FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 2, 2010 AND OCTOBER 3, 2009

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Flanigan's Enterprises, Inc.
Fort Lauderdale, Florida

We have audited the accompanying consolidated balance sheets of Flanigan's Enterprises, Inc. and Subsidiaries as of October 2, 2010 and October 3, 2009 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. Flanigan's Enterprises, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 consolidated 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 2, 2010 and October 3, 2009, 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.

a division of Marcum, LLP
Fort Lauderdale, Florida
December 28, 2010

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 2, 2010, we (i) operated 24 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 one restaurant and four combination restaurants/package liquor stores, (one of which we operate). 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 2010 is comprised of a 52-week period and our fiscal year 2009 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 nine limited partnerships in which we act as general partner and have controlling interests. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the U.S. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 Accounting Standards Codification (FASB 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 5).

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. The building and building improvements of our corporate offices in Fort Lauderdale, Florida; our combination restaurant and package liquor stores in Hallandale, Florida and Hollywood, Florida; and our restaurant in Fort Lauderdale, Florida, all of which we own, are being depreciated over forty years.

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.

)TE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Effective October, 2008 through December 31, 2013, federally insured limits have been increased from $100,000 to $250,000 for interest bearing deposits. However, effective January 1, 2010, our primary financial banking institution no longer participated in the Temporary Liquidity Guarantee Program, which program provided FDIC coverage on the full balance of non-interest bearing accounts. As a result, as of October 2, 2010, $4,700,000 was held in excess of federally insured limits. We have not experienced any losses in such accounts.

Major Supplier

Throughout our fiscal years 2010 and 2009, 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. We believe that several other alternative vendors are available, if necessary.

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.

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 openers" (a team of select

)TE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pre-opening Costs (Continued)

employees who travel to new restaurants to ensure that our high standards for quality are met), rent and promotional costs. We expense pre-opening costs as incurred. During our fiscal years 2010 and 2009, we had no limited partnership restaurants under development and therefore no limited partnerships reported losses primarily due to pre-opening costs.

Advertising Costs

Our advertising costs are expensed as incurred. Advertising costs incurred during our fiscal years ended October 2, 2010 and October 3, 2009 were approximately $465,000 and $351,000 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 2, 2010 and October 3, 2009, we were able to purchase excess liability insurance at a reasonable premium, 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.

Fair Value of Financial Instruments (continued)

In accordance with FASB ASC 820-10-50-1 (previously SFAS 157), we utilized a valuation model to determine the fair value of our swap agreement. As the valuation model for the swap agreements were based upon observable inputs, they are classified as Level 2 (see Note 9).

Derivative Instruments

We account for derivative instruments in accordance with FASB ASC Topic 815-10-05-4, (previously SFAS 133), "*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 recognized all changes in fair value through earnings unless the derivative is determined to be an effective hedge. We currently have no derivatives which have been designated as hedges (See Note 9).

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 adopted 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 2, 2010 and October 3, 2009. 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 2, 2010. 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 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 2010 and 2009, so there is no compensation expense recorded in our consolidated financial statements for our fiscal years 2010 or 2009.

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.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the presentation of the 2010 consolidated financial statements, which did not have a material impact on our net income or total assets.

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 and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share assumes the exercise of options granted if the weighted average market price exceeds the exercise price. Earnings per share are computed by dividing income available to common stockholders by the basic and diluted weighted average number of common shares.

)TE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements

Adopted

In December 2007, the FASB issued changes regarding business combinations. These changes establish principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. These changes also establish disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. These changes were adopted by us in the first quarter of fiscal 2010 and will have an impact on our accounting for any future business acquisitions.

In December 2007, the FASB issued changes regarding consolidation and non-controlling interests in consolidated financial statements. These changes impacted the accounting and reporting for minority interests, which are now recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method significantly changed the accounting for transactions with minority interest holders. These changes were adopted by us in the first quarter of our fiscal year 2010 and did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued changes regarding derivatives and hedging to enhance disclosures about an entity's derivative and hedging activities. These changes were adopted by us in the first quarter of our fiscal year 2010. These changes do not have a material impact on our consolidated financial statements.

