

FLANIGANS ENTERPRISES INC  
Form 10-K  
January 04, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the fiscal year ended October 3, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number I-6836

Flanigan's Enterprises, Inc.  
(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

59-0877638  
(I.R.S. Employer  
Identification No.)

5059 N.E. 18th Avenue, Fort Lauderdale, FL  
(Address of principal executive offices)

33334  
(Zip Code)

Registrant's telephone number, including (954)  
area code, 377-1961

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

Common Stock, \$.10 Par Value  
Title of each class

NYSE AMEX  
Name of each exchange  
on which registered

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes  No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was \$3,221,000 as of March 28, 2009, the last business day of the registrant's most recently completed second fiscal quarter. The closing price per share on March 28, 2009 was \$4.04.

There were 1,861,933 shares of the Registrant's Common Stock, \$0.10 par value, outstanding as of January 4, 2010.

#### DOCUMENTS INCORPORATED BY REFERENCE

Information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to portions of the Registrant's Proxy Statement for the 2010 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission by February 1, 2010.

## FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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SIGNATURES

CERTIFICATIONS

As used in this Annual Report on Form 10-K, the terms “we,” “us,” “our,” the “Company” and “Flanigan’s” mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).

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## PART I

## Item 1. Business

When used in this report, the words "anticipate", "believe", "estimate", "will", "intend" and "expect" and similar expressions identify forward-looking statements. Forward-looking statements in this report include, but are not limited to, those relating to the general expansion of the Company's business. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this annual report on Form 10-K.

## General

At October 3, 2009, we (i) operated 23 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 six units, consisting of two restaurants, (one of which we operate) and four combination restaurants/package liquor stores. The table below provides information concerning the type (i.e. restaurant, package liquor store or combination restaurant/package liquor store) and ownership of the units (i.e. whether (i) we own 100% of the unit; (ii) the unit is owned by a limited partnership of which we are the sole general partner and/or have invested in; or (iii) the unit is franchised by us), as of October 3, 2009 and as compared to September 27, 2008. With the exception of "The Whale's Rib", a restaurant we operate but do not own, 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".

	FISCAL YEAR 2009	FISCAL YEAR 2008	NOTE NUMBER
TYPES OF UNITS			
Company Owned:			
Combination package liquor store and restaurant	4	4	
Restaurant only	3	3	(1)
Package liquor store only	5	5	
Company Managed Restaurants Only:			
Limited partnerships	9	9	(2)
Franchise	1	1	
Unrelated Third Party	1	1	
Company Owned Club:			
TOTAL - Company Owned/Operated Units:	24	24	
FRANCHISED - units	6	6	(1) (3)

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Notes:

(1) Subsequent to our 2009 fiscal year end, we purchased from a franchisee the operating restaurant assets of the franchised restaurant located in Boca Raton, Florida and accordingly, the restaurant converted from a franchised unit to a company owned restaurant.

(2) Includes a restaurant located in Davie, Florida which is owned by a limited partnership in which we are the sole general partner and own 48% of the limited partnership interest and commenced operating on July 28, 2008.

(3) We operate a restaurant for one (1) franchisee. This unit is included in the table both as a franchised restaurant, as well as a restaurant operated by us.

History and Development of Our Business

We were incorporated in Florida in 1959 and commenced operating as a chain of small cocktail lounges and package liquor stores throughout South Florida. By 1970, we had established a chain of "Big Daddy's" lounges and package liquor stores between Vero Beach and Homestead, Florida. From 1970 to 1979, we expanded our package liquor store and lounge operations throughout Florida and opened clubs in five other "Sun Belt" states. In 1975, we discontinued most of our package store operations in Florida except in the South Florida areas of Miami-Dade, Broward, Palm Beach and Monroe Counties. In 1982 we expanded our club operations into the Philadelphia, Pennsylvania area as general partner of several limited partnerships we organized. In March 1985 we began franchising package liquor stores and lounges in the South Florida area. See Note 8 to the consolidated financial statements and the discussion of franchised units on page 8.

During our fiscal year 1987, we began renovating our lounges to provide full restaurant food service, and subsequently renovated and added food service to most of our lounges. Food sales currently represent approximately 81% and bar sales approximately 19% of our total restaurant sales.

Our package liquor stores emphasize high volume business by providing customers with a wide variety of brand name and private label merchandise at discount prices. Our restaurants offer alcoholic beverages and full food service with abundant portions and reasonable prices, served in a relaxed, friendly and casual atmosphere.

We conduct our operations directly and through a number of limited partnerships and wholly owned subsidiaries, all of which are listed below. Our subsidiaries and the limited

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partnerships, (except for the limited partnership, where we are not the general partner, which owns and operates our franchised restaurant in Fort Lauderdale, Florida) are reported on a consolidated basis.

ENTITY	STATE OF ORGANIZATION	PERCENTAGE OWNED
Flanigan's Management Services, Inc.	Florida	100
Flanigan's Enterprises, Inc. of Georgia	Georgia	100
Flanigan's Enterprises, Inc. of Pa.	Pennsylvania	100
CIC Investors #13, Limited Partnership	Florida	40
CIC Investors #50, Limited Partnership	Florida	17
CIC Investors #55, Limited Partnership	Florida	48
CIC Investors #60, Limited Partnership	Florida	45
CIC Investors #65, Limited Partnership	Florida	28
CIC Investors #70, Limited Partnership	Florida	41
CIC Investors #75, Limited Partnership	Florida	13
CIC Investors #80, Limited Partnership	Florida	27
CIC Investors #95, Limited Partnership	Florida	30
Josar Investments, LLC	Florida	100

#### Package Liquor Store Operations

Our package liquor stores emphasize high volume business by providing customers with a wide selection of brand name and private label liquors, beer and wines while offering competitive pricing by meeting the published sales prices of our competitors. We provide extensive sales training to our package liquor store personnel. The stores are open for business six or seven days a week from 9:00-10:00 a.m. to 9:00-10:00 p.m., depending upon demand and local law. Approximately half of the Company's units have "night windows" with extended evening hours.

