FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 1, 2016 AND OCTOBER 3, 2015

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Stockholders of
Flanigan's Enterprises, Inc.
Fort Lauderdale, Florida

We have audited the accompanying consolidated balance sheets of Flanigan's Enterprises, Inc. and Subsidiaries, (the "Company"), as of October 1, 2016 and October 3, 2015 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Flanigan's Enterprises, Inc. and Subsidiaries as of October 1, 2016 and October 3, 2015, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum LLP
Fort Lauderdale, FL
December 22, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Capitalization

The Company was incorporated in 1959 and operates in South Florida as a chain of full-service restaurants and package liquor stores. Restaurant food and beverage sales make up the majority of our total revenue. At October 1, 2016, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants, (one of which we operate) and three combination restaurants/package liquor stores. With the exception of one restaurant we operate under the name "The Whale's Rib", and in which we do not have an ownership interest, all of the restaurants operate under our service mark "Flanigan's Seafood Bar and Grill" and all of the package liquor stores operate under our service mark "Big Daddy's Liquors".

The Company's Articles of Incorporation, as amended, authorize us to issue and have outstanding at any one time 5,000,000 shares of common stock at a par value of $0.10 per share.

We operate under a 52-53 week year ending the Saturday closest to September 30. Our fiscal year 2016 is comprised of a 52-week period and our fiscal year 2015 is comprised of a 53-week period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our subsidiaries, all of which are wholly owned, and the accounts of the eight limited partnerships in which we act as general partner and have controlling interests. All significant intercompany transactions and balances have been eliminated in consolidation.

Noncontrolling interests in consolidated subsidiaries are included in the consolidated balance sheets as a separate component of equity. We report consolidated net income inclusive of both the Company's and the noncontrolling interests' share, as well as amounts of consolidated net income (loss) attributable to each of the Company and the noncontrolling interests.

Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the estimated useful lives of tangible assets and the recognition of deferred tax assets and liabilities. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in our consolidated financial statements in the period they are determined to be necessary. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Inventories

Our inventories, which consist primarily of package liquor products, are stated at the lower of average cost or market.

Liquor Licenses

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, "*Intangibles - Goodwill and Other*", our liquor licenses are indefinite lived assets, which are not being amortized, but are tested annually for impairment (see Note 8).

Property and Equipment

Our property and equipment are stated at cost. We capitalize expenditures for major improvements and depreciation commences when the assets are placed in service. We record depreciation on a straight-line basis over the estimated useful lives of the respective assets. We charge maintenance and repairs, which do not improve or extend the life of the respective assets, to expense as incurred. When we dispose of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Our estimated useful lives range from three to five years for vehicles, and three to seven years for furniture and equipment. Leasehold improvements are currently being amortized over the shorter of the life of the lease or the life of the asset up to a maximum of 20 years. Our building and building improvements of our corporate offices in Fort Lauderdale, Florida; our building and building improvements of our construction office/warehouse in Fort Lauderdale, Florida; our combination restaurant and package liquor stores in Hallandale, Florida, Hollywood, Florida and North Miami, Florida; our restaurant in Fort Lauderdale, Florida; and our shopping center in Miami, Florida and property in Fort Lauderdale, Florida, all of which we own, are being depreciated over forty years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold Interests

Our purchase of an existing restaurant location usually includes a lease to the business premises. As a result, a portion of the purchase price is allocated to the leasehold interest. We capitalize the cost of the leasehold interest and amortization commences upon our assumption of the lease. We amortize leasehold interests on a straight line basis over the remaining term of the lease.

Investment in Limited Partnerships

We use the consolidation method of accounting when we have a controlling interest in other companies and limited partnerships. We use the equity method of accounting when we have an interest between twenty to fifty percent in other companies and limited partnerships, but do not exercise control. Under the equity method, our original investments are recorded at cost and are adjusted for our share of undistributed earnings or losses. All significant intercompany profits are eliminated.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are cash and cash equivalents.

Cash and Cash Equivalents

We maintain deposit balances with financial institutions which balances may, from time to time, exceed the federally insured limits, which are $250,000 for interest and non-interest bearing accounts. We have not experienced any losses in such accounts.

Major Suppliers

Throughout our fiscal years 2016 and 2015, we purchased substantially all of our food products from one major supplier pursuant to a master distribution agreement which entitled us to receive certain purchase discounts, rebates and advertising allowances that are recorded as a reduction of cost of merchandise sold in periods in which they are earned. We believe that several other alternative vendors are available, if necessary.

Throughout our fiscal years 2016 and 2015, we purchased the majority of our alcoholic beverages from three local distributors. Each distributor has exclusive rights from the manufacturers to sell specific brands in given areas, so unless the exclusive distribution rights are transferred to another vendor, there are no alternate distributors available.

Revenue Recognition

We record revenues from normal recurring sales upon the sale of food and beverages and the sale of package liquor products. We report our sales net of sales tax. Continuing royalties, which are a percentage of net sales of franchised stores, are accrued as income when earned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pre-opening Costs

Our pre-opening costs are those typically associated with the opening of a new restaurant and generally include payroll costs associated with the new restaurant opening, rent and promotional costs. We expense pre-opening costs as incurred. During our fiscal years 2016 and 2015, we reported no losses.

Advertising Costs

Our advertising costs are expensed as incurred. Advertising costs incurred during our fiscal years ended October 1, 2016 and October 3, 2015 were approximately $494,000 and $343,000 respectively.

