COMMUNITY HEALTH SYSTEMS INC
Form 25-NSE
January 11, 2019

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Income (loss) from operations of discontinued restaurants (Includes net gain on disposal of $7,814 for the 39 week period ended June 30, 2007)

(85

)

(208

)

7,075

(1,218

)

Provision (benefit) for income taxes

(36

)

(71

)

2,434

(414

)

INCOME (LOSS) FROM DISCONTINUED OPERATIONS

(49

)

(137

)

4,641

(804

)

Income before cumulative effect of change in accounting principle	
	3,471
	2,488
	10,429
	3,252
Cumulative effect of change in accounting principle	

10

NET INCOME

$	3,471
$	2,488
$	10,439
$	3,252

PER SHARE INFORMATION - BASIC AND DILUTED:

Income from continuing operations

$

0.98

$

0.76

$

1.62

$

1.17

Discontinued operations

$

(0.01

)

$

(0.04

)

$

1.30

$

(0.23

)

Cumulative effect of change in accounting principle

$

$

$

$

BASIC

$	0.97
$	0.72
$	2.92
$	0.94

Income from continuing operations

$

0.97

$

0.74

$

1.61

$

1.14

Discontinued operations

$

(0.01

)

$

(0.04

)

$

1.29

$

(0.22

)

Cumulative effect of change in accounting principle

$

$

$

$

DILUTED	
$	0.96
$	0.70
$	2.90
$	0.92

WEIGHTED AVERAGE NUMBER OF SHARES - BASIC	
	3,590
	3,462
	3,578
	3,462

WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED	
	3,624
	3,546
	3,596
	3,546

See notes to consolidated condensed financial statements.

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

	39 Weeks Ended	
	June 30, 2007	July 1, 2006
		(see Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,439	$ 3,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(223)	19
Cumulative effect of change in accounting principle	(10)	
Tax benefit on exercise of stock options	(89)	
Stock-based compensation	330	561
Depreciation and amortization	3,052	2,421
Gain on disposal of discontinued operation	(7,814)	
Impairment loss on assets held for sale of discontinued operations	537	
Limited partner interest in income of consolidated variable interest entity	146	
Operating lease deferred credit	(239)	(175)
Changes in operating assets and liabilities:		
Accounts receivable	(628)	(1,293)
Related party receivables	(107)	
Employee receivables	79	(36)
Inventories	(119)	(154)
Prepaid expenses and other current assets	(139)	903
Other assets	144	(8)
Accounts payable - trade	317	(483)
Accrued expenses and other current liabilities	1,487	(479)
Accrued income taxes	1,502	235
Cash received from landlord		3,000
Net cash provided by continuing operating activities	8,665	7,763
Net cash provided by (used in) discontinued operating activities	86	(342)
Net cash provided by operating activities	8,751	7,421
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(4,090)	(3,932)
Proceeds from sale of discontinued operation	14,000	
Purchases of investment securities	(23,797)	
Proceeds from sales of investment securities	15,203	
Payment for purchase of Durgin Park	(2,000)	
Payments received on long-term receivables	662	312
Net cash used in continuing investing activities	(22)	(3,620)
Net cash used in discontinued investing activities		
Net cash used in investing activities	(22)	(3,620)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Tax benefit on exercise of stock options	89	
Principal payments on note payable	(71)	
Dividends paid	(14,500)	(3,635)
Exercise of stock options	568	
Distributions to limited partners of consolidated variable interest entity	(61)	
Net cash used in continuing financing activities	(13,975)	(3,635)
Net cash used in discontinued financing activities		
Net cash used in financing activities	(13,975)	(3,635)
NET DECREASE IN CASH	(5,246)	166
Cash and cash equivalents, Beginning of period	7,671	5,723
Cash and cash equivalents, End of period	$ 2,425	$ 5,889
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 48	$
Income taxes	$ 3,240	$ 2,343

See notes to consolidated condensed financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
June 30, 2007
(Unaudited)

1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION The consolidated condensed interim financial statements include the accounts of the Company and all of its partnerships and other entities in which it has a controlling interest. Also included in the consolidated condensed financial statements are certain variable interest entities, as discussed below. All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended September 30, 2006. The results of operations for interim periods are not necessarily indicative of the operating results to be expected for the full year.

RECLASSIFCATIONS Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation.