**Company Owned Package Liquor Stores.** We own and operate nine package liquor stores in the South Florida area under the name "Big Daddy's Liquors", four of which are jointly operated with restaurants we own.

**Franchised Package Liquor Stores.** We franchise four package liquor stores in the South Florida area, all of which are operated under the name "Big Daddy's Liquors" and are jointly operated with our franchisee's restaurant operations. Three of the four franchised package liquor stores



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are franchised to members of the family of our Chairman of the Board, officers and/or directors. We have not entered into a franchise arrangement for either a package liquor store, restaurant or combination package liquor store/restaurant since 1986 and do not anticipate that we will do so in the foreseeable future.

Generally, a franchise agreement with our franchisees for the operation of a package liquor store runs for the balance of the term of the franchisee's lease for the business premises, extended by the franchisee's continued occupancy of the business premises thereafter, whether by lease or ownership. In exchange for our providing management and related services to the franchisee and our granting the right to the franchisee to use our service mark, "Big Daddy's Liquors", franchisees of package liquor stores pay us weekly in arrears, (i) a royalty equal to approximately 1% of gross sales; plus (ii) an amount for advertising equal to between 1-1/2% to 3% of gross sales generated at the stores depending upon our actual advertising costs.

Restaurant Operations.

Our restaurants provide a neighborhood casual, standardized dining experience, typical of restaurant chains. The interior decor of the restaurants is nautical with numerous fishing and boating pictures and decorations. The restaurants are designed to permit minor modifications without significant capital expenditures. However, from time to time we are required to redesign and refurbish the restaurants at significant cost. Drink prices may vary between locations to meet local conditions. Food prices are substantially standardized for all restaurants. The restaurants' hours of operation are from 11:00 a.m. to 1:00-5:00 a.m. depending upon demand and local law.

Company Owned Restaurants. We own and operate seven restaurants all under our service mark "Flanigan's Seafood Bar and Grill" four of which are jointly operated with package liquor stores we own.

Franchised Restaurants. We franchise six restaurants, all of which operate under our service mark "Flanigan's Seafood Bar and Grill", two of which operate as a restaurant only and four of which operate jointly with a franchisee operated "Big Daddy's Liquors" package liquor store.

Generally, a franchise agreement with our franchisees for the operation of a restaurant runs for the balance of the term of the franchisee's lease for the business premises, extended by the franchisee's continued occupancy of the business premises thereafter, whether by lease or ownership. In exchange for our providing management and related services to the franchisee and our granting the right to the franchisee to use our service mark, "Flanigan's Seafood Bar and Grill", our franchisees pay us weekly in arrears, (i) a royalty equal to approximately 3% of gross sales; plus (ii) an amount for advertising equal to between 1-1/2% to 3% of gross sales from the restaurants.

For accounting purposes, we do not consolidate the revenue and expenses of our franchisees' operations with our revenue and expenses. Franchise royalties we receive are "earned" when sales are made by franchisees.

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Restaurants Owned by Affiliated Limited Partnerships

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

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 (1/2) to us as a management fee and one-half (1/2) to the investors, (including us), pro-rata based on 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 (1/2) of cash available to be distributed, with the other one half (1/2) of available cash distributed to the investors (including us), as a profit distribution, pro-rata based on the investors’ investment. As of October 3, 2009, 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 (1/2) 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 while we act as general partner only. 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 dependant, 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.

Below is information on the ten limited partnerships which own and operate “Flanigan’s Seafood Bar and Grill” restaurants:

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 2009, this limited partnership has returned to

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its investors approximately 34% of their initial cash invested, increased from approximately 18% as of our fiscal year ended 2008.

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. This limited partnership has returned to its investors all cash invested, but since we are not the general partner of this limited partnership, we do not receive an annual management fee. We have a franchise arrangement with this limited partnership and for accounting purposes, we do not consolidate the operations of this limited partnership into our operations.

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 (1/2) of the cash available for distribution by this limited partnership.

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 (1/2) of the cash available for distribution by this limited partnership.

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 (1/2) of the cash available for distribution by this limited partnership.

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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 2009, this limited partnership has returned to its investors approximately 73.75% of their initial cash invested. During our fiscal year 2009, no distributions were made to limited partners as this limited partnership had limited positive cash flow generated by this restaurant. The limited cash flow was primarily attributable to increased competition, which we expect to continue into our fiscal year 2010.

Stuart, Florida

We are the sole general partner and 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 2009, this limited partnership has returned to its investors approximately 22.5% of their initial cash invested. During our fiscal years 2009 and 2008, no distributions were made to limited partners as this limited partnership had a net gain of \$1,000 and a net loss of \$8,000 from the operation of the restaurant during the fiscal years 2009 and 2008, respectively, before depreciation and amortization, and owed the Company \$241,000 and \$216,000, as of the end of our fiscal years 2009 and 2008, respectively, in advances made to meet operating losses. As of October 3, 2009, the amounts this limited partnership owes to us have been offset with an allowance for doubtful accounts, in the amount of \$241,000, on our balance sheet and is offset by an eliminating entry in consolidation in accordance with ASC 810 regarding accounting for consolidation.

On October 1, 2009, the limited partnership operating the Stuart, Florida restaurant was served with a copy of a complaint, arising out of foreclosure proceedings commenced against the limited partnership’s landlord. The limited partnership was named in and served with the complaint because it is the tenant on the property which is the subject of the foreclosure proceedings. As of October 3, 2009, due to the limited partnership’s inability to re-negotiate its three year renewal option, it leases the property on a month-to-month term. We do not know what the outcome of these foreclosure proceedings will be or what impact it will have on the limited partnership, but thus far no request has been made to have the limited partnership vacate the premises. If the limited partnership were 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.