General Liability Insurance

We have general liability insurance which incorporates a semi-self-insured plan under which we assume the full risk of the first $50,000 of exposure per occurrence, while the limited partnerships assume the full risk of the first $10,000 of exposure per occurrence. Our insurance carrier is responsible for $1,000,000 coverage per occurrence above our self-insured deductible, up to a maximum aggregate of $2,000,000 per year. During our fiscal years ended October 1, 2016 and October 3, 2015, we were able to purchase excess liability insurance, whereby our excess insurance carrier is responsible for $6,000,000 coverage above our primary general liability insurance coverage. With the exception of one (1) limited partnership which has higher general liability insurance coverage to comply with the terms of its lease for the business premises, we are un-insured against liability claims in excess of $7,000,000 per occurrence and in the aggregate.

Our general policy is to settle only those legitimate and reasonable claims asserted and to aggressively defend and go to trial, if necessary, on frivolous and unreasonable claims. Under our current liability insurance policy, any expense incurred by us in defending a claim, including adjusters and attorney's fees, are a part of our $50,000 or $10,000, as applicable, self-insured retention.

Fair Value of Financial Instruments

The respective carrying value of certain of our on-balance-sheet financial instruments approximated their fair value. These instruments include cash and cash equivalents, other receivables, accounts payables, accrued expenses and debt. We have assumed carrying values to approximate fair values for those financial instruments, which are short-term in nature or are receivable or payable on demand. We estimated the fair value of debt based on current rates offered to us for debt of comparable maturities and similar collateral requirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

In accordance with FASB ASC Topic 820-10-50-1, we utilized a valuation model to determine the fair value of our swap agreements. As the valuation models for the swap agreements were based upon observable inputs, they are classified as Level 2 (see Note 10).

Derivative Instruments

We account for derivative instruments in accordance with FASB ASC Topic 815-10-05-4, "*Accounting for Derivative Instruments and Hedging Activities"* as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. In accordance with FASB ASC Topic 815-10-05-4, derivative instruments are recognized as assets or liabilities in the Company's consolidated balance sheets and are measured at fair value. We recognize all changes in fair value through earnings unless the derivative is determined to be an effective hedge. We currently have three derivatives which we have designated as effective hedges (See Note 10).

Income Taxes

We account for our income taxes using FASB ASC Topic 740, "*Income Taxes*", which requires the recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

We follow the provisions regarding *Accounting for Uncertainty in Income Taxes,* which require the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We applied these changes to tax positions for our fiscal years ending October 1, 2016 and October 3, 2015. We had no material unrecognized tax benefits and no adjustments to our financial position, results of operations or cash flows were required. Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of October 1, 2016. We do not expect that unrecognized tax benefits will increase within the next twelve months. We recognize accrued interest and penalties related to uncertain tax positions as income tax expense.

Stock-Based Compensation

We follow FASB ASC Topic 718, "*Compensation – Stock Compensation*" to account for stock-based employee compensation, which generally requires, among other things that all employee share-based compensation be measured using a fair value method and that resulting

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

compensation costs be recognized in the consolidated financial statements. We had no unvested stock options as of January 1, 2006 and granted no stock options subsequent thereto, including our fiscal years 2016 and 2015, so there is no compensation expense recorded in our consolidated financial statements for our fiscal years 2016 or 2015. At a May 15, 2014 meeting, our Board of Directors terminated our stock option plan.

Long-Lived Assets

We continually evaluate whether events and circumstances have occurred that may warrant revision of the estimated life of our intangible and other long-lived assets or whether the remaining balance of our intangible and other long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that intangible or other long-lived assets should be evaluated for possible impairment, we will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest level for which there are cash flows, at the individual store level.

Earnings Per Share

We follow FASB ASC Topic 260 - "*Earnings per Share*." This section provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution. Earnings per share are computed by dividing income available to common stockholders by the basic and diluted weighted average number of common shares.

Recently Adopted and Recently Issued Accounting Pronouncements

Adopted

There were no recently adopted accounting pronouncements during our fiscal year 2016 that we believe will have a material impact on our consolidated financial statements.

Issued

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-15 "Classification of Certain Cash Receipts and Cash Payments". This ASU addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, "Statement of Cash Flows", and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements (Continued)

Issued *(Continued)*

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes all existing guidance on accounting for leases in ASC Topic 840. ASU 2016-02 is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. ASU 2016-02 will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. We are currently assessing the adoption date and the potential impact of adopting ASU 2016-02 on our financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires that all deferred tax liabilities and tax assets be classified as non-current in a classified balance sheet, rather than separating such deferred taxes into current and non-current amounts, as is required under current guidance. ASU 2015-17 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2016 and may be applied either prospectively or retrospectively. We are currently assessing the adoption date and the potential impact of adopting ASU 2015-17 on our financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* ASU 2015-03 provides authoritative guidance related to the presentation of debt issuance costs on the balance sheet, requiring companies to present debt issuance costs as a direct deduction from the carrying value of debt. The amendments in this update are effective for public business entities in fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The new guidance must be applied retrospectively to each prior period presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "*Consolidation: Amendments to the Consolidation Analysis*" to modify the analysis that companies must perform in order to determine whether a legal entity should be consolidated. ASU 2015-02 simplifies current guidance by reducing the number of consolidation models; eliminating the risk that a reporting entity may have to consolidate based on a fee arrangement with another legal entity; placing more weight on the risk of loss in order to identify the party that has a controlling financial interest; reducing the number of instances that related party guidance needs to be applied when determining the party that has a controlling financial interest; and changing rules for companies in certain industries that ordinarily employ limited partnership or variable interest entity structures. ASU 2015-02 is effective for public companies for fiscal years beginning after December 15, 2015 and interim periods within those fiscal periods. Early adoption on a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements (Continued)