The FASB has issued Accounting Standard Update (ASU) No. 2010-02, Consolidation (Topic 810) – *"Accounting and Reporting for Decreases in Ownership of a Subsidiary – A Scope Clarification*". This ASU clarifies that the scope of the decrease in ownership provisions of Subtopic 810-10 and related guidance and also clarifies that the decrease in ownership guidance in Subtopic 810-10 does not apply to: (a) sales of in substance real estate; and (b) conveyances of oil and gas mineral rights, even if these transfers involve businesses. The amendments in this ASU also expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets. These changes were adopted by us in the first quarter of our fiscal year 2010 and the adoption of this accounting standard will have an effect on the presentation and disclosure of the noncontrolling interests of any non wholly-owned businesses acquired in the future.

Issued

In August 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-22 – Accounting for Various Topics – This ASU amends various SEC paragraphs and covers the issuance of SAB 112 which amends or rescinds portions of certain SAB topics. The adoption of ASU No. 2010-22 will not have a material impact on our financial statements.

)TE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements (Continued)

Issued (Continued)

In August 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-21 - Accounting for Technical Amendments to Various SEC Rules and Schedules—This Accounting Standards Update amends various SEC paragraphs pursuant to the issuance of Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. The adoption of ASU No. 2010-21 will not have a material impact on our financial statements.

In February 2010, the FASB amended its authoritative guidance related to subsequent events to alleviate potential conflicts with current United States Securities Exchange Commission ("SEC") guidance. Effective immediately, these amendments remove the requirement that an SEC filer disclose the date through which it has evaluated subsequent events. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In January, 2010, the FASB issued ASU 2010-06 which clarifies and provides additional disclosure requirements on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair market measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). This standard is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of revised Level 3 disclosure requirements which are effective for interim and annual reporting periods beginning after December 15, 2010. Comparative disclosures are not required in the year of adoption, Such adoption did not have a material impact on our financial position or results of operation.

In June 2009, the FASB issued changes to the accounting for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, these changes require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise's involvement in a variable interest entity. These changes become effective for annual periods beginning after November 15, 2009 and will be adopted by us in our fiscal year 2011. We are currently evaluating the potential impact, if any, of the adoption of these changes on consolidated results of operations and financial condition.

)TE 2. PROPERTY AND EQUIPMENT

	2010	2009
Furniture and equipment	$ 9,987,000	$ 9,589,000
Leasehold improvements	16,753,000	19,131,000
Land and land improvements	7,109,000	5,110,000
Building and improvements	7,169,000	2,397,000
Vehicles	690,000	688,000
	41,708,000	36,915,000
Less accumulated depreciation and amortization	17,713,000	15,675,000
	$23,995,000	$21,240,000

Depreciation and amortization expense for the fiscal years ended October 2, 2010 and October 3, 2009 was approximately $2,241,000 and $2,259,000, respectively.

)TE 3. LEASEHOLD INTERESTS

	2010	2009
Leasehold interests, at cost	$2,928,000	$2,929,000
Less accumulated amortization	1,483,000	1,285,000
	$1,445,000	$1,644,000

Future leasehold amortization as of October 2, 2010 is as follows:

2011	$212,000
2012	147,000
2013	127,000
2014	127,000
2015	121,000
Thereafter	711,000
Total	$1,445,000

)TE 4. INVESTMENTS IN LIMITED PARTNERSHIPS

We have invested with others, (some of whom are or are affiliated with our officers and directors), in ten limited partnerships which own and operate ten 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.

)TE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

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 2, 2010, limited partnerships owning three (3) restaurants, (Surfside, Florida, Kendall, Florida and West Miami, 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. Although we have no restaurants under development and whether we will have any under development in the future will be dependent, among other things, on market conditions and our ability to raise capital, we anticipate that we will continue to form limited partnerships to raise funds to own and operate restaurants under our service mark "Flanigan's Seafood Bar and Grill" using the same or substantially similar financial arrangement.

Surfside, Florida

We are the sole general partner and a 45% 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. 34.9% 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.

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. 29.7% 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.

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. 34.1% 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.