In connection with the sale of three facilities, the closure of two facilities and the classification of another facility as held for sale , the operations of these restaurants have been presented as discontinued operations for the 13-week and 39-week periods ended June 30, 2007 and the Company has reclassified its statements of operations and cash flow data for the prior periods presented, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144). These dispositions are discussed below in Recent Restaurant Dispositions.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES In June 2005, the Emerging Issues Task Force (EITF) issued EITF No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-5). EITF 04-5 presumes that a general partner controls a limited partnership and therefore should consolidate the partnership. This presumption can be overcome of the limited partners have kick-out or substantive participating rights. EITF 04-5 was effective for the Company s quarter ended December 30, 2006 and accordingly management has made an assessment of the limited partnership or similar entities that the Company provides management services to where it is also the general partner in the entity that owns the property.

Effective October 1, 2006 the Company determined that one of its managed restaurants, El Rio Grande (Rio), should be presented on a consolidated basis in accordance with EITF 04-5 and as a result included Rio in its consolidated financial statements. The impact of such consolidation was not material to the Company s condensed consolidated financial position or results of operations for any period presented.

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

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

2. ACQUISITION

On January 8, 2007, the Company acquired the operating assets and leasehold for the *Durgin Park Restaurant and the Black Horse Tavern* in Boston, Massachusetts for $2,000,000 in cash and a $1,000,000 five year promissory note bearing interest at a rate of 7% per year.

The following summarizes the estimated fair values of the assets acquired at the acquisition (Dollar amounts in thousands).

Intangibles	$ 2,487
Fixed assets	513
Purchase price	$ 3,000

The difference between the aggregate purchase price and fair value of the assets acquired has been recorded as an intangible asset. The Company is in the process of performing a valuation of the assets acquired, thus the allocation of the purchase price is subject to change.

The unaudited pro forma financial information set forth below is based upon the Company s historical statements of income for the three and nine month periods ended June 30, 2007 and July 1, 2006. The unaudited pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition occurred on the dates indicated, nor does it purport to represent the results of operations for future periods.

	13 Weeks Ended	39 Weeks Ended	
	July 1, 2006	June 30, 2007	July 1, 2006
Total revenues	$ 32,320	$ 91,432	$ 84,428
Net income	2,447	10,439	3,130
Net income per share - basic	$ 0.71	$ 2.92	$ 0.90
Net income per share - diluted	$ 0.70	$ 2.90	$ 0.88

3. RECENT RESTAURANT DISPOSITIONS

The Company entered into a sale and leaseback agreement with GE Capital in November 2000 to refinance the purchase of various restaurant equipment at its food and beverage facilities at the Desert Passage, the retail complex at the Aladdin Resort & Casino in Las Vegas, Nevada. In 2002, the operations at the Aladdin were abandoned. The lease matured in November 2005 and, in connection therewith, the Company made an unprovided for lump sum payment of $142,000 due under this lease. This lump sum payment is included in discontinued operations during the first quarter of fiscal 2006.

The Company s bar/nightclub facility Venus, located at the Venetian Casino Resort, experienced a steady decline in sales and the Company felt that a new concept was needed at this location. During the first quarter of 2005, this bar/nightclub facility was closed and re-opened on February 4, 2005 as Vivid . Total conversion costs were approximately $400,000. Sales at the new bar/nightclub facility failed to reach the level sufficient to achieve the results the Company required. As of December 31, 2005, the Company classified the assets and liabilities of this bar/nightclub facility as held for sale in accordance with FAS 144. Based on the offers made for this facility, the Company recorded an impairment charge of $537,000 during the fiscal quarter ended December 30, 2006. The Company recorded operating losses of $80,000 and $276,000, respectively, during the 13-week periods ended June 30, 2007 and July 1, 2006. The Company recorded an operating loss of $239,000 and $778,000, respectively, during the 39-week periods ended June 30, 2007 and July 1, 2006. The impairment charge and operating losses are included in discontinued operations.

Effective August 22, 2004, the Company s lease for The Saloon at the Neonopolis Center at Fremont Street in Las Vegas was converted into a management agreement whereby the Company received a management fee of $7,000 per month regardless of the results of operations of this restaurant. In June 2006, the owner of the Neonopolis Center at Fremont Street sold the building to a new entity who, on June 25, 2006, exercised its option to terminate the management agreement upon thirty days written notice to the Company.