Issued *(Continued)*

modified retrospective or full retrospective basis is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. The new standard was originally effective for interim and annual periods in fiscal years beginning after December 15, 2016. In July 2015, the FASB affirmed its proposal for a one year deferral of the effective date. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

NOTE 2. PROPERTY AND EQUIPMENT

	2016	2015
Furniture and equipment	$ 11,211,000	$ 11,073,000
Leasehold improvements	21,428,000	20,639,000
Land and land improvements	17,049,000	16,742,000
Building and improvements	14,520,000	13,653,000
Vehicles	1,230,000	1,183,000
	65,438,000	63,290,000
Less accumulated depreciation and amortization	27,285,000	25,712,000
	$38,153,000	$37,578,000

Depreciation and amortization expense for the fiscal years ended October 1, 2016 and October 3, 2015 was approximately $2,564,000 and $2,545,000, respectively.

NOTE 3. LEASEHOLD INTERESTS

	2016	2015
Leasehold interests, at cost	$3,024,000	$3,024,000
Less accumulated amortization	2,364,000	2,243,000
	$660,000	$781,000

Future leasehold amortization as of October 1, 2016 is as follows:

2017	$122,000
2018	122,000
2019	122,000

2020	96,000
2021	82,000
Thereafter	116,000
Total	$660,000

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS

We have invested with others (some of whom are affiliated with our officers and directors) in nine limited partnerships which own and operate nine South Florida based restaurants under our service mark "Flanigan's Seafood Bar and Grill". In addition to being a limited partner in these limited partnerships, we are the sole general partner of all of these limited partnerships and manage and control the operations of the restaurants except for the restaurant located in Fort Lauderdale, Florida where we only hold a limited partnership interest.

Generally, the terms of the limited partnership agreements provide that until the investors' cash investment in a limited partnership (including any cash invested by us) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant, as a return of capital, up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a management fee and one-half (1/2) to the investors (including us) prorata based upon the investors' investment, as a return of capital. Once all of the investors (including us) have received, in full, amounts equal to their cash invested, an annual management fee becomes payable to us equal to one-half (½) of cash available to be distributed, with the other one half (½) of available cash distributed to the investors (including us) as a profit distribution, pro-rata based upon the investors' investment.

As of October 1, 2016, limited partnerships owning five (5) restaurants, (Surfside, Florida, Kendall, Florida. West Miami, Florida, Pinecrest, Florida and Wellington, Florida locations), have returned all cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. In addition to our receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of our "Flanigan's Seafood Bar and Grill" service mark, which use is authorized only while we act as general partner. This 3% fee is "earned" when sales are made by the limited partnerships and is paid weekly, in arrears.

Surfside, Florida

We are the sole general partner and a 46% limited partner in this limited partnership which has owned and operated a restaurant in Surfside, Florida under our "Flanigan's Seafood Bar and Grill" service mark since March 6, 1998. 33.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since April 4, 2000. 28.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

West Miami, Florida

We are the sole general partner and a 27% limited partner in this limited partnership which has owned and operated a restaurant in West Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 11, 2001. 32.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Wellington, Florida

We are the sole general partner and a 28% limited partner in this limited partnership which has owned and operated a restaurant in Wellington, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since May 27, 2005. 22.4% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Pinecrest, Florida

We are the sole general partner and 45% limited partner in this limited partnership which has owned and operated a restaurant in Pinecrest, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since August 14, 2006. 20.2% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (1/2) of the cash available for distribution by this limited partnership. This entity is consolidated in the accompanying financial statements.

Pembroke Pines, Florida

We are the sole general partner and a 23% limited partner in this limited partnership which has owned and operated a restaurant in Pembroke Pines, Florida under our “Flanigan’s Seafood

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Pembroke Pines, Florida *(Continued)*

Bar and Grill" service mark since October 29, 2007. 23.8% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2016, this limited partnership has returned to its investors approximately 75.0% of their initial cash invested, increased from approximately 62.0% as of the end of our fiscal year 2015. This entity is consolidated in the accompanying financial statements.

Davie, Florida

We are the sole general partner and a 49% limited partner in this limited partnership which has owned and operated a restaurant in Davie, Florida under our "Flanigan's Seafood Bar and Grill" service mark since July 28, 2008. 12.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2016, this limited partnership has returned to its investors approximately 70.5% of their initial cash invested, increased from approximately 60.5% as of the end of our fiscal year 2015. This entity is consolidated in the accompanying financial statements.

Miami, Florida

We are the sole general partner and a 5% limited partner in this limited partnership which has owned and operated a restaurant in Miami, Florida under our "Flanigan's Seafood Bar and Grill" service mark since December 27, 2012. 26.8% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2016, this limited partnership has returned to its investors approximately 71.0% of their initial cash invested, increased from approximately 42.0% as of the end of our fiscal year 2015. This entity is consolidated in the accompanying financial statements.