Weston, Florida

We are the sole general partner and a 30% limited partner in this limited partnership which has owned and operated a restaurant in Weston, Florida under our "Flanigan's Seafood Bar and Grill" service mark since January 20, 2003. 35.1% 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 2010, this limited partnership has returned to its investors approximately 73.75% of their initial cash invested. During our fiscal year 2010, no distribution were made to limited partners as this limited partnership had limited cash flow generated by this restaurant. This entity is consolidated in the accompanying financial statements.

Stuart, Florida

We are the sole general partner and a 13% limited partner in this limited partnership which has owned and operated a restaurant in a Howard Johnson's Hotel in Stuart, Florida under our "Flanigan's Seafood Bar and Grill" service mark since January 11, 2004. 31.0% 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 2010, this limited partnership has returned to its investors approximately 22.5% of their initial cash invested.

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Stuart, Florida *(Continued)*

During our fiscal years 2010 and 2009, no distributions were made to limited partners as this limited partnership had a net loss of $19,000 and a net gain of $1,000 from the operation of the restaurant during the fiscal years 2010 and 2009, respectively, before depreciation and amortization, and owed the Company $228,000 and $241,000, as of the end of our fiscal years 2010 and 2009, respectively, in advances made to meet operating losses. This entity is consolidated in the accompanying financial statements and therefore the intercompany transactions are eliminated. As of October 2, 2010 and October 3, 2009, the amounts this limited partnership owes to us have been offset with an allowance for doubtful accounts, in the amount of $228,000 and $241,000, respectively, on our balance sheet and is offset by an eliminating entry in consolidation in accordance with ASC 810 regarding accounting for consolidation.

During the fourth quarter of our fiscal year 2010, this limited partnership entered into a new lease with the lender which acquired ownership of the property through foreclosure. The term of the lease is three (3) years, retroactive to May 1, 2010, with one (1) three (3) year renewal option and the annual rent is subject to fixed annual increases. During the fourth quarter of our fiscal year 2010, the lender discontinued its "Howard Johnson's" franchise, which gives this limited partnership the right to terminate the lease in the event a new franchise with a national hotel chain is not executed within ninety (90) days of the termination of the "Howard Johnson's" franchise or at anytime thereafter until a new franchise with a national hotel chain is executed. If this limited partnership were to terminate the lease and was required to vacate the Stuart, Florida premises, it would have a material adverse effect on its operations. No assurance can be given that the limited partnership would be able to locate a suitable replacement location at reasonable rates and terms, if at all.

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. 25.7% 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 2010, this limited partnership has returned to its investors approximately 47% of their initial cash invested, increased from approximately 42% as of the end of our fiscal year 2009. This entity is consolidated in the accompanying financial statements.

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Pinecrest, Florida

We are the sole general partner and 40% 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. 15.0% 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 2010, this limited partnership has returned to its investors approximately 50% of their initial cash invested, increased from approximately 38% as of the end of our fiscal year 2009. This entity is consolidated in the accompanying financial statements.

Davie, Florida

We are the sole general partner and a 48% 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. 9.7% 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 2010, this limited partnership has returned to its investors approximately 13.5% of their initial cash invested, increased from approximately 7.0% as of the end of our fiscal year 2009. This entity is consolidated in the accompanying financial statements.

Pembroke Pines, Florida

We are the sole general partner and a 17% limited partner in this limited partnership which has owned and operated a restaurant in Pembroke Pines, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 29, 2007. 17.9% 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 2010, this limited partnership has returned to its investors approximately 18.5% of their initial cash invested, increased from approximately 11.0% as of the end of our fiscal year 2009. This entity is consolidated in the accompanying financial statements.

Fort Lauderdale, Florida

A corporation, owned by one of our 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. 58.8% 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.

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Fort Lauderdale, Florida (Continued)

The following is a summary of condensed unaudited financial information pertaining to our limited partnership investment in Fort Lauderdale, Florida:

	2010	2009
Financial Position:		
Current assets	$ 130,000	$ 76,000
Non-current assets	446,000	525,000
Current liabilities	120,000	126,000
Non-current liabilities	9,000	28,000
Operating Results:		
Revenues	2,347,000	2,300,000
Gross profit	1,558,000	1,509,000
Net income	48,000	1,300

)TE 5. 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 2, 2010, 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 2, 2010 and October 3, 2009, the total carrying amounts of our liquor licenses were $470,000 and $345,000, respectively. We acquired one (1) liquor license in fiscal year 2010 which required capitalization.

