeks and 39 weeks ended June 28, 2008 and June 30, 2007 have been reclassified as discontinued operations.

4. RECEIVABLES FROM EMPLOYEES IN RESPECT OF STOCK OPTION EXERCISES

Receivables from employees in respect of stock option exercises includes amounts due from officers and directors totaling $124,000 and $166,000 at June 28, 2008 and September 29, 2007, respectively. Such amounts, which are due from the exercise of stock options in accordance with the Companys Stock Option Plan, are payable on demand with interest at ½% above prime (5.0% at June 28, 2008).

5. INCOME (LOSS) PER SHARE OF COMMON STOCK

Net income per share is computed in accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share*, and is calculated on the basis of the weighted average number of common shares outstanding during each period plus, for diluted earnings per share, the additional dilutive effect of potential common stock. Potential common stock using the treasury stock method consists of dilutive stock options and warrants.

For the 13-week period ended June 28, 2008, options to purchase 166,500 shares of common stock at a price of $29.60 and options to purchase 105,000 shares of common stock at a price of $32.15 were not included in diluted earnings per share as their impact was antidilutive. For the 39-week period ended June 28, 2008, options to purchase 271,500 shares of common stock at a price range of $29.60 - $32.15 were included in earning per share.

Options to purchase 282,000 shares of common stock at a price range of $29.60 - $32.15 were included in diluted earnings per share for the 13-week and 39-week periods ended June 30, 2007.

During the 39-week period ended June 28, 2008, no options were exercised.

6. SHARE-BASED COMPENSATION

The Company has options outstanding under its 2004 Stock Option Plan (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 2005, options to purchase 194,000 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. During fiscal 2007, options to purchase 105,000 shares of common stock were granted and are exercisable as to 25% of the shares commencing on the first anniversary of the date of grant and as to an additional 25% commencing on each of the second, third and fourth anniversaries of the grant date.

A summary of stock option activity is presented below:

Options	**Shares**	**Weighted Average Excersie Price**	**Weighted Average Fair Value**	**Weighted Average Contractual Term (Yrs.)**	**Aggregate Intrinsic Value**
Outstanding as September 29, 2007:	271,500	$ 30.59	$ 9.22	7.76	
Granted	-	-	-	-	
Exercised	-	-	-	-	
Forfeited/Cancelled	-	-	-	-	
Outstanding at June 28, 2008	271,500	$ 30.59	$ 9.22	7.26	$ -
Exercisable at June 28, 2008	219,000	$ 30.21	$ 8.80	6.96	$ -

Compensation cost is recognized on a straight-line basis over the vesting period during which employees perform related services. The Company has applied a forfeitures assumption of 5% per year in the calculation of such expense. As of June 28, 2008, there was approximately $613,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately 2 years.

7. INVESTMENT SECURITIES

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available for sale debt and fixed income securities by major type and class at June 28, 2008 are as follows (Dollar amounts in thousands):

	Amortized Cost	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Fair Value**
At June 28, 2008				
Available for sale short-term:	$ 5,496	$ -	$ (21)	$ 5,475
Government debt securities	393	7	-	400
Corporate debt securities	$ 5,889	$ 7	$ (21)	$ 5,875

8. DIVIDENDS

A quarterly cash dividend in the amount of $0.35 per share was declared on October 12, 2004. Subsequent to October 12, 2004, quarterly cash dividends in the amount of $0.35 per share were declared on January 12, April 12, July 12, October 10 and December 20, 2006 and on April 12, 2007. We declared an increase in our quarterly cash dividend to $0.44 per share on May 23, 2007 and subsequent quarterly cash dividends reflecting this increased amount were declared on October 12, 2007 and January 11, April 11, and July 11, 2008. In addition, we declared a special cash dividend in the amount of $3.00 per share on December 20, 2006. The Company intends to continue to pay quarterly cash dividends 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 flows, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

9. RELATED PARTY TRANSACTIONS

Receivables due from officers and employees, excluding stock option receivables, totaled $256,000 at June 28, 2008 and $316,000 at September 29, 2007. Such loans bear interest at the minimum statutory rate (1.63% at June 28, 2008).