Fort Lauderdale, Florida

A corporation, owned by a member of our Board of Directors, acts as sole general partner of a limited partnership which has owned and operated a restaurant in Fort Lauderdale, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 1, 1997. We have a 25% limited partnership interest in this limited partnership. 56.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. We have a franchise arrangement with this limited partnership. For accounting purposes, we do not consolidate the operations of this limited partnership into our operations. This entity is reported using the equity method in the accompanying consolidated financial statements. The following is a summary of condensed unaudited financial information pertaining to our limited partnership investment in Fort Lauderdale, Florida:

	2016	2015
Financial Position:		
Current assets	$ 167,000	$ 350,000
Non-current assets	647,000	553,000
Current liabilities	145,000	181,000
Operating Results:		
Revenues	3,480,000	3,252,000
Gross profit	2,310,000	2,135,000
Net income	66,000	133,000

NOTE 5. INVESTMENTS IN REAL PROPERTY

Oakland Park, Florida

During the first quarter of our fiscal year 2016, we purchased the real property and improvements located at 1290 East Commercial Boulevard, Oakland Park, Broward County, Florida (the "1290 Property") and the vacant real property located at 4990 N.E. 12th Avenue, Oakland Park, Broward County, Florida (the "4990 Property") diagonally adjacent thereto, for a total purchase price of $922,500. We plan to use the 6,000 square foot building located on the 1290 Property as office and warehouse space, to store, among other items generators as well as covered parking for our food truck and to use the 4990 Property as a storage yard.

Davie/Hollywood, Florida

During the second quarter of our fiscal year 2015, we acquired for $1.5 million cash at closing, vacant real property (the "Property"), which is contiguous to the real property we own where our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida, (Store #19) operates. We plan to (i) construct a building on the Property into which we will re-locate the existing (Store #19) package liquor store; and (ii) renovate and expand our (Store #19) restaurant into the former package liquor store space. The Property will also provide for a larger parking lot to be used by our customers.

NOTE 6. RECENT EXTENSIONS OF EXISTING LEASES FOR EXISTING LOCATIONS

Stuart, Florida

During the third quarter of our fiscal year 2016, we extended our lease for the restaurant we own located at 950 S. Federal Highway, Stuart, Florida (Store #75) for a period of five (5) years through April 30, 2021, with two (2) five (5) year renewal options, under the same terms and conditions.

Hialeah, Florida

During the fourth quarter of our fiscal year 2015, we extended our lease for the package liquor store we own located at 1550 W. 84th Street, Hialeah, Florida (Store #7) for a period of five (5) years through October 31, 2020, with one (1) five (5) year renewal option, under the same

NOTE 6. RECENT EXTENSIONS OF EXISTING LEASES FOR EXISTING LOCATIONS (Continued)

Hialeah, Florida (Continued)

terms and conditions except for fixed rental increases at the start of the lease extension and the renewal option, if exercised by the Company.

North Lauderdale, Florida

During the first quarter of our fiscal year 2015, we (i) exercised the final five (5) year renewal option to extend the term of our lease for the combination package liquor store and restaurant we own located at 5450 N. State Road 7, N. Lauderdale, Florida (Store #40) through December 31, 2020 under the existing terms and conditions and (ii) were granted an option to purchase the real property and improvements to be exercised on or before December 31, 2020 for a purchase price of $1,200,000, cash at closing.

NOTE 7. FINANCED INSURANCE PREMIUMS

Effective December 30, 2015, we cancelled our property insurance for the policy year beginning March 12, 2015 and replaced it with a new property insurance policy effective as of the same date. The cancelled property insurance policy was a one (1) year policy with an unaffiliated third party insurance carrier. The one (1) year property insurance premium was in the amount of $482,000, of which $416,000 was financed through an unaffiliated third party lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.95% per annum, over 8 months, with monthly payments of principal and interest, each in the amount of approximately $52,000. As of the date we cancelled the insurance, (December 30, 2015), the finance agreement was paid in full and the pro-rata balance of the unearned premiums that we were due, $100,000, was recorded as a receivable as of the end of the first quarter of our fiscal year 2016. We cancelled our property insurance policy effective December 30, 2015 and replaced it with a new property insurance policy effective as of the same date so that our property insurance expires at the same time as our general liability insurance policies.

During our fiscal year 2016, we financed the following three (3) property and general liability insurance policies, totaling approximately $1.17 million, which property and general liability insurance includes coverage for our franchises of approximately $256,000 of the amount financed, which are not included in our consolidated financial statements:

(i) For the policy year beginning December 30, 2015, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate $470,000, of which $377,000 is financed through an unaffiliated third party lender (the "Third Party Lender"). The finance agreement obligates us to repay the amounts financed together with interest at the rate of 2.95% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of $38,000. The finance agreement is secured by a

NOTE 7. FINANCED INSURANCE PREMIUMS (Continued)

security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(ii) For the policy year beginning December 30, 2015, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate $480,000, of which $385,000 is financed through the Third Party Lender. The finance agreement obligates us to repay the amounts financed, together with interest at the rate of 2.95% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of $39,000. The finance agreement is secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(iii) For the policy year beginning December 30, 2015, our property insurance is a one (1) year policy. The one (1) year property insurance premium is in the amount of $504,000, of which $404,000 is financed through the Third Party Lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.95% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of approximately $41,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

As of October 1, 2016, the aggregate principal balance owed from the financing of our property and general liability insurance policies is $186,000. (See Note 10)

NOTE 8. LIQUOR LICENSES

Liquor licenses, which are indefinite lived assets, are tested for impairment in September of each of our fiscal years. The fair value of liquor licenses at October 1, 2016, exceeded the carrying amount; therefore, we recognized no impairment loss. The fair value of the liquor licenses was evaluated by comparing the carrying value to recent sales for similar liquor licenses in the County issued. At October 1, 2016 and October 3, 2015, the total carrying amount of our liquor licenses was $630,000. We acquired no liquor licenses in our fiscal years 2016 and 2015.