)TE 6. INCOME TAXES

The components of our provision for income taxes for our fiscal years 2010 and 2009 are as follows:

	2010	2009
Current:		
Federal	$625,000	$331,000
State	183,000	92,000
	808,000	423,000
Deferred:		
Federal	(29,000)	(167,000)
State	(22,000)	(29,000)
	(51,000)	(196,000)
	$ 757,000	$ 227,000

)TE 6. INCOME TAXES (Continued)

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

	2010	2009
Tax provision at the statutory rate of 34%	$828,000	$549,000
State income taxes, net of federal income tax	102,000	58,000
Deferred tax benefit of tip credit generated	(200,000)	(167,000)
Tax effect of consolidation elimination entry	5,000	(81,000)
Deferred tax asset true up	-	(140,000)
Other	22,000	8,000
	$757,000	$227,000

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 2, 2010 and October 3, 2009 were as follows:

	2010	2009
Current:		
Reversal of aged payables	$ 27,000	$ 27,000
Capitalized inventory costs	20,000	20,000
Accrued bonuses	165,000	135,000

Accruals for potential uninsured claims	21,000	48,000
Gift cards	33,000	16,000
JV management fees	(12,000)	-
Allowance for account receivable for consolidated affiliate	87,000	92,000
	$341,000	$338,000
Long-Term:		
Book/tax differences in property and equipment	$434,000	$406,000
Limited partnership investments	418,000	403,000
Accrued limited retirement	27,000	-
Alternative minimum tax carryforward	-	21,000
	$879,000	$830,000

)TE 7. DEBT

Long-Term Debt

	2010	2009
Mortgage payable to bank, secured by a first mortgage on real property and improvements, bearing interest at 7.5%; payable in monthly installments of principal and interest of $28,600, maturing in October, 2013.	$3,175,000	$3,273,000
Term loan payable to lender, secured by a blanket lien on all Company assets and a second mortgage on a building, bearing interest at BBA LIBOR +3.25%, (3.51% at October 2, 2010), but fixed at 4.55%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately $50,000, fully amortized over 36 months, with the final payment due August, 2013.	1,544,000	-
Mortgage payable to a related third party, secured by first mortgage on a real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $10,800, with a balloon payment of approximately $658,000 due in September, 2018.	1,000,000	-
Mortgage payable to bank, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR +2.25%, (2.51% at October 2, 2010), 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.	934,000	-
Mortgage payable to unrelated third party, secured by first mortgage on a real property and improvements, bearing interest at 8½ %, payable in monthly installments of principal and interest of approximately $8,400, maturing in November, 2017.	826,000	-
Mortgage payable, secured by first mortgage on real property and improvements, bearing interest at 10.0%; amortized over 30		

years, payable in monthly installments of principal and interest of approximately $4,000, with a balloon payment of approximately $413,000 in May, 2017.	441,000	444,000
Financed insurance premiums, secured by all insurance policies, bearing interest between 4.05% and 5.15%, payable in monthly installments of principal and interest in the aggregate amount of $42,000 through October 31, 2009; $33,000 through October 31, 2010; and $13,000 for November 30, 2010 for general liability insurance. The monthly installments for property insurance remained at $30,000 a month through August 31, 2010.	79,000	445,000
Mortgage payable to bank, secured by first mortgage on real property and improvements, bearing interest at 7.25%; payable in monthly installments of principal and interest of approximately $8,000, maturing in December, 2013. Paid in full on July 26, 2010.	-	936,000
Note payable to finance company, secured by vehicle, bearing interest at 9.25%, payable in monthly installments of principal and interest of approximately $4,500 through maturity in July 2010, at which time the unpaid principal of $45,000 becomes due. Paid in full on July 1, 2010.	-	80,000
	-	-
Other	54,000	36,000
	8,053,000	5,214,000
Less current portion	815,000	681,000
	$7,238,000	$4,533,000

Long-term debt at October 2, 2010 matures as follows:

2011	815,000
2012	763,000
2013	750,000
2014	2,942,000
2015	128,000
Thereafter	2,655,000
	$8,053,000

Line of Credit

In July, 2010, we converted the amount outstanding on our line of credit ($1,586,000) to a term loan maturing in July, 2013. As of October 2, 2010, we no longer have a line of credit.