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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 2009, this limited partnership has returned to its investors approximately 42% of their initial cash invested, increased from approximately 41% as of the end of our fiscal year 2008.

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 2009, this limited partnership has returned to its investors approximately 7.0% of their initial cash invested.

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 2009, this limited partnership has returned to its investors approximately 11.0% of their initial cash invested. As of the end of our fiscal year 2008, no cash had been distributed to investors.

Management Agreement for “The Whale’s Rib” Restaurant

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 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 3, 2009 and September 27, 2008, we generated \$185,000 and \$150,000 of revenue, respectively, from providing these management services. As of October 3, 2009, we have generated revenue in the aggregate amount of \$603,000 since the effective date of the management agreement on January 9, 2006.

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### Adult Entertainment Club

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 3, 2009 and September 27, 2008, we generated \$170,000 and \$238,000 of revenue, respectively, from the operation of the club.

### Operations and Management

We emphasize systematic operations and control of all package liquor stores and restaurants regardless of whether we own, franchise or manage the unit. Each unit has its own manager who is responsible for monitoring inventory levels, supervising sales personnel, food preparation and service in restaurants and generally assuring that the unit is managed in accordance with our guidelines and procedures. We have in effect an incentive cash bonus program for our managers and salespersons based upon various performance criteria. Our operations are supervised by area supervisors. Each area supervisor supervises the operations of the units within his or her territory and visits those units to provide on-site management and support. There are five area supervisors responsible for package liquor store, restaurant and club operations in specific geographic districts.

All of our managers and salespersons receive extensive training in sales techniques. We arrange for independent third parties, or "shoppers", to inspect each unit in order to evaluate the unit's operations, including the handling of cash transactions.

### Purchasing and Inventory

The package liquor business requires a constant substantial capital investment in inventory in the units. Our inventory consists primarily of liquor and wine products and as such, does not become excessive or obsolete that would require identifying and recording of the same. Liquor inventory purchased can normally be returned only if defective or broken.

All of our purchases of liquor inventory are made through our purchasing department from our corporate headquarters. The major portion of inventory is purchased under individual purchase orders with licensed wholesalers and distributors who deliver the merchandise within one or two days of the placing of an order. Frequently there is only one wholesaler in the immediate marketing area with an exclusive distributorship of certain liquor product lines. Substantially all of our liquor inventory is shipped by the wholesalers or distributors directly to our stores. We significantly increase our inventory prior to Christmas, New Year's Eve and other holidays.

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Under Florida law, we are required to pay for our liquor purchases within ten days of delivery.

During the first quarter of our fiscal year 2009, the package liquor stores we own and those owned by our franchisees began using a new point of sale computer system. The cost of this new point of sale computer system, including hand-held, wireless scanners but excluding surveillance camera system, was approximately \$287,000, all of which has been paid. We are currently installing the surveillance camera system in all of our owned package liquor stores and those owned by our franchisees, which we estimate will be fully installed by the end of our fiscal year 2010 and cost an additional \$118,000, in the aggregate. As of October 3, 2009, surveillance camera systems have been installed in two of our package liquor stores at a cost of approximately \$26,000, which has been paid.

Negotiations with food suppliers are conducted by our purchasing department at our corporate headquarters. We believe this ensures that the best quality and prices will be available to each restaurant. Orders for food products are prepared by each restaurant's kitchen manager and reviewed by the restaurant's general manager before orders are placed. Food is delivered by the supplier directly to each restaurant. Orders are placed several times a week to ensure product freshness. Food inventory is primarily paid for monthly.

Government Regulation

Our operations are subject to various federal, state and local laws affecting our business. In particular, our operations are subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, alcoholic beverage control, safety and fire department agencies in the state or municipality where our units are located.

Alcoholic beverage control regulations require each of our restaurants and package liquor stores to obtain a license to sell alcoholic beverages from a state authority and in certain locations, county and municipal authorities.

In Florida, where all of our restaurants and package liquor stores are located, most of our liquor licenses are issued on a "quota license" basis. Quota licenses are issued on the basis of a population count established from time to time under the latest applicable census. Because the total number of liquor licenses available under a quota license system is limited and restrictions are placed upon their transfer, the licenses have purchase and resale value based upon supply and demand in the particular areas in which they are issued. The quota licenses held by us allow the sale of liquor for on and off premises consumption. In Florida, the other liquor licenses held by us or limited partnerships of which we are the general partner are restaurant liquor licenses, which do not have quota restrictions and no purchase or resale value. A restaurant liquor license is issued to every applicant who meets all of the state and local licensing requirements, including, but not limited to zoning and minimum restaurant size, seating and menu. The restaurant liquor licenses held by us allow the sale of liquor for on premises consumption only.

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In the State of Georgia, where our adult entertainment club is located, licensed establishments also do not have quota restrictions for on-premises consumption and such licenses are issued to any applicant who meets all of the state and local licensing requirements based upon extensive license application filings and investigations of the applicant.

All licenses must be renewed annually and may be revoked or suspended for cause at any time. Suspension or revocation may result from violation by the licensee or its employees of any federal, state or local law regulation pertaining to alcoholic beverage control. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of our units, including, minimum age of patrons and employees, hours of operations, advertising, wholesale purchasing, inventory control, handling, storage and dispensing of alcoholic beverages, internal control and accounting and collection of state alcoholic beverage taxes.

As the sale of alcoholic beverages constitutes a large share of our revenue, the failure to receive or retain, or a delay in obtaining a liquor license in a particular location could adversely affect our operations in that location and could impair our ability to obtain licenses elsewhere.

During our fiscal years 2009 and 2008, no significant pending matters have been initiated concerning any of our licenses which might be expected to result in a revocation of a liquor license or other significant actions against us.