On July 6, 2006, the landlord for the Vico s Burrito s fast food facility at the Venetian Casino Resort, General Growth Properties, notified the Company that they were exercising their option to terminate the lease in exchange for the landlord providing the Company with the unamortized portion of the non-removable improvements located in the facility. On August 10, 2006, the Company and the landlord entered into a letter agreement pursuant to which the landlord paid the Company $200,000 for the unamortized portion of the non-removable improvements located in the facility.

The Company was approached by the Venetian Casino Resort who indicated that, due to the expansion of the Grand Canal Shoppes, the Company s Lutece and Tsunami locations, as well as a portion of the Company s Vivid location, in the Grand Canal Shoppes were desired by other tenants. The Venetian Casino Resort offered to purchase these locations from the Company for an aggregate of $14,000,000. After evaluating the offer, the Company determined that such offer made it advantageous for the Company to redeploy these assets. Effective December 1, 2006, the Company s subsidiaries that leased each of Lutece, Tsunami and Vivid locations at the Venetian Resort Hotel Casino in Las Vegas, Nevada, entered into an agreement to sell Lutece, Tsunami and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC for an aggregate of $14,000,000. The Company s Lutece location closed on December 3, 2006 and the Company s Tsunami location closed on January 3, 2007. The Company realized a gain of $7,814,000 ($5,196,000 after taxes, or $1.45 per share) on the sale of these facilities. The Company recorded an operating loss of $5,000 and operating income of $47,000 for the third fiscal quarters of 2007 and 2006, respectively, for both facilities. For the 39-week periods ended June 30, 2007 and July 1, 2006 the Company recorded operating income of $36,000 and an operating loss of $297,000, respectively, on these facilities. The gain on sale and losses are included in discontinued operations.

4. RECEIVABLES FROM EMPLOYEES IN RESPECT OF STOCK OPTION EXERCISES

Receivables from employees in respect of stock option exercises includes amounts due from officers and directors totaling $166,000 at June 30, 2007 and September 30, 2006. Such amounts, which are due from the exercise of stock options in accordance with the Company s Stock Option Plan, are payable on demand with interest at ½% above prime (8.25% at June 30, 2007).

5. INCOME (LOSS) PER SHARE OF COMMON STOCK

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

For the 13-week and 39-week periods ended June 30, 2007, options to purchase 282,000 shares of common stock at a price range of $29.60 - $32.15 were included in diluted earnings per share. For the 13-week and 39-week periods ended July 1, 2006, options to purchase 107,000 shares of common stock at a price of $6.30 were included in diluted earnings per share. Options to purchase 194,000 shares of common stock at a price of $29.60 were not included in diluted earnings per share as their impact was antidilutive for the 13-week and 39-week periods ended July 1, 2006.

During the 39-week period ended June 30, 2007, employees exercised 25,500 options to purchase shares of common stock at a price of $6.30 to $32.15.

6. SHARE-BASED COMPENSATION

Effective October 2, 2005 the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS No. 123R), and related interpretations and began expensing the grant-date fair value of employee stock options. Prior to October 2, 2005, the Company applied Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense was recognized in net income for employee stock options, as options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company s 2004 Stock Option Plan (the Plan), as amended, is the only equity compensation plan currently in effect. Options granted under the Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted and expire ten years after the date of grant. On December 21, 2004, the Company granted options to purchase 194,000 shares (the 2004 Grant) and on December 19, 2006, the Company granted options to purchase 105,000 shares (the 2006 Grant). Options granted in the 2004 Grant are generally exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. Options granted in the 2006 Grant are generally exercisable as to 25% of the shares commencing on the first anniversary of the date of grant and as to an additional 25% each anniversary thereafter until fully vested.

Upon adoption of SFAS No. 123R, the Company elected to value employee stock options using the Black-Scholes option valuation method that uses assumptions that relate to the expected volatility of the Company s common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2004 Grant, which were unvested at the time of the adoption of SFAS 123R, included a risk free interest rate of 3.37%, volatility of 37%, a dividend yield of 3% and an expected life of three years. The assumptions used for the 2006 Grant included a risk free interest rate of 4.57%, volatility of 49.7%, and a dividend yield of 4.4% and an expected life of five years.