)TE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Legal Matters

We own the building where our corporate offices are located. On April 16, 2001, we filed suit against the owner of the adjacent shopping center to determine our right to non-exclusive

Legal Matters (Continued)

parking in the shopping center. During fiscal year 2007, the appellate court affirmed and upon re-hearing, again affirmed the granting of a summary judgment in favor of the shopping center. The seller from whom we purchased the building was named as a defendant in the lawsuit by the owner of the adjacent shopping center and we filed and served a cross-complaint against the seller. During the fourth quarter of our fiscal year 2009, the seller was awarded reimbursement of its attorneys' fees and costs in the amount of $109,000 and during the second quarter of our fiscal year 2010, the trial court denied our motion for re-consideration of a portion of the award. During the third quarter of our fiscal year 2010, we paid the award of attorneys' fees and costs. During the second quarter of our fiscal year 2009, the seller filed suit against us for malicious prosecution. During the second quarter of our fiscal year 2010, the court denied the seller's motion for punitive damages. We deny the allegations and are vigorously defending against the allegations.

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.

Leases

We lease a substantial portion of the land and buildings used in our operations under leases with initial terms expiring between 2011 and 2049. 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 five 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 $50,000 and $49,000 of revenue from this source during our fiscal years ended October 2, 2010 and October 3, 2009, respectively. Total future minimum sublease payments under the non-cancelable sublease are $240,000, including Florida sales tax (currently 6%).

Future minimum lease payments, including Florida sales tax (currently 6% to 7%) under our non-cancelable operating leases as of October 2, 2010 are as follows:

2011	$ 2,516,000
2012	2,264,000
2013	2,077,000
2014	1,985,000
2015	1,559,000
Thereafter	4,703,000
Total	$15,104,000

Total rent expense for all of our operating leases was approximately $2,924,000 and $2,725,000 in our fiscal years 2010 and 2009, respectively, and is included in "Occupancy costs" in our accompanying consolidated statements of income. This total rent expense is comprised of the following:

	2010	2009
Minimum Base Rent	$ 2,511,000	$ 2,367,000
Contingent Percentage Rent	413,000	358,000
Total	$ 2,924,000	$ 2,725,000

Subsequent to the end of our fiscal year 2010, the limited partnership which owns the restaurant located in Surfside, Florida (Store #60) extended its lease for ten years or until December 31, 2021. The renewal terms are substantially the same as the existing lease, except that the annual rent will be subject to an increase January 1, 2011 and will thereafter be subject to fixed annual increases.

We guarantee various leases for franchisees and stores sold in prior years. Remaining rental payments required under these leases total approximately $941,000.

We account for such lease guarantees in accordance with FASB ASC Topic 460, "*Guarantees*". Under that standard, we would be required to recognize the fair value of guarantees issued or modified after December 31, 2002, for non-contingent guarantee obligations, and also a liability for contingent guarantee obligations based on the probability that the guaranteed party will not perform under the contractual terms of the guaranty agreement.

We do not believe it is probable that we will be required to perform under the remaining lease guarantees and therefore, no liability has been accrued in our consolidated financial statements.

)TE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Purchase Commitments

Effective November 30, 2010, we entered into a purchase agreement with a new rib supplier. The terms of the agreement stipulate that we will purchase approximately $3,100,000 of baby back ribs during the 2011 calendar year at a fixed cost. We contract for the purchase of baby back ribs on an annual basis to fix the cost and ensure adequate supply for the calendar year. We anticipate purchasing all of our rib supply from this vendor, but we believe that several other alternative vendors are available, if necessary.

Franchise Program

At October 2, 2010, we were the franchisor of five units under franchise agreements. At October 3, 2009, we were the franchisor of six units under franchise agreements. On October 18, 2009, we acquired the assets of the franchised restaurant in Boca Raton, Florida. Of the five franchised stores, four are combination restaurant/package liquor stores and one is a restaurant. Three franchised stores are owned and operated by related parties. 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 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. We are not currently offering or accepting new franchises.