We are subject to “dram-shop” statutes due to our restaurant operations and club ownership. These statutes generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated individual. We carry liquor liability coverage as part of our existing comprehensive general liability insurance, which we believe is consistent with coverage carried by other entities in the restaurant industry. Although we are covered by insurance, a judgment against us under a dram-shop statute in excess of our liability coverage could have a material adverse effect on us.

Our operations are also subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. Significant numbers of hourly personnel at our restaurants are paid at rates related to the federal or Florida minimum wage, whichever is higher, and accordingly, increases in the minimum wage will increase labor costs. We are also subject to the Americans With Disability Act of 1990 (ADA), which, among other things, may require certain renovations to our restaurants to meet federally mandated requirements. The cost of any such renovations is not expected to materially affect us.

We are not aware of any statute, ordinance, rule or regulation under present consideration which would significantly limit or restrict our business as now conducted. However, in view of the number of jurisdictions in which we conduct business, and the highly regulated nature of the liquor business, there can be no assurance that additional limitations may not be imposed in the future, even though none are presently anticipated.

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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 year 2008 and again in fiscal year 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. We have established a select group of defense attorneys which we use in conjunction with this program. 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 self-insured retention.

In accordance with accounting guidance, we accrue for any self-insured liability by recognizing costs when it is probable that a covered liability has been incurred and the costs can be reasonably estimated. Accordingly, our annual self-insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. Our self-insured accruals are included in the accompanying consolidated balance sheets in the caption "Accounts payable and accrued expenses". A significant unfavorable judgment or settlement against us in excess of our liability insurance coverage could have a materially adverse effect on the Company.

Property Insurance; Windstorm Insurance; Deductibles

For the policy year commencing December 30, 2009, our property insurance will be the second year of our two (2) year property insurance policy with our insurance carrier, including coverage for properties leased by us and our consolidated limited partnerships, and will provide for full insurance coverage for property losses, including those caused by windstorm, such as a hurricane. For property losses caused by windstorm, the property insurance will have deductibles of 5% per location, per occurrence. For all other property losses, the property insurance will have deductibles of \$10,000 per location, per occurrence. Our insurance expense for the policy year commencing December 30, 2009, including insurance coverage for our consolidated limited partnerships, will be approximately equal to our insurance expense for the policy year ending December 30, 2008, (\$294,000), adjusted by changes we made to our insurable values. Our insurance expense for the policy year which commenced December 30, 2008, including insurance coverage for our consolidated limited partnerships, (\$294,000), decreased by approximately \$140,000, (32%), from the policy year which commenced December 30, 2007, due primarily to decreases in premium rates for windstorm insurance coverage.

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Competition and the Company's Market

The liquor and hospitality industries are highly competitive and are often affected by changes in taste and entertainment trends among the public, by local, national and economic conditions affecting spending habits, and by population and traffic patterns. We believe that the principal means of competition among package liquor stores is price and that, in general, the principal means of competition among restaurants include the location, type and quality of facilities and the type, quality and price of beverage and food served.

Our package liquor stores compete directly or indirectly with local retailers and discount "superstores". Due to the competitive nature of the liquor industry in South Florida, we have had to adjust our pricing to stay competitive, including meeting all competitors' advertisements. Such practices will continue in the package liquor business. We believe that we have a competitive position in our market because of widespread consumer recognition of the "Big Daddy's Liquors" name.

Our restaurants compete directly or indirectly with many well-established competitors, both nationally and locally owned. Due to the competitive nature of the hospitality industry, we have had to limit our menu price increases, while offering our customary quality and quantity of beverage and food served, all at a reasonable price. We believe that we have a competitive position in our market because of widespread consumer recognition of the "Flanigan's Seafood Bar and Grill" name.

We have many well-established competitors, both nationally and locally owned, with substantially greater financial resources and a longer history of operations than we do. Their resources and market presence may provide advantages in marketing, purchasing and negotiating leases. We compete with other restaurant and retail establishments for sites and finding management personnel.

Our business is subject to seasonal effects, including that liquor purchases tend to increase during the holiday seasons.

Trade Names

We operate our package liquor stores and restaurants under two service marks; "Big Daddy's Liquors" and "Flanigan's Seafood Bar and Grill", both of which are federally registered trademarks owned by us. Our right to the use of the "Big Daddy's" service mark is set forth under a consent decree of a Federal Court entered into by us in settlement of federal trademark litigation. The consent decree and the settlement agreement allow us to continue to use and to expand our use of the "Big Daddy's" service mark in connection with our package liquor sales in Florida, while restricting future liquor sales in Florida under the "Big Daddy's" name by the other party who has a federally registered service mark for "Big Daddy's" use in the restaurant business. The Federal Court retained jurisdiction to enforce the consent decree. We have acquired registered Federal trademarks on the

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principal register for our "Flanigan's" and "Flanigan's Seafood Bar and Grill" service marks.

The standard symbolic trademark associated with our facilities and operations is the bearded face and head of "Big Daddy" which is predominantly displayed at all "Flanigan's" facilities and all "Big Daddy's" facilities throughout the country. The face comprising this trademark is that of the Company's founder, Joseph "Big Daddy" Flanigan, and is a federally registered trademark owned by us.

## Employees

As of our fiscal year end 2009, we employed 903 persons, of which 688 were full-time and 215 were part-time. Of these, 40 were employed at our corporate offices in administrative capacities and 5 were employed in maintenance. Of the remaining employees, 39 were employed in package liquor stores and 819 in restaurants.

None of our employees are represented by collective bargaining organizations. We consider our labor relations to be favorable.