The Company adopted SFAS No. 123R using the modified prospective transition method and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized during fiscal 2006 and the first quarter of fiscal 2007 includes amortization related to the remaining unvested portion of stock awards granted prior to October 2, 2005.

Prior to the adoption of SFAS No. 123R, the Company presented tax benefits resulting from stock-based compensation as operating cash flows in the consolidated statements of cash flows. SFAS No. 123R requires that cash flows resulting from tax deductions in excess of compensation cost recognized in the financial statements be classified as an operating cash outflow and a financing cash inflow. For the 39-week period ended June 30, 2007, no excess tax benefits were generated.

The compensation cost charged against income in the third 39-week period ended June 30, 2007 for stock-based compensation programs was $78,000, before a tax benefit of $27,000. The compensation cost charged against income in the 39-week period ended June 30, 2007 for stock-based compensation programs was $330,000, before a tax benefit of $112,000. The compensation cost recognized is classified as payroll expense in the consolidated statement of operations.

On November 2005, the FASB issued FASB Staff Position No. FAS 123R3 Transition Election Related to Accounting for the Tax Effects of Stock-Based Payment Awards (FAS 123R). The Company has elected to adopt the alternative transition method provided in this FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to FAS 123R. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the effects of employee stock-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of FAS 123R.

A summary of stock option activity is presented below:

Options	**Shares**	**Weighted Average Excersie Price**	**Weighted Average Fair Value**	**Weighted Average Contractual Term (Yrs.)**	**Aggregate Intrinsic Value**
Outstanding as September 30, 2006:	202,000	$ 28.68	$ 8.06	7.91	
Granted	105,000	$ 32.15	$ 10.94	9.48	
Exercised	(25,500)	$ 22.29	$ 6.22		$262,000
Forfeited/Cancelled					
Outstanding at June 30, 2007	281,500	$ 30.55	$ 9.18	8.23	$ 1,813,000
Exercisable at June 30, 2007	176,500	$ 29.60	$ 8.13	7.48	$ 1,304,000

Compensation cost is recognized on a straight-line basis over the vesting period during which employees perform related services. The Company has applied a forfeitures assumption of 5% per year in the calculation of such expense.

As of June 30, 2007, there was approximately $924,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately four years.

The Company, generally, issues new shares upon the exercise of employee stock options.

7. INVESTMENT SECURITIES

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available for sale debt and fixed income securities by major type and class at June 30, 2007 are as follows (Dollar amounts in thousands):

	Amortized Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
At June 30, 2007:				
Available for sale short-term:				
Government debt securities	$ 2,817	$ 7		$ 2,824
Corporate debt securities	5,283	25		5,308
Foreign debt securities	494	5		499
	$ 8,594	$ 37		$ 8,631

8. DIVIDENDS

A quarterly cash dividend in the amount of $0.35 per share was declared on July 12 and October 11, 2005, January 12, April 12, July 12, October 10 and December 20, 2006 and April 12, 2007. On May 23, 2007, the Company declared a cash dividend of $0.44 per share. Also on December 20, 2006, the Company declared a special dividend in the amount of $3.00 per share. The Company intends to continue to pay quarterly cash dividends for the foreseeable future, however, the payment of future dividends is at the discretion of the Company s Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

9. RELATED PARTY TRANSACTIONS

Receivables due from officers and employees, excluding stock option receivables, totaled $315,000 at June 30, 2007 and $394,000 at September 30, 2006. Such loans bear interest at the minimum statutory rate ($4.79 % at June 30, 2007).

10. LEASE ACCOUNTING

Leasehold improvements funded by landlord incentives are recorded as deferred rent and amortized as reductions to lease expense over the lease term in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases* . The Company received $3,500,000 during fiscal 2006 in connection with the construction of its two facilities in Atlantic City, New Jersey.

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

In connection with the sale of two facilities, the closure of three facilities and the classification of another facility as held for sale , the operations of these restaurants have been presented as discontinued operations for the 13-week and 39-week periods ended June 30, 2007 and the Company has reclassified its statements of operations and cash flow data for the prior periods presented below, in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144) based on the fact that the Company has met the criteria under FAS 144. These dispositions are discussed below in Recent Restaurant Dispositions.