Employment Agreement/Bonuses

As of October 2, 2010 and October 3, 2009, we had no employment agreements.

Our Board of Directors approved an annual performance bonus, with 14% 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 6% paid to other members of management. Bonuses for our fiscal years 2010 and 2009 amounted to approximately $700,000 and $459,000, 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 2010 and 2009 amounted to approximately $396,000 and $331,000, respectively.

Our Board of Directors approved an annual performance bonus, with 3% of the pre-tax net income before depreciation and amortization from the package liquor stores paid to the Vice President of Package Operations. Bonuses for our fiscal years 2010 and 2009 amounted to approximately $38,000 and $24,000, 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 2, 2010 and October 3, 2009, we generated $165,000 and $170,000 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 2, 2010 and October 3, 2009, the balance of our management agreement of $262,000 and $312,000 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. The term of the management agreement, which commenced January 9, 2006, is for ten (10) years, with four (4) five (5) year renewal options in favor of the owner of the restaurant. For our fiscal years ended October 2, 2010 and October 3, 2009, we generated $263,000 and $185,000 of revenue, respectively, from providing these management services. As of October 2, 2010, we have generated revenue in the aggregate amount of $866,000 since the effective date of the management agreement on January 9, 2006.

NOTE 9. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

As of October 2, 2010, we have fully adopted 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 2, 2010, we had two variable rate debt instruments (the Term Loan and the Refinanced Mortgage Loan) outstanding that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with third party financial institutions to effectively convert certain variable rate debt obligations to fixed rates. We are currently party to the following two (2) interest rate swap agreements:

(i) One (1) interest rate swap agreement entered into in July, 2010 relates to the Term Loan, (the "Term Loan Swap"). The Term Loan Swap requires us to pay interest for a three (3) year period at a fixed rate of 4.55% on an initial amortizing notional principal

Interest Rate Swap Agreements (Continued)

amount of $1,586,000, while receiving interest for the same period at the British Bankers Association LIBOR ("LIBOR"), Daily Floating Rate, plus 3.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 2, 2010, we determined the fair value of the Term Loan Swap based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender (Level 2 Input). The fair value of the Term Loan Swap was not significant at year end; and

(ii) The second interest rate swap agreement entered into in 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 2, 2010, we determined the fair value of the Mortgage Loan Swap based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender (Level 2 Input). The fair value of the Mortgage Loan Swap was not significant at year end.

NOTE 10. COMMON STOCK

Treasury Stock

Purchase of Common Shares

Pursuant to a discretionary plan approved by the Board of Directors, during our fiscal year 2010, we purchased 1,018 shares of our common stock for an aggregate purchase price of $6,000. Of the shares purchased, we purchased 1,000 shares of our common stock from the Joseph G. Flanigan Charitable Trust for $6,000 and 18 shares of our common stock were purchased on the open market. During our fiscal year 2009, we purchased 21,400 shares of our common stock for an aggregate purchase price of $87,000. Of the shares purchased, we purchased 850 shares of our common stock from the Joseph G. Flanigan Charitable Trust for $4,000 and 325 shares of our common stock from an employee for $2,000 in off market transactions, which reflected an actual per share purchase price which was equal to the average per share market price on the date of purchase. The balance of our common stock purchased, 20,225 shares, was purchased on the open market for an aggregate purchase price of $81,000.

Sale of Common Shares

During our fiscal years 2010 and 2009, we did not sell any shares of our common stock.

)TE 10. COMMON STOCK (Continued)

Stock Options

We granted no options during our fiscal years 2010 and 2009. We have no options outstanding at October 2, 2010. During fiscal years ended October 2, 2010 and October 3, 2009, NONE and 49,350 options expired unexercised.

)TE 11. 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 2010 and 2009, 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.