NOTE 9. INCOME TAXES

The components of our provision for income taxes for our fiscal years 2016 and 2015 are as follows:

	2016	2015
Current:		
Federal	$1,078,000	$1,270,000
State	254,000	294,000
	1,332,000	1,564,000

Deferred:		
Federal	32,000	81,000
State	3,000	9,000
	35,000	90,000
	$ 1,367,000	$ 1,654,000

A reconciliation of income tax computed at the statutory federal rate to income tax expense is as follows:

	2016	2015
Tax provision at the statutory rate of 34%	$2,154,000	$2,344,000
Non-controlling interests	(656,000)	(605,000)
State income taxes, net of federal income tax	186,000	212,000
FICA tip credit	(343,000)	(313,000)
True up adjustment	(26,000)	(16,000)
Other permanent items	52,000	32,000
	$1,367,000	$1,654,000

We have deferred tax assets which arise primarily due to depreciation recorded at different rates for tax and book purposes offset by cost basis differences in depreciable assets due to the deferral of the recognition of insurance recoveries on casualty losses for tax purposes, investments in and management fees paid by limited partnerships, accruals for potential uninsured claims, bonuses accrued for book purposes but not paid within two and a half months for tax purposes, the capitalization of certain inventory costs for tax purposes not recognized for financial reporting purposes, the recognition of revenue from gift cards not redeemed within twelve months of issuance, allowances for uncollectable receivables, unfunded limited retirement commitments and tax credit carryforwards generated as a result of the application of alternative minimum taxes.

The components of our deferred tax assets at October 1, 2016 and October 3, 2015 were as follows:

	2016	2015
Current:		
Reversal of aged payables	$ 27,000	$ 27,000
Capitalized inventory costs	26,000	23,000
Accrued bonuses	342,000	327,000
Accruals for potential uninsured claims	41,000	25,000
Gift cards	178,000	141,000
Limited partnership management fees	(233,000)	(168,000)
	$381,000	$375,000
Long-Term:		
Book/tax differences in property and equipment	$628,000	$650,000
Limited partnership investments	197,000	213,000
Accrued limited retirement	37,000	40,000
	$862,000	$903,000

NOTE 10. DEBT

Long-Term Debt

	2016	2015
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.778% at October 1, 2016), but with $2,859,000 of the principal amount fixed at 4.51% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $23,700, and our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, ($572,000), is payable at BBA LIBOR – 1 Month + 2.25% interest rate, (2.778% as of October 1, 2016). The entire principal balance and all accrued but unpaid interest is due on December 1, 2019.	$3,431,000	$3,656,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 7½%, amortized over 20 years, payable in monthly installments of principal and interest of approximately $15,700, with a balloon payment of approximately $1,331,000 in December, 2022.	1,772,000	1,826,000
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.778% at October 1, 2016), but with the principal amount fixed at 4.35% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $8,775, with a balloon payment of approximately $858,000 on January 31, 2023.	1,229,000	1,279,000
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 3.25%, (3.778% at October 1, 2016), but fixed at 4.00% pursuant to a swap agreement, payable in forty two (42) monthly installments of principal and interest of approximately $41,000, with the final payment made July 24, 2016.	--	399,000
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 2.25%, (2.778% at October 1, 2016), but fixed at 3.43%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately $38,000, payable interest only for 3 months and then fully amortized over 45		

months, with the final payment made December 1, 2015.	--	107,000
Mortgage payable to a related party, an entity the owners of which include persons who are either our officers, directors or their family members, secured by first mortgage on real property and improvements, bearing interest at 5%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $5,700, with a balloon payment of approximately $457,000 due in March, 2021.	640,000	676,000
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR +2.25%, (2.778% at October 1, 2016), but fixed at 5.11% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $4,600, with a balloon payment of approximately $720,000 due in August, 2017.	750,000	785,000
Mortgage payable to related party, an entity the owners of which include persons who are either our officers, directors or their family members, secured by first mortgage on real property and improvements, bearing interest at 5%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $4,900, with a balloon payment of approximately $391,000 in May, 2021.	552,000	583,000
Financed insurance premiums, secured by all insurance policies, bearing interest at 2.95% payable in monthly installments of principal and interest in the aggregate amount of $118,000 a month through October 30, 2016.	186,000	252,000
Mortgage payable to related party, an entity the owners of which include persons who are either our officers, directors or their family members, secured by first mortgage on real property and improvements, bearing interest at 5%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $6,000, with a balloon payment of approximately $476,000 due in April, 2021.	669,000	706,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 7½%, amortized over 20 years, payable in monthly installments of principal and interest of approximately $7,300, with a final payment due in March, 2034.	847,000	869,000

Other	179,000	242,000
	10,255,000	11,380,000
Less current portion	1,466,000	1,307,000
	$8,789,000	$10,073,000

Long-term debt at October 1, 2016 matures as follows:

2017	$ 1,466,000
2018	542,000
2019	539,000
2020	3,041,000
2021	669,000
Thereafter	3,998,000
	$10,255,000

As of October 1, 2016, we are in compliance with the covenants of all loans with our lender.