Revenues

During the Company s third fiscal quarter of 2007, total revenues of $36,064,000 increased 16% compared to total revenues of $31,085,000 in the third fiscal quarter of 2006. Revenues for the third fiscal quarter of 2006 were reduced by $1,763,000 as a result of the sale of two facilities, the closure of one facility and the classification of another facility as held for sale . Revenues for the third fiscal quarter of 2007 were increased by $1,312,000 as a result of the consolidation of one managed restaurant. The Company had net income of $3,471,000 in the third fiscal quarter of 2007 compared to net income of $2,488,000 in the third fiscal quarter of 2006. The third fiscal quarter of 2006 was negatively effected by pre-opening and early operating losses of $145,000 at the Company s Gallagher s Steakhouse and Luna Lounge, both located in Atlantic City, New Jersey. Both these facilities opened in late December 2005. The third fiscal quarter of 2007 was negatively effected by legal and due diligence expenses of $250,000 in connection with attempted acquisition of another company which was abandoned.

Same store sales in Las Vegas increased by $1,108,000 or 8.2% in the third fiscal quarter of 2007 compared to the third fiscal quarter of 2006. Same store sales in New York increased $1,286,000 or 13.5% during the third quarter. Same store sales in Washington D.C. increased by $608,000 or 11.0% during the third quarter. Same store sales in Atlantic City increased by $291,000 or 44.6% in the third quarter. The increases in New York and Washington D.C. were principally due to improved weather. The increase in Atlantic City was primarily due to last year s low level of sales following the start-up of these operations and the rebranding of our Luna Bar as Gallagher s Burger Bar. The Company does not anticipate similar percentage increases in Atlantic City after this fiscal year. The increases in all regions were also, in part, due to general improvement in economic conditions and the public s willingness and inclination to continue vacation and convention travel.

During the Company s 39-week period ended June 30, 2007, total revenues of $90,133,000 increased 11.0% compared to total revenues of $81,168,000 in the 39-week period ended July 1, 2006. Revenues for the 39-week period ended June 30, 2007 were reduced by $1,343,000 and revenues for the 39-week period ended July 1, 2006 were reduced by $5,211,000 as a result of the sale of two facilities, the closure of one facility and the classification of another facility as held for sale . The Company had net income of $10,439,000 in the 39-week period ended June 30, 2007 compared to net income of $3,252,000 for the 39-week period ended July 1, 2006. Net income was positively affected during the 39-week period ended June 30, 2007 as a result of the sale during the quarter of the Company s Lutece and Tsunami locations and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC and the lack of pre-opening and early operating losses experienced at the Company s Gallagher s Steakhouse and Luna Lounge, now Gallagher s Burger Bar, both located in Atlantic City, New Jersey. Net income was negatively affected during the 39-week period ended July 1, 2006 as a result of $592,000 pre-opening and early operating losses experienced at the Company s Atlantic City locations.

Costs and Expenses

Food and beverage costs for the third quarter of 2007 as a percentage of total revenues were 25.2% compared to 24.9% in the third quarter of 2006. These costs for the 39-weeks ended June 30, 2007 as a percentage of total revenues were 25.5% compared to 25.1% in the 39-week period ended July 1, 2006.

Payroll expenses as a percentage of total revenues were 28.3% for the third quarter of 2007 as compared to 29.8% in the third quarter of 2006. Payroll expenses as a percentage of total revenues were 31.1% for the 39-week period ended June 30, 2007 as compared to 32.1% for the 39-week period ended July 1, 2006. The increase in payroll expenses was primarily due to increased sales. Occupancy expenses as a percentage of total revenues were 12.2% during the third fiscal quarter of 2007 compared to 13.6% in the second quarter of 2006. Occupancy expenses as a percentage of total revenues were 13.3% during the 39-week period ended June 30, 2007 compared to 15.0% for the 39-week period ended July 1, 2006. The decrease in occupancy expenses as a percentage of revenue was primarily due to increased sales and the Company s sale of its Lutece and Tsunami locations at the Venetian. Other operating costs and expenses as a percentage of total revenues were 12.5% during the third fiscal quarter of 2007 compared to 11.5% in the third quarter of 2006. Other operating costs and expenses as a percentage of total revenues were 12.3% for the 39-week period ended June 30, 2007 compared to 12.0% for the 39-week period ended July 1, 2006. General and administrative expenses as a percentage of total revenues were 6.3% during the third fiscal quarter of 2007 compared to 6.0% in the third quarter of 2006. General and administrative expenses as a percentage of total revenue were 7.0% for the 39-week period ended June 30, 2007 compared to 6.7% for the 39-week period ended July 1, 2006.