	2010	2009
Operating Revenues:		

Restaurants	$55,717,000	$52,979,000
Package stores	12,898,000	12,632,000
Other revenues	1,378,000	1,449,000
Total operating revenues	$69,993,000	$67,060,000
Operating Income Reconciled to Income before Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	$4,620,000	$3,695,000
Package stores	1,068,000	526,000
	5,688,000	4,221,000
Corporate expenses, net of other revenues	(2,073,000)	(1,774,000)
Operating income	3,615,000	2,447,000
Other Income	-	1,000
Net Income Attributable to Noncontrolling Interests	(799,000)	(627,000)
Interest expense, net of interest income	(380,000)	(205,000)
Income Before Income Taxes	$2,436,000	$1,616,000
Identifiable Assets:		
Restaurants	$22,043,000	$19,587,000
Package store	3,678,000	3,396,000
	25,721,000	22,983,000
Corporate	11,593,000	10,496,000
Consolidated Totals	$37,314,000	$33,479,000
Capital Expenditures:		
Restaurants	$ 3,957,000	$ 1,284,000
Package stores	940,000	305,000
	4,897,000	1,589,000
Corporate	108,000	345,000
Total Capital Expenditures	$ 5,005,000	$ 1,934,000
Depreciation and Amortization:		
Restaurants	$ 1,911,000	$ 1,887,000
Package stores	215,000	250,000
	2,126,000	2,137,000
Corporate	332,000	332,000
Total Depreciation and Amortization	$2,458,000	$2,469,000

)TE 12. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the quarters in our fiscal years 2010 and 2009.

	Quarter Ended			
	January 2, 2010	April 3, 2010	July 3, 2010	October 2, 2010
Revenues	$17,164,000	$18,938,000	$17,374,000	$16,517,000

Income from operations	591,000	1,515,000	1,034,000	475,000
Net income attributable to stockholders	288,000	670,000	426,000	295,000
Net income per share – Basic	0.15	0.36	0.23	0.16
Net income per share – Diluted	0.15	0.36	0.23	0.16
Weighted average common stock outstanding – basic	1,862,534	1,861,743	1,861,735	1,861,725
Weighted average common stock outstanding – diluted	1,862,534	1,861,743	1,861,735	1,861,725

	Quarter Ended			
	December 27, 2008	March 28, 2009	June 27, 2009	October 3, 2009
Revenues	$16,253,000	$17,757,000	$16,491,000	$16,559,000
Income from operations	289,000	1,214,000	650,000	294,000
Net income attributable to stockholders	172,000	684,000	311,000	222,000
Net income per share – Basic	0.09	0.37	0.17	0.12
Net income per share – Diluted	0.09	0.37	0.17	0.12
Weighted average common stock outstanding – basic	1,876,681	1,870,690	1,863,007	1,862,743
Weighted average common stock outstanding – diluted	1,876,681	1,870,690	1,863,007	1,862,743

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.

TE 13. 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 2010 and 2009, we made discretionary contributions of $21,000 and $NONE, respectively.

TE 14. SUBSEQUENT EVENTS

(a) Purchase of Real Property, (North Miami, FL.):

During the fourth quarter of our fiscal year 2010 we contracted for the purchase of the real property and building where our combination restaurant and package liquor store located at 13205 Biscayne Boulevard, North Miami, Florida,(Store #20), operates. Subsequent to the end of our fiscal year 2010, we assigned all of our rights under the contract to a new wholly owned subsidiary, (Flanigan’s Enterprises of N. Miami, Inc., a Florida corporation), and closed on the purchase. We paid $1,750,000 for this property, $850,000 of which we borrowed from a related third party, pursuant to a first mortgage, which we guaranteed. The mortgage note bears interest at the rate of ten (10%) percent per annum, is amortized over fifteen (15) years with equal

monthly payments of principal and interest, each in the amount of $9,100, with the entire principal balance and all accrued interest due in eight (8) years.

(b) Extension of Lease for Existing Location, (Surfside, FL.):

Subsequent to the end of our fiscal year 2010, the limited partnership which owns the restaurant located at 9516 Harding Avenue, Surfside, Florida, (Store #60), extended its lease for a period of ten years. The renewal terms are substantially the same as the existing lease, except that the annual rent will be subject to an increase effective January 1, 2011 and will thereafter be subject to fixed annual increases.

Subsequent events have been evaluated through the date these consolidated financial statements were issued. No events, other than the events described above, required disclosure.