NOTE 11. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Construction Contract

On March 28, 2016, we entered into a construction contract in the amount of $1,061,000 to build a new building on a parcel of real property which we own which is near the real property where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates. Our intent is to re-locate our package liquor store to the new building and to renovate and expand the restaurant into the former package liquor store space. As of October 1, 2016, we are in the early construction stage.

Legal Matters

We are a party to various claims, legal actions and complaints arising in the ordinary course of our business. It is our opinion that all such matters are without merit or involve such amounts that an unfavorable disposition would not have a material adverse effect on our financial position or results of operations.

During the first quarter of our fiscal year 2015, we settled seven (7) employment related, self-insured lawsuits filed against us, including against several of our limited partnerships, for an aggregate total of approximately $193,000. We have previously accrued for this potential self-insured liability in the accompanying consolidated balance sheets in the caption "Accounts payable and accrued expenses".

Leases

We lease a substantial portion of the land and buildings used in our operations under leases with initial terms expiring between 2017 and 2027. Renewal options are available on many of our leases. Most of our leases are fixed rent agreements. For one Company-owned restaurant/package liquor store combination unit, lease rental is subject to sales overrides ranging from 3% to 4% of annual sales in excess of established amounts. For another

Leases *(Continued)*

Company-owned restaurant, lease rental is subject to sales overrides of 7.3% of annual sales in excess of the base rent paid and another Company-owned restaurant, lease rental is subject to sales overrides of 3.0% of annual sales. For four limited partnership restaurants, lease rentals are subject to sales overrides ranging from 2% to 5.5% of annual sales in excess of the base rent paid. We recognize rent expense on a straight line basis over the term of the lease and percentage rent as incurred.

We have a ground lease for an out parcel in Hollywood, Florida where we constructed a 4,120 square foot stand-alone building, one-half (1/2) of which is used by us for the operation of our Company-owned package liquor store and the other one-half (1/2) of which is subleased to an unrelated third party as retail space. Rent for the retail space commenced January 1, 2005, and we generated approximately $102,000 and $54,000 of revenue from this source during our fiscal years ended October 1, 2016 and October 3, 2015, respectively. Total future minimum sublease payments under the non-cancelable sublease are $198,000, including Florida sales tax (currently 6%) through December 31, 2019.

Future minimum lease payments, including Florida sales tax (currently 6% to 7%) under our non-cancelable operating leases as of October 1, 2016 are as follows:

2017	$ 2,907,000
2018	2,445,000
2019	2,359,000
2020	1,777,000
2021	950,000
Thereafter	1,067,000
Total	$11,505,000

Total rent expense for all of our operating leases was approximately $3,506,000 and $3,386,000 in our fiscal years 2016 and 2015, respectively, and is included in "Occupancy Costs" in our accompanying consolidated statements of income. This total rent expense is comprised of the following:

	2016	2015
Minimum Base Rent	$ 2,694,000	$ 2,636,000
Contingent Percentage Rent	812,000	750,000
Total	$3,506,000	$ 3,386,000

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants during calendar year 2017, on November 5, 2016, we entered into a purchase agreement with our current rib supplier, whereby we agreed to purchase approximately $5,779,000 of baby back ribs during calendar year 2017 from this vendor at a fixed cost.

Purchase Commitments *(Continued)*

While we anticipate purchasing all of our rib supply from this vendor, we believe that several other alternative vendors are available, if necessary.

Franchise Program

At October 1, 2016 and October 3, 2015, we were the franchisor of five units under franchise agreements. Of the five franchised stores, three are combination restaurant/package liquor stores and two are restaurants (one of which we operate). Four franchised stores are owned and operated by related parties as follows:

- James G. Flanigan, our Chairman of the Board of Directors, Chief Executive Officer and President of the Company, and Michael B. Flanigan, a member of our Board of Directors and James G. Flanigan's brother, are each a 35.24% owner of a company which has a franchise arrangement with us for the operation of a combination restaurant/package liquor store located in Coconut Grove, Florida (Store #18).

- Patrick J. Flanigan, brother to both James G. Flanigan and Michael B. Flanigan and a member of our Board of Directors, owns 100% of a company which has a franchise arrangement with us for the operation of a combination restaurant/package liquor store located in Pompano Beach, Florida (Store #43).

- Our officers and directors collectively own 30% of the shareholder interest of a company which has a franchise arrangement with us for the operation of a restaurant located in Deerfield Beach, Florida. The shareholder interest of James G. Flanigan's family represents an additional 60% of the total invested capital in this franchised location (Store #14).

- Patrick J. Flanigan is the sole general partner and a 25% limited partner in a limited partnership which has a franchise arrangement with us for the operation of a restaurant located in Fort Lauderdale, Florida. The Company is a 25% limited partner in this limited partnership and officers and directors of the Company (excluding Patrick J. Flanigan) own an additional 31.9% limited partnership interest in this franchised location (Store #15).