Income Taxes

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

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

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

Liquidity and Capital Resources

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

The Company had a working capital surplus of $8,423,000 at June 30, 2007 as compared to a working capital surplus of $8,398,000 at September 30, 2006.

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

Restaurant Expansion

In October 2006, the Company converted its bar, *Luna Lounge*, at the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey, into a restaurant, *Gallagher s Burger Bar*.

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

In June 2007, we entered into an agreement to design and lease a food court at the to be constructed MGM Grand Casino at the Foxwoods Resort Casino. The obligation to pay rent for this facility is not effective until the food court opens for business. We anticipate the food court will open during our third quarter of the 2008 fiscal year. All pre-opening expenses will be borne by outside investors who will invest in a limited liability company established to develop, construct, operate and manage the food court. We will be the managing member of this limited liability company and, through this limited liability company, we will lease and manage the operations of the food court in exchange for a monthly management fee equal to five-percent of the gross receipts of the food court. Neither we nor any of our subsidiaries will contribute any capital to this limited liability company. None of the obligations of this limited liability company will be guaranteed by us and investors in this limited liability company will have no recourse against us or any of our assets.

Recent Restaurant Dispositions

The Company entered into a sale and leaseback agreement with GE Capital in November 2000 to refinance the purchase of various restaurant equipment at its food and beverage facilities at the Desert Passage, the retail complex at the Aladdin Resort & Casino in Las Vegas, Nevada. In 2002, the operations at the Aladdin were abandoned. The lease matured in November 2005 and, in connection therewith, the Company made an unprovided for lump sum payment of $142,000 due under this lease. This lump sum payment is included in discontinued operations during the first quarter of fiscal 2006.

The Company s bar/nightclub facility Venus, located at the Venetian Casino Resort, experienced a steady decline in sales and the Company felt that a new concept was needed at this location. During the first quarter of 2005, this bar/nightclub facility was closed and re-opened on February 4, 2005 as Vivid . Total conversion costs were approximately $400,000. Sales at the new bar/nightclub facility failed to reach the level sufficient to achieve the results the Company required. As of December 31, 2005, the Company classified the assets and liabilities of this bar/nightclub facility as held for sale in accordance with FAS 144. Based on the offers made for this facility, the Company recorded an impairment charge of $537,000 during the fiscal quarter ended December 30, 2006. The Company recorded an operating loss of $80,000 and $276,000, respectively, during the 13-week periods ended June 30, 2007 and July 1, 2006. The Company recorded an operating loss of $239,000 and $778,000, respectively, during the 39-week periods ended June 30, 2007 and July 1, 2006.The impairment charge and operating losses are included in discontinued operations.

Effective August 22, 2004, the Company s lease for The Saloon at the Neonopolis Center at Fremont Street in Las Vegas was converted into a management agreement whereby the Company received a management fee of $7,000 per month regardless of the results of operations of this restaurant. In June 2006, the owner of the Neonopolis Center at Fremont Street sold the building to a new entity who, on June 25, 2006, exercised its option to terminate the management agreement upon thirty days written notice to the Company.

On July 6, 2006, the landlord for the Vico s Burrito s fast food facility at the Venetian Casino Resort, General Growth Properties, notified the Company that they were exercising their option to terminate the lease in exchange for the landlord providing the Company with the unamortized portion of the non-removable improvements located in the facility. On August 10, 2006, the Company and the landlord entered into a letter agreement pursuant to which the landlord paid the Company $200,000 for the unamortized portion of the non-removable improvements located in the facility.