The current portion of related party receivables due from unconsolidated restaurants, totaled $904,000 at June 28, 2008 and $1,318,000, net of an allowance of $174,000, at September 29, 2007.

The long-term portion of related party receivables from unconsolidated restaurants totaled approximately $924,000 at June 28, 2008, which is included in other assets.

10. LEASE ACCOUNTING

Leasehold improvements funded by landlord incentives are recorded as deferred rent and amortized as reductions to lease expense of the lease term in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. The Company received $3,000,000 during fiscal 2006 in connection with the construction of its two facilities in Atlantic City, New Jersey.

11. SUBSEQUENT EVENT

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

As of August 5, 2008, the Company has purchased an aggregate of 4,954 shares at an average purchase price of $18.74 in the open market pursuant to our stock repurchase program.

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

In connection with the closure of two facilities, the operations of these restaurants have been presented as discontinued operations for the 13-week and 39-week periods ended June 28, 2008 and the Company has reclassified its statements of operations and cash flows data for the prior periods presented below, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") based on the fact that the Company has met the criteria under SFAS 144. These dispositions are discussed below in Recent Restaurant Dispositions.

Revenues

During the Company's third fiscal quarter of 2008, total revenues of $36,077,000 increased 4.8% compared to total revenues of $34,411,000 in the third fiscal quarter of 2007. The Company had net income of $ 3,136,000 in the third fiscal quarter of 2008 compared to net income of $3,471,000 in the third fiscal quarter of 2007.

Same store sales in Las Vegas increased by $120,000 or 0.9% in the third fiscal quarter of 2008 compared to the third fiscal quarter of 2007. Same store sales in New York decreased $16,000 or 0.2% during the third quarter. Same store sales in Washington D.C. decreased by $66,000 or 1.1% during the third quarter. Same store sales in Atlantic City decreased by $127,000 or 13.5% in the third quarter.

During the Company's 39-week period ended June 28, 2008, total revenues of $90,764,000 increased 6.2% compared to total revenues of $85,438,000 in the 39-week period ended June 30, 2007. The Company had net income of $4,966,000 in the 39-week period ended June 28, 2008 compared to net income of $10,439,000 for the 39-week period ended June 30, 2007. Net income was positively affected during the 39-week period ended June 30, 2007 as a result of the sale during the quarter of the Company's Lutece and Tsunami locations and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC. Net income was negatively affected during the 39-week period ended June 28, 2008 as a result of $210,000 pre-opening and early operating losses experienced at the Company's Mexican Restaurant, *Yolos*, at the Planet Hollywood Resort and Casino in Las Vegas, Nevada.

Costs and Expenses

Food and beverage costs for the third quarter of 2008 as a percentage of total revenues were 25.6% compared to 25.1% in the third quarter of 2007. These costs for the 39-weeks ended June 28, 2008 as a percentage of total revenues were 25.8% compared to 25.3% in the 39-week period ended June 30, 2007.

Increased food costs during these periods have had a negative effect on this category of expenses. Although the Company had not raised the price of menu items offered to its customers for several years due to business conditions, the impact of the increase in food costs has caused the Company to review the price of menu items offered to its customers. The Company had determined to increase the price of menu items offered to its customers in specific locations where the Company believes consumer demand has created some elasticity.