Under the franchise agreements, we provide guidance, advice and management assistance to the franchisees. In addition and for an additional annual fee of approximately $25,000, we also act as fiscal agent for the franchisees whereby we collect all revenues and pay all expenses and distributions. We also, from time to time, advance funds on behalf of the franchisees for the cost of renovations. The resulting amounts receivable from and payable to these franchisees are reflected in the accompanying consolidated balance sheet as either an asset or a liability. We also agree to sponsor and

Franchise Program (Continued)

manage cooperative buying groups on behalf of the franchisees for the purchase of inventory. The franchise agreements provide for royalties to us of approximately 3% of gross restaurant sales and 1% of gross package liquor sales. During our fiscal years 2016 and 2015, we earned royalties of $606,000 and $576,000, respectively, from our related franchises. We are not currently offering or accepting new franchises.

Employment Agreement/Bonuses

As of October 1, 2016 and October 3, 2015, we had no employment agreements.

Our Board of Directors approved an annual performance bonus, with 14.75% of the corporate pre-tax net income, plus or minus non-recurring items, but before depreciation and amortization in excess of $650,000 paid to the Chief Executive Officer and 5.25% paid to other members of management. Bonuses for our fiscal years 2016 and 2015 amounted to approximately $1,497,000 and $1,519,000, respectively.

Our Board of Directors also approved an annual performance bonus, with 5% of the pre-tax net income before depreciation and amortization from our restaurants in excess of $1,875,000 and our share of the pre-tax net income before depreciation and amortization from the restaurants owned by the limited partnerships paid to the Chief Operating Officer and 5% paid to the Chief Financial Officer. Bonuses for our fiscal years 2016 and 2015 amounted to approximately $897,000 and $861,000, respectively.

Management Agreements

Atlanta, Georgia

We own, but do not operate, an adult entertainment nightclub located in Atlanta, Georgia which operates under the name “Mardi Gras”. We have a management agreement with an unaffiliated third party to manage the club. Under our management agreement, the unaffiliated third party management firm is obligated to pay us an annual amount, paid monthly, equal to the greater of $150,000 or ten (10%) percent of gross sales from the club, offset by one-half (1/2) of any rental increases, provided our fees will never be less than $150,000 per year. For our fiscal years ended October 1, 2016 and October 3, 2015, we generated $150,000 and $163,000 of revenue, respectively, from the operation of the club.

Deerfield Beach, Florida

Since January 2006, we have managed “The Whale’s Rib”, a casual dining restaurant located in Deerfield Beach, Florida, pursuant to a management agreement. We paid $500,000 in exchange for our rights to manage this restaurant. The management agreement is being amortized on a straight line basis over the life of the initial term of the agreement, ten (10) years. As of October 1, 2016 and October 3, 2015, the balance of our management agreement of $-0- and $13,000 was included in other assets in the accompanying consolidated balance sheet. The restaurant is owned by a third party unaffiliated with us. In exchange for providing management, bookkeeping and related services, we receive one-half (½) of the net profit, if any, from the operation of the restaurant. During the third quarter of our fiscal year 2011, the term of the management agreement was extended through January 9, 2036. For the fiscal years ended October 1, 2016 and October 3, 2015, we generated $442,000 and $500,000 of revenue respectively, from providing these management services.

NOTE 12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

We follow FASB (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. Topic 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance. Topic 820 establishes a fair market hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs -- Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to evaluation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.
- Level 3 Inputs -- One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

Interest Rate Swap Agreements

At October 1, 2016, we had three variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we re-financed the mortgage loan encumbering our corporate offices (the "Refinanced Mortgage Loan"). In November, 2011, we financed our purchase of the real property and two building shopping center in Miami, Florida, with a $4,500,000 mortgage loan (the "$4.5M Mortgage Loan"). In January, 2013, we re-financed the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the "$1.405M Loan").

As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following three (3) interest rate swap agreements:

(i) One (1) interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the "Mortgage Loan Swap"). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of $935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 1, 2016, we determined that based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender, the swap is not an effective hedging agreement, however the fair value of the Mortgage Loan Swap was not material; and

(ii) The second interest rate swap agreement entered into in November, 2011 by our wholly owned subsidiary, Flanigan's Calusa Center, LLC, relates to the $4.5 Mortgage Loan (the "$4.5M Mortgage Loan Swap"). The $4.5M Mortgage Loan Swap requires us to pay interest for an eight (8) year period at a fixed rate of 4.51% on an initial amortizing notional principal amount of $3,750,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at October 1, 2016, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(iii) The third interest rate swap agreement entered into in January, 2013 relates to the $1.405M Loan (the "$1.405M Term Loan Swap"). The $1.405M Term Loan Swap requires us to pay interest for a twenty (20) year period at a fixed rate of 4.35% on an initial amortizing notional principal amount of $1,405,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at October 1, 2016, the interest rate swap agreement is an effective hedging agreement and the fair value was not material.

NOTE 13. COMMON STOCK

Treasury Stock

Purchase of Common Shares

During our fiscal years 2016 and 2015, we did not purchase any shares of our common stock. As of October 1, 2016, we still have authority to purchase 65,414 shares of our common stock under the discretionary plan approved by the Board of Directors on May 17, 2007. Our current repurchase plan has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions, up to a purchase price of price of $15 per share.

NOTE 14. BUSINESS SEGMENTS

We operate principally in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. Information concerning the revenues and operating income for our fiscal years ended 2016 and 2015, and identifiable assets for the two reportable segments in which we operate, are shown in the following table. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expense and income taxes. Identifiable assets by segment are those assets that are used in our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material.