## EXECUTIVE OFFICERS

Name	Positions and Offices Currently Held	Age	Office or Position Held Since
James G. Flanigan	Chairman of the Board of Directors, Chief Executive Officer and President	45	(1)
August Bucci	Chief Operating Officer and Executive Vice President	65	2002
Jeffrey D. Kastner	Chief Financial Officer General Counsel and Secretary	56	(2)
Jean Picard	Vice President of Package Liquor Store Operations	71	2002

(1) Chairman of the Board of Directors, Chief Executive Officer since 2005; President since 2002.

(2) Chief Financial Officer since 2004; Secretary since 1995; and General Counsel since 1982.

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Flanigan's 401(k) Plan

Effective July 1, 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/or matching contributions. During our fiscal years ended October 3, 2009 and September 27, 2008, the Board of Directors approved discretionary matching contributions totaling \$NONE and \$30,000, respectively.

Subsequent Events

(a) Purchase of Real Property, (Hollywood, FL.):

During the fourth quarter of our fiscal year 2009 we contracted and then subsequent to our fiscal year 2009, we closed on the purchase of the real property and building where our combination restaurant and package liquor store located at 2505 N. University Drive, Hollywood, Florida, (Store #19), operates. We paid \$1,350,000 for this property, \$850,000 of which we borrowed from an unaffiliated third party, pursuant to a first mortgage. The mortgage note bears interest at the rate of eight and one-half (8½%) percent per annum, is amortized over fifteen (15) years with equal monthly payments of principal and interest, each in the amount of \$8,300.00, with the entire principal balance and all accrued interest due in eight (8) years.

(b) Purchase of Operating Assets from Franchisee (Boca Raton, FL.)

Subsequent to our fiscal year 2009, we purchased from our franchisee, the operating assets of the franchised restaurant located at 45 S. Federal Highway, Boca Raton, Palm Beach County, Florida for an aggregate purchase price of \$245,000 and on October 18, 2009 this restaurant began operating as a Company-owned restaurant. The lease at this location expires on April 30, 2011. Our franchisee was unsuccessful in obtaining an extension of the lease term. There can be no assurance that the lease term will be extended or that we will find a suitable replacement location at reasonable rates, if at all.

Environmental Matters

We are not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

Item 1A Risk Factors

An investment in our common stock involves a high degree of risk. These risks should be considered carefully with the uncertainties described below, and all other information included in this Annual Report on Form 10-K, before deciding whether to purchase our common stock. Additional risks and uncertainties not currently known to management or that management currently deems immaterial may also become important factors that may harm our business, financial condition or results or operations. The occurrence of any of the following risks could harm our business, financial condition and results of operations. The trading price of our common stock could decline due to any of these risks and uncertainties and you may lose part or all of your investment.

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Certain statements in this report contain forward-looking information. In general, forward-looking statements include estimates of future revenues, cash flow, capital expenditures, or other financial items and assumptions underlying any of the foregoing. Forward-looking statements reflect management's current expectations regarding future events and use words such as "anticipate", "believe", "expect", "may", "will" and other similar terminology. These statements speak only of the date they were made and involve a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Several factors, many beyond our control, could cause actual results to differ materially from management's expectations.

### General Economic Factors May Adversely Affect Results Of Operations

The disruption experienced in the United States and global credit markets during the second half of calendar year 2008 and which continued into calendar year 2009 has adversely affected disposable consumer income and consumer confidence. Prolonged negative changes in domestic and global economic conditions or disruptions of either or both of the financial and credit markets have had a material adverse effect on our results of operations, financial condition and liquidity. During the fiscal year ended October 3, 2009, we accessed the credit markets and applied for financing to purchase the real property and improvements of two (2) locations, upon one (1) of which we operate a combination package liquor store and restaurant and upon the other we operate a restaurant. We also accessed the credit markets to extend the maturity date of our line of credit. While the impact of the current crisis made it more difficult to obtain financing, we were able to procure financing but at a higher cost and upon less favorable terms than in the past. From an operating standpoint, the current financial crisis has resulted in reduced customer traffic in some or all of our restaurants and/or package liquor stores, reduced revenues and profitability, increased costs and imposed practical limits on our menu pricing. A continued decline in same store restaurant revenues and/or profitability may result in a deterioration of our financial position.

### Intense Competition In The Restaurant And Package Liquor Store Industry Could Prevent Us From Increasing Or Sustaining Our Revenues And Profitability.

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

Any inability to successfully compete with the other restaurants and/or stores in our markets will prevent us from increasing or sustaining our revenues and profitability and will result in a material adverse effect on

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our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our business to evolve our concepts in order to compete with popular new restaurant formats or store concepts that may develop in the future. There can be no assurance that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

New Information Or Attitudes Regarding Diet And Health Could Result In Changes In Regulations And Consumer Eating Habits That Could Adversely Affect Our Revenues.

Regulations and consumer eating habits may change as a result of new information or attitudes regarding diet and health. These changes may include regulations that impact the ingredients and nutritional content of our menu items at our restaurants. For example, a number of states, counties and cities are enacting menu labeling laws requiring multi-unit restaurant operators to make certain nutritional information available to guests or restrict the sales of certain types of ingredients in restaurants. The success of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in consumer health and disclosure regulations and to adapt our menu offerings to trends in eating habits. If consumer health regulations or consumer eating habits change significantly, we may be required to modify or delete certain menu items. To the extent we are unable to respond with appropriate changes to our menu offerings, it could materially affect customer demand and have an adverse impact on our revenues.

Adverse Public Or Medical Opinions About Health Effects Of Consuming Our Products As Well As Negative Publicity About Us, Our Restaurants And/Or Package Liquor Stores And About Others Across The Food And Liquor Industry Supply Chain, Whether Or Not Accurate, Could Negatively Affect Us.

Restaurant operators have received more scrutiny from regulators and health organizations in recent years relating to the health effects of consuming certain products. An unfavorable report on the products we use in our menu, the size of our portions or the consumption of those items could influence the demand for our offerings. In addition, adverse publicity or news reports, whether or not accurate, of food quality issues, illness, injury, health concerns, or operating issues stemming from a single restaurant, a limited number of restaurants, restaurants operated by others or generally in the food supply chain could be damaging to the restaurant industry overall and specifically harm our reputation. A decrease in guest traffic as a result of these types of health concerns or negative publicity could materially harm our results of operations.