The Company was approached by the Venetian Casino Resort who indicated that, due to the expansion of the Grand Canal Shoppes, the Company s Lutece and Tsunami locations, as well as a portion of the Company s Vivid location, in the Grand Canal Shoppes were desired by other tenants. The Venetian Casino Resort offered to purchase these locations from the Company for an aggregate of $14,000,000. After evaluating the offer, the Company determined that such offer made it advantageous for the Company to redeploy these assets. Effective December 1, 2006, the Company s subsidiaries that leased each of Lutece, Tsunami and Vivid locations at the Venetian Resort Hotel Casino in Las Vegas, Nevada, entered into an agreement to sell Lutece, Tsunami and a portion of the Vivid location used by Lutece as a prep kitchen to Venetian Casino Resort, LLC for an aggregate of $14,000,000. The Company s Lutece location closed on December 3, 2006 and the Company s Tsunami location closed on January 3, 2007. The Company realized a gain of $7,814,000 ($5,196,000 after taxes**,** or $1.45 per share) on the sale of these facilities. The Company recorded an operating loss of $5,000 and operating income of $47,000 for the third fiscal quarters of 2007 and 2006, respectively, for both facilities. For the 39-week periods ended June 30, 2007 and July 1, 2006 the Company recorded operating income of $36,000 and an operating loss of $297,000, respectively, on these facilities. The gain on sale and losses are included in discontinued operations.

Critical Accounting Policies

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

The Company s critical accounting policies are described in the Company s Form 10-K for the year ended September 30, 2006. There have been no significant changes to such policies during fiscal 2007, other than the implementation of Emerging Issues Task Force (Emerging Issues Task Force (EITF) issued EITF No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights) as discussed below.

Recent Accounting Developments

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

In June 2005, the EITF issued EITF No. 04-5. EITF 04-5 presumes that a general partner controls a limited partnership and therefore should consolidate the partnership. This presumption can be overcome if the limited partners have kick-out or substantive participating rights. EITF 04-5 is effective for the Company s quarter ended June 30, 2007 and accordingly management has made an assessment of the limited partnership or similar entities that the company provides management services to where it is also the general partner in the entity that owns the property.

Effective October 1, 2006 the Company determined that one of its managed restaurants, El Rio Grande (Rio), should be presented on a consolidated basis in accordance with EITF 04-5 and as a result included Rio in its consolidated financial statements. The impact of such consolidation was not material to the Company s condensed consolidated financial position or results of operations for any period presented.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income taxes an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company is required to adopt the provisions of FIN 48 during fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of FIN 48 on its consolidated results of operations and financial position.

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

None.

Item 4. Controls and Procedures

Based on their evaluation, the Company s principal executive officer and principal financial officer have concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are effective as of June 30, 2007 to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in the Company s internal control over financial reporting during the second quarter of fiscal year 2006 that materially affected or are reasonably likely to materially affect the Company s internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A (Risk Factors) of the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2006 (the 2006 Form 10-K). There have been no material changes to the risk factors previously disclosed in the 2006 Form 10-K.

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

None.

Item 3. Defaults upon Senior Securities

None.

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

The Company s Annual Meeting of Stockholders was held on March 22, 2007. The proposals submitted to the stockholders for a vote were as follows:

(1) To elect a board of ten directors;

(2) To ratify the appointment of J.H. Cohn LLP as independent auditors for the 2007 fiscal year

The following sets forth the number of votes for, the number of votes against, the number of abstentions (or votes withheld in the case of the election of directors) and broker non-votes with respect to each of the forgoing proposals.

Proposal

	Votes For	Votes Against	Withheld (Abstentions)	Broker Non-Votes
Proposal 1				
Michael Weinstein	3,401,475		3,486	
Robert Towers	3,401,175		3,786	
Vincent Pascal	3,401,622		3,339	
Paul Gordon	3,398,612		6,349	
Marcia Allen	3,399,675		5,286	
Bruce R. Lewin	3,400,175		4,786	
Steven Shulman	3,399,875		5,086	
Arthur Stainman	3,400,175		4,786	
Stephen Novick	3,396,912		8,049	
Robert Thomas Zankel	3,400,175		4,786	
Proposal 2	3,394,872	3,947	6,142	

As previously disclosed, effective January 24, 2007, Edward Lowenthal chose not to seek re-election to our Board of Directors. As a result, all nominees for director were elected and J.H. Cohn LLP was ratified as the Company s independent registered public accounting firm.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

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

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

32 Certificate of Chief Executive and Chief Financial Officers

SIGNATURES

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

Date: August 14, 2007

ARK RESTAURANTS CORP.

By: /s/ Michael Weinstein

Michael Weinstein
Chairman, President & Chief Executive Officer

By: /s/ Robert J. Stewart

Robert Stewart
Chief Financial Officer