	2016	2015
Operating Revenues:		
Restaurants	$ 85,446,000	$81,502,000
Package stores	15,661,000	15,166,000
Other revenues	2,511,000	2,453,000
Total operating revenues	$103,618,000	$99,121,000
Income from Operations Reconciled to Income after Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	$9,468,000	$8,624,000
Package stores	853,000	1,015,000
	10,321,000	9,639,000
Corporate expenses, net of other revenues	(3,520,000)	(2,238,000)
Income from Operations	6,801,000	7,401,000
Interest expense	(557,000)	(610,000)
Interest and Other Income	92,000	102,000
Income before provision for income taxes	$ 6,336,000	$ 6,893,000
Provision for Income Taxes	(1,367,000)	(1,654,000)
Net Income	4,969,000	5,239,000
Net Income Attributable to Noncontrolling Interests	(1,929,000)	(1,778,000)
Net Income Attributable to Flanigan's Enterprises, Inc, Stockholders	$3,040,000	$3,461,000
Identifiable Assets:		
Restaurants	$28,461,000	$29,478,000
Package store	4,727,000	4,393,000
	33,188,000	33,871,000
Corporate	23,376,000	20,751,000
Consolidated Totals	$56,564,000	$54,622,000
Capital Expenditures		

Restaurants	$ 1,353,000	$ 3,453,000
Package stores	328,000	246,000
	1,681,000	3,699,000
Corporate	1,743,000	429,000
Total Capital Expenditures	$ 3,424,000	$ 4,128,000
Depreciation and Amortization:		
Restaurants	$2,064,000	$1,975,000
Package stores	205,000	205,000
	2,269,000	2,180,000
Corporate	416,000	493,000
Total Depreciation and Amortization	$2,685,000	$2,673,000

NOTE 15. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the quarters in our fiscal years 2016 and 2015.

	Quarter Ended			
	Jan. 2, 2016	April 2, 2016	July 2, 2016	Oct. 1, 2016 -13 weeks
Revenues	$25,278,000	$26,974,000	$26,383,000	$24,983,000
Income from operations	1,351,000	1,978,000	2,411,000	1,061,000
Net income attributable to stockholders	624,000	874,000	1,147,000	395,000
Net income per share – basic and diluted	0.34	0.47	0.62	0.21
Weighted average common stock outstanding – basic and diluted	1,858,647	1,858,647	1,858,647	1,858,647

	Quarter Ended			
	Dec. 27, 2014	March 28, 2015	June 27, 2015	Oct. 3, 2015 -14 weeks
Revenues	$23,320,000	$25,894,000	$24,796,000	$25,111,000
Income from operations	1,322,000	2,357,000	1,947,000	1,775,000
Net income attributable to stockholders	707,000	1,124,000	842,000	788,000
Net income per share – basic and diluted	0.38	0.60	0.45	0.43
Weighted average common				

stock outstanding – basic and diluted	1,858,647	1,858,647	1,858,647	1,858,647

Quarterly operating results are not necessarily representative of our operations for a full year for various reasons including the seasonal nature of both the restaurant and package store segments.

NOTE 16. 401(k) PLAN

Effective July 2004, we began sponsoring a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. Employees may contribute elective deferrals to the plan up to amounts allowed under the Internal Revenue Code. We are not required to contribute to the plan but may make discretionary profit sharing and matching contributions. During our fiscal years 2016 and 2015, we made discretionary contributions of $43,000 and $35,000, respectively.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these consolidated financial statements were issued and no events required disclosure.

31.1 CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, **James G. Flanigan**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Flanigan's Enterprises, Inc. for the period ended October 1, 2016;

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

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

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

control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

/s/ James G. Flanigan

Name: James G. Flanigan
Chief Executive Officer and President
Date: December 22, 2016

31.2 CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, **Jeffrey D. Kastner**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Flanigan's Enterprises, Inc. for the period ended October 1, 2016;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based

on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee or registrant's board of directors or persons performing the equivalent function:

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

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

/s/ Jeffrey D. Kastner

Name: Jeffrey D. Kastner
Chief Financial Officer and Secretary
Date: December 22, 2016

32.1 CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Flanigan's Enterprises, Inc., (the "Company") on Form 10-K for the fiscal year ended October 1, 2016, as filed with the Securities and Exchange Commission of the date hereof (the "Annual Report"), I, **James G. Flanigan**, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. SS.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1) This Annual Report on Form 10-K of the Company, to which this certification is attached as a Exhibit, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James G. Flanigan

Name: James G. Flanigan
Chief Executive Officer and President
Date: December 22, 2016

The foregoing certificate is provided solely for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose whatsoever. Notwithstanding anything to the contrary set forth herein or in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate the Company's future filings, including this annual report on Form 10-K, in whole or in part, this certificate shall not be incorporated by reference into any such filings. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

32.2 CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Flanigan's Enterprises, Inc., (the "Company") on Form 10-K for the fiscal year ended October 1, 2016, as filed with the Securities and Exchange Commission of the date hereof (the "Annual Report"), I, **Jeffrey D. Kastner**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1) This Annual Report on Form 10-K of the Company, to which this certification is attached as an Exhibit, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey D. Kastner

Name: Jeffrey D. Kastner
Chief Financial Officer and Secretary
Date: December 22, 2016

The foregoing certificate is provided solely for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose whatsoever. Notwithstanding anything to the contrary set forth herein or in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate the Company's future filings, including this annual report on Form 10-K, in whole or in part, this certificate shall not be incorporated by reference into any such filings. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.