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**Our Inability To Successfully And Sufficiently Raise Menu Prices Could Result In A Decline In Profitability.**

We utilize menu price increases to help offset cost increases, including increased cost for commodities, minimum wages, employee benefits, insurance arrangements, construction, utilities and other key operating costs. If our selection and amount of menu price increases are not accepted by consumers and reduce guest traffic, or are insufficient to counter increased costs, our financial results could be negatively affected.

**Fluctuations In Commodity Prices And Availability Of Commodities Including Pork, Beef, Fish, Poultry And Dairy Could Affect Our Business**

A significant component of our costs are related to food commodities including pork, beef, fish, poultry and dairy products. If there is a substantial increase in prices for these products and we are unable to offset the increases with changes in menu prices, our results could be negatively affected.

**Our Business Could Be Materially Adversely Affected If We Are Unable To Expand In A Timely And Profitable Manner**

To grow successfully, we must open new restaurants on a timely and profitable basis. We have experienced delays in restaurant openings from time to time and may experience delays in the future. During fiscal year 2009, we did not open any new restaurants, nor do we have any new restaurants under development. During our fiscal year 2008, due to delays in the permitting process and construction, the Davie, Florida restaurant was opened after substantial delays. Increases in labor and building material costs increased the cost of planned renovations to the Davie, Florida restaurant by approximately \$1,000,000.

Our ability to open and profitably operate restaurants and/or package liquor stores is subject to various risks such as identification and availability of suitable and economically viable locations, the negotiation of acceptable leases or the purchase terms of existing locations, the availability of limited partner investors or other means to raise capital, the need to obtain all required governmental permits (including zoning approvals) on a timely basis, the need to comply with other regulatory requirements, the availability of necessary contractors and subcontractors, the availability of construction materials and labor, the ability to meet construction schedules and budgets, variations in labor and building material costs, changes in weather or other acts of God that could result in construction delays and adversely affect the results of one or more restaurants and/or package liquor stores for an indeterminate amount of time. If we are unable to successfully manage these risks, we will face increased costs and lower than anticipated revenues which will materially adversely affect our business, financial condition, operating results and cash flow.

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Changes In Customer Preferences For Casual Dining Styles Could Adversely Affect Financial Performance

Changing customer preferences, tastes and dietary habits can adversely impact our business and financial performance. We offer a large variety of entrees, side dishes and desserts and its continued success depends, in part, on the popularity of our cuisine and casual style of dining. A change from this dining style may have an adverse effect on our business.

Labor Shortages, An Increase In Labor Costs, Or Inability To Attract Employees Could Harm Our Business

Our employees are essential to our operations and our ability to deliver an enjoyable dining experience to our customers. If we are unable to attract and retain enough qualified restaurant and/or package liquor store personnel at a reasonable cost, and if they do not deliver an enjoyable dining experience, our results may be negatively affected. Additionally, competition for qualified employees could require us to pay higher wages, which could result in higher labor costs.

Increases In Employee Minimum Wages By The Federal Or State Government Could Adversely Affect Business

Certain of our Company employees are paid wages that relate to federal and state minimum wage rates. Increases in the minimum wage rates, such as annual cost of living increases in the State of Florida minimum wage, may significantly increase our labor costs. In addition, since our business is labor-intensive, shortages in the labor pool or other inflationary pressure could increase labor costs, which could harm our financial performance.

Due To Our Geographic Locations, Restaurants Are Subject To Climate Conditions That Could Affect Operations

All but one (1) of our restaurants and package liquor stores are located in South Florida, with the remaining restaurant located in Central Florida. During hurricane season, (June 1st through November 30th each year), our restaurants and/or package liquor stores may face harsh weather associated with hurricanes and tropical storms. These harsh weather conditions may make it more difficult for customers to visit our restaurants and package liquor stores, or may necessitate the closure of the stores and restaurants for a period of time. If customers are unable to visit our restaurants and/or package liquor stores, our sales and operating results may be negatively affected.

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Due To Our Geographic Locations, We May Not Be Able To Acquire Windstorm Insurance Coverage Or Adequate Windstorm Insurance Coverage At A Reasonable Rate

Due to the anticipated active hurricane seasons in South Florida in the future, we may not be able to acquire windstorm insurance coverage for our restaurant and package liquor store locations on a year-to-year basis or may not be able to get adequate windstorm insurance coverage at reasonable rates. If we are unable to obtain windstorm insurance coverage or adequate windstorm insurance coverage at reasonable rates, then we will be self-insured for all or a part of the exposure for damages caused by a hurricane impacting South Florida, which may have a material adverse effect upon our financial condition and/or results of operations.

Inability To Attract And Retain Customers Could Affect Results Of Operations

We take pride in our ability to attract and retain customers, however, if we do not deliver an enjoyable dining experience for our customers, they may not return and results may be negatively affected.

Failure To Comply With Governmental Regulations Could Harm Our Business And Our Reputation.

We are subject to regulation by federal agencies and regulation by state and local health, sanitation, building, zoning, safety, fire and other departments relating to the development and operation of restaurants. These regulations include matters relating to:

the environment;  
building construction;  
zoning requirements;  
the preparation and sale of food and alcoholic beverages; and  
employment.

Our facilities are licensed and subject to regulation under state and local fire, health and safety codes. The construction and remodeling of restaurants will be subject to compliance with applicable zoning, land use and environmental regulations. We may not be able to obtain necessary licenses or other approvals on a cost-effective and timely basis in order to construct and develop restaurants in the future.