Payroll expenses as a percentage of total revenues were 28.1% for the third quarter of 2008 as compared to 28.2% in the third quarter of 2007. Payroll expenses as a percentage of total revenues were 30.9% for the 39-week period ended June 28, 2008 as compared to 31.0% for the 39-week period ended June 30, 2007. Occupancy expenses as a percentage of total revenues were 13.0% during the third fiscal quarter of 2008 compared to 12.2% in the third quarter of 2007. Occupancy expenses as a percentage of total revenues were 13.5% during the 39-week period ended June 28, 2008 compared to 13.3% for the 39-week period ended June 30, 2007. Other operating costs and expenses as a percentage of total revenues were 11.3% during the third fiscal quarter of 2008 compared to 12.5% in the third quarter of 2007. Other operating costs and expenses as a percentage of total revenues were 12.3% for the 39-week period ended June 28, 2008 compared to 12.2% for the 39-week period ended June 30, 2007. General and administrative expenses as a percentage of total revenues were 6.3% during the third fiscal quarter of 2008 compared to 6.6% in the third quarter of 2007. General and administrative expenses as a percentage of total revenue were 7.3% for the 39-week period ended June 28, 2008 compared to 7.4% for the 39-week period ended June 30, 2007.

General and administrative expenses for the third quarter and 39-week period ended June 28, 2008 were negatively impacted by an accrual recorded by the Company in response to certain information received by the Company during the quarter as the result of an ongoing abandoned property audit by the New York State Office of the State Comptroller. The Company is currently in the process of obtaining and reviewing documentation requested by New York State and believes the current accrual to be reasonable at this time.

Income Taxes

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

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

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

Liquidity and Capital Resources

The Company's primary source of capital has been cash provided by operations. The Company from time to time also utilizes equipment financing in connection with the construction of a restaurant and seller financing in connection with the acquisition of a restaurant. The Company utilizes capital primarily to fund the cost of developing and opening new restaurants, acquiring existing restaurants owned by others and remodeling existing restaurants owned by the Company.

The Company had a working capital surplus of $7,494,000 at June 28, 2008 as compared to a working capital surplus of $11,571,000 at September 29, 2007.

The Companys Revolving Credit and Term Loan Facility matured on March 12, 2005. The Company does not currently plan to enter into another credit facility and expects required cash to be provided by operations.

Restaurant Expansion

In 2006, we entered into an agreement to lease space for a Mexican restaurant, *Yolos,* at the Planet Hollywood Resort and Casino (formerly known as the Aladdin Resort and Casino) in Las Vegas, Nevada. The obligation to pay rent for *Yolos* was not effective until the restaurant opens for business. This restaurant opened during the second quarter of the 2008 fiscal year.

On January 8, 2007, the Company began operating the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts. The Company purchased this facility from the previous owner for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year.

In June 2007, we entered into an agreement to design and lease a food court at the to be constructed MGM Grand Casino at the Foxwoods Resort Casino. The obligation to pay rent for this facility was not effective until the food court opened for business during our third quarter of the 2008 fiscal year. A portion of pre-opening expenses were borne by outside investors who have invested in a limited liability company established to develop, construct, operate and manage the food court. We are the managing member of this limited liability company and, through this limited liability company, we lease and manage the operations of the food court in exchange for a monthly management fee equal to five-percent of the gross receipts of the food court. We have also contributed capital to this limited liability company. None of the obligations of this limited liability company are guaranteed by us and investors in this limited liability company will have no recourse against us or any of our assets.

Since we have an aggregate ownership interest in the food court operations of 67%, such operations have been consolidated as of and for the 13-week and 39-week month periods ended June 28, 2008. The impact of such consolidations were not material to our condensed consolidated financial position or results of operations for any period presented.

In June 2008, we signed two successive one-year agreements to use certain deck space adjacent to our *Sequoia* location in New York City as a Café.

In June 2008, we entered into an agreement to design and lease a restaurant at The Museum of Arts & Design at Columbus Circle in New York City. The initial term of the lease for this facility will expire on December 31 sixteen years after the date the Museum first opens for business to the public following its current refurbishment and will have two five-year renewals. We anticipate the food court will open during our second quarter of the 2009 fiscal year.