Various federal and state labor laws govern our operations and our relationship with our employees, minimum wage, overtime, working conditions, fringe benefit and work authorization requirements. In particular, we are subject to federal immigration regulations. Given the location of many of our restaurants, even if we operate those restaurants in strict compliance with federal immigration requirements, our employees may not all meet federal work authorization or residency requirements, which could lead to disruptions in our work force.

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Our business can be adversely affected by negative publicity resulting from, among other things, complaints or litigation alleging poor food quality, food-borne illness or other health concerns or operating issues stemming from one or a limited number of restaurants. Unfavorable publicity could negatively impact public perception of our brands.

We are required to comply with the alcohol licensing requirements of the federal government, states and municipalities where our restaurants are located. Alcoholic beverage control regulations require applications to state authorities and, in certain locations, county and municipal authorities for a license and permit to sell alcoholic beverages. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of guests and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. If we fail to comply with federal, state or local regulations, our licenses may be revoked and we may be forced to terminate the sale of alcoholic beverages at one or more of our restaurants.

The Federal Americans with Disabilities Act (the “ADA”) prohibits discrimination on the basis of disability in public accommodations and employment. We are required to comply with the ADA and regulations relating to accommodating the needs of disabled persons in connection with the construction of new facilities and with significant renovations of existing facilities.

Failure to comply with these and other regulations could negatively impact our reputation and could have an adverse effect on our business, financial condition, results of operations or cash flows.

### We May Face Liability Under Dram Shop Statutes

Our sale of alcoholic beverages subjects us to “dram shop” statutes. These statutes allow an injured person to recover damages from an establishment that served alcoholic beverages to an intoxicated person. If we receive a judgment substantially in excess of our insurance coverage, or if we fail to maintain our insurance coverage, our business, financial condition, operating results or cash flows could be materially and adversely affected. We currently have no “dram shop” claims. See “Item 1. Business—Government Regulation” for a discussion of the regulations with which we must comply.

### We May Face Instances Of Food Borne Illness

In years past, several nationally known restaurants experienced outbreaks of food poisoning believed to be caused by E.coli contained in fresh spinach, which is not included in any of the items on our menu, Asian and European countries experienced outbreaks of avian flu and incidents of “mad cow” disease have occurred in Canadian and U.S. cattle herds. These problems, other food-borne illnesses (such as, hepatitis A, trichinosis or salmonella) and injuries caused by food tampering have in the past, and could

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in the future, adversely affect the price and availability of affected ingredients and cause changes in consumer preference. As a result, our sales could decline.

Instances of food-borne illnesses, real or perceived, whether at our restaurants or those of our competitors, could also result in negative publicity about us or the restaurant industry, which could adversely affect sales. If we react to negative publicity by changing our menu or other key aspects of the dining experience we offer, we may lose customers who do not accept those changes, and may not be able to attract enough new customers to produce the revenue needed to make our restaurants profitable. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some restaurants. A decrease in guest traffic as a result of health concerns or negative publicity, or as a result of a change in our menu or dining experience or a temporary closure of any of our restaurants, could materially harm our business.

Item 1B. Unresolved Staff Comments

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1B.

Item 2. Properties

Our operations are conducted primarily on leased property with the exception of (i) a 10,000 square foot stand-alone building located in Fort Lauderdale, Florida that we purchased in December, 1999, which since April, 2001 has housed our corporate headquarters; (ii) a 4,600 square foot stand-alone building located in Hallandale, Florida that we purchased in July, 2006 and which since that time has housed our Hallandale, Florida Company-owned combination restaurant and package liquor store (Store #31); (iii) a 4,120 square foot stand-alone building in Hollywood, Florida we constructed in November, 2003, upon real property we acquired in September, 2001 pursuant to a 25 year ground lease interest, (a portion of this building is leased to an unaffiliated third party), and which since November, 2003 has housed our Hollywood, Florida Company-owned package liquor store (Store #4); and (iv) a 4,500 square foot stand-alone building in Hollywood, Florida that we purchased in October, 2009, subsequent to the end of our fiscal year 2009, which since that time has housed our Hollywood, Florida Company-owned combination restaurant and package store (Store #19).

All of our units require periodic refurbishing in order to remain competitive. We have budgeted \$565,000 for our refurbishing program for fiscal year 2010. See Item 7, "Liquidity and Capital Resources" for discussion of the amounts spent in fiscal year 2009.

The following table summarizes information related to the properties upon which our operations are conducted:

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Big Daddy's Liquors #4 Flanigan's Enterprises Inc. (6) 7003 Taft Street Hollywood, FL	1,978	N/A	Company	3/1/02 to 2/28/27 and Options to 2/28/47
Big Daddy's Liquors #7 Flanigan's Enterprises, Inc. 1550 W. 84th Street Hialeah, FL	1,450	N/A	Company	11/1/00 to 10/31/10 and Annual Options to 10/31/15
Big Daddy's Liquors #8 Flanigan's Enterprises, Inc 959 State Road 84 Fort Lauderdale, FL	1,942	N/A	Company	5/1/99 to 4/30/14
Flanigan's Seafood Bar and Grill #9 Flanigan's Enterprises, Inc. 1550 W. 84th Street Hialeah, FL	4,300	130	Company	10/1/71 to 12/31/09 New lease 1/1/10 to 12/31/14 Options to 12/31/24
Flanigan's Legends Seafood Bar and Grill #11 11 Corporation (1) 330 Southern Blvd. W. Palm Beach, FL	5,000	150	Franchise	1/4/00 to 1/3/20 Option to 1/3/25
Flanigan's Seafood Bar and Grill #12 Flanigan's Enterprises, Inc. 2405 Tenth Ave. North Lake Worth, FL	5,000	180	Company	11/15/92 to 11/15/10
Flanigan's Seafood Bar and Grill #14 Big Daddy's #14, Inc. (1)(2)(5) 2041 NE Second St. Deerfield Beach, FL	3,320	90	Franchise	6/1/79 to 6/1/14 Option to 6/1/19
Flanigan's Seafood Bar and Grill #15	4,000	90	Franchise/ Limited	1/1/09 to 8/11/11 Options to 12/31/24