Recent Restaurant Dispositions

During the first fiscal quarter of 2008, we discontinued the operation of our Columbus Bakery retail and wholesale bakery located in New York City. Columbus Bakery was originally intended to serve as the bakery that would provide all of our New York restaurants with baked goods as well as being a retail bakery operation. As a result of the sale and closure of several of our restaurants in New York City during the last several years, this bakery operation was no longer profitable.

During the second fiscal quarter of 2008, we opened, along with certain third party investors, a new concept at this location called Pinch & SMac which features pizza and macaroni and cheese. We contributed Columbus Bakerys net fixed assets and cash into this venture and received an ownership interest of 37.5% . These operations are not consolidated in the Companys financial statements.

Effective June 30, 2008, the lease for our *Stage Deli* facility at the Forum Shops in Las Vegas, Nevada expired. The landlord for this facility offered to renew the lease at this location prior to its expiration at a significantly increased rent. The Company determined that it would not be able to operate this facility profitably at this location at the rent offered in the landlords renewal proposal. As a result, the Company let this lease expire. As a result of the discontinuance of this restaurant, the Company took a charge for the impairment of goodwill of $294,000 and a loss on disposal of $19,000. The impairment charge and disposal loss our included in discontinued operations.

Critical Accounting Policies

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

The Companys critical accounting policies are described in the Companys Form 10-K for the year ended September 29, 2007. There have been no significant changes to such policies during fiscal 2008, other than the implementation of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, as discussed below.

Recent Accounting Developments

The Financial Accounting Standards Board has recently issued the following accounting pronouncements:

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

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

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

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of SFAS 162 is not expected to have a material impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company purchases commodities such as chicken, beef, lobster and shrimp for the Companys restaurants. The prices of these commodities may be volatile depending upon market conditions. The Company does not purchase forward commodity contracts because the changes in prices for them have historically been short-term in nature and, in the Companys view, the cost of the contracts is in excess of the benefits.

The Companys business is also highly seasonal and dependent on the weather. Outdoor seating capacity, such as terraces and sidewalk cafes, are available for dining only in the warm seasons and then only in clement weather.

Item 4T. Controls and Procedures

Based on their evaluation, the Companys principal executive officer and principal financial officer have concluded that the Companys disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are effective as of June 28, 2008 to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in the Companys internal control over financial reporting during the third quarter of fiscal year 2008 that materially affected or are reasonably likely to materially affect the Companys internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2007 (the "2007 Form 10-K"). There have been no material changes to the risk factors previously disclosed in the 2007 Form 10-K. The risks described in the 2007 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to management may materially adversely affect the Company's business, financial condition, and/or operating results.

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

The following table sets forth information regarding purchases of our common stock by us and any affiliated purchasers during the three months ended June 28, 2008. Stock repurchases may be made in the open market or in private transactions at times and in amounts that we deem appropriate. However, there is no guarantee as to the exact number of additional shares that may be repurchased, and we may terminate or limit the stock repurchase program at any time prior to its expiration. We will cancel the repurchased shares.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(1)
Month #1 March 30, 2008 through April 28, 2008	0	Not Applicable	0	500,000
Month #2 April 29, 2008 through May 29, 2008	0	Not Applicable	0	500,000
Month #3 May 30, 2008 through June 28, 2008	0	Not Applicable	0	500,000
Total	0	Not Applicable	0	500,000

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

As of August 5, 2008, we have purchased and an aggregate of 4,954 shares at an average purchase price of $18.74 per share in the open market pursuant to our stock repurchase program.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submissions of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

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

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

32 Certificate of Chief Executive and Chief Financial Officers

SIGNATURES

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

Date: August 12, 2008

ARK RESTAURANTS CORP.

By: /s/ Michael Weinstein
Michael Weinstein
Chairman, President & Chief Executive Officer

By: /s/ Robert J. Stewart
Robert Stewart
Chief Financial Officer