CIC Investors #15  
Ltd.(1)(2)  
1479 E. Commercial Blvd.  
Ft. Lauderdale, FL

Partnership

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Flanigan's Seafood Bar and Grill #18 Twenty Seven Birds Corp. (1)(2) 2721 Bird Avenue Miami, FL	4,300	100	Franchise	2/15/72 to 12/31/10 Options to 12/31/20
Flanigan's Seafood Bar and Grill #19 Flanigan's Enterprises Inc. (10) 2505 N. University Dr. Hollywood, FL	4,500	160	Company	Company-Owned since October, 2009
Flanigan's Seafood Bar and Grill #20 Flanigan's Enterprises Inc. 13205 Biscayne Blvd. North Miami, FL	5,100	140	Company	7/15/68 to 12/31/10 Annual options until the Company fails to exercise Additional Lease 5/1/69 to 12/31/10 Annual options until the Company fails to exercise
Flanigan's Seafood Bar and Grill #22 Flanigan's Enterprises Inc. 2600 W. Davie Blvd. Ft. Lauderdale, FL	4,100	200	Company	12/16/68 to 12/31/10 Options to 12/31/20 Option to purchase
Flanigan's Seafood Bar and Grill #31 Flanigan's Enterprises Inc. (7) 4 N. Federal Highway Hallandale, FL	4,600	150	Company	Company Owned
Flanigan's Guppy's Seafood Bar and Grill #33 Guppies, Inc. (1)(2) 45 S. Federal Highway Boca Raton, FL	4,620	130	Company owned since October, 2009	11/1/03 to 4/30/11
Big Daddy's Liquors #34 Flanigan's Enterprises,	3,000	N/A	Company	5/29/97 to 5/28/12 Option to 5/28/17

Inc.  
9494 Harding Ave.  
Surfside, FL

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Flanigan's Seafood Bar and Grill #40, Flanigan's Enterprises, Inc. 5450 N. State Road 7 N. Lauderdale, FL	4,600	140	Company	4/1/71 to 12/31/10 Option to 12/31/15
Piranha Pat's #43 BD 43 Corporation (1)(2) 2500 E. Atlantic Blvd. Pompano Beach, FL	4,500	90	Franchise	12/1/72 to 11/30/12 Option to 11/30/22
Big Daddy's Liquors #47 Flanigan's Enterprises, Inc. (3) 8600 Biscayne Blvd. Miami, FL	6,000	N/A	Company	12/21/68 to 1/1/20 Options to 1/1/50
Flanigan's Seafood Bar and Grill #13, CIC Investors #13, Ltd. 11415 S. Dixie Highway Pinecrest, FL	8,000	200	Limited Partnership	06/01/91 to 5/31/11 Options to 5/31/21
Flanigan's Seafood Bar and Grill #50, CIC investors #50, Ltd. 17185 Pines Boulevard Pembroke Pines, FL	4,000	200	Limited Partnership	10/24/06 to 10/23/11 Options to 10/23/26
Flanigan's Seafood Bar and Grill #55 CIC Investors #55, Ltd.(8) 2190 S. University Drive Davie, Florida	5,900	200	Limited Partnership	1/5/07 to 12/31/21 Options to 12/31/31
Flanigan's Seafood Bar and Grill #60 CIC Investors #60 Ltd. 9516 Harding Avenue Surfside, FL	6,800	200	Limited Partnership	8/1/97 to 12/31/11
Flanigan's Seafood Bar and Grill #65 CIC Investors #65, Ltd.	6,128	200	Limited Partnership	5/01/05 to 6/30/15 Options to 3/31/25

2335 State Road 7,Suite  
100  
Wellington, FL

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Flanigan's Seafood Bar and Grill #70 CIC Investors #70 Ltd. 12790 SW 88 St Kendall, FL	4,850	161	Limited Partnership	4/1/00 to 3/31/15 Options to 3/31/30
Flanigan's Seafood Bar and Grill #75 CIC Investors # 75 Ltd. 950 S. Federal Highway Stuart, FL	7,000	200	Limited Partnership	Month to Month
Flanigan's Seafood Bar and Grill #80 CIC Investors #80 Ltd. 8695 N.W. 12th St Miami, FL	5,000	165	Limited Partnership	6/15/01 to 12/14/19 Options to 12/14/39
Flanigan's Seafood Bar and Grill #95 CIC Investors #95 Ltd. 2460 Weston Road Weston, FL	5,700	235	Limited Partnership	7/29/01 to 7/28/17 Options to 7/28/32
Mardi Gras Flanigan's Enterprises, Inc., #600 (4) (9) Powers Ferry Landing Atlanta, GA	10,000	400	Company	4/30/06 to 4/30/16 Option to 4/30/26

(1) Franchised by Company.

(2) Lease assigned to franchisee.

(3) In 1974, we sold and assigned the underlying ground lease to unaffiliated third parties and simultaneously subleased it back. As of October 3, 2009, we have purchased from the unaffiliated third parties and own 52% of the underlying ground lease and our sublease agreement. As a result, we pay all rent due under the ground lease, but only 48% of the rent due under the sublease agreement.

(4) Location managed by an unaffiliated third party.

(5) Effective December 1, 1998, we purchased the Management Agreement to operate the franchised restaurant for the franchisee.

(6) Ground lease executed by us on September 25, 2001. We constructed a 4,120 square foot building, of which 1,978 square feet is used by us for the operation of a package liquor store and the other 2,142 square



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feet is subleased to an unaffiliated third party as retail space. The package liquor store opened for business on November 17, 2003.

(7) During the fourth quarter of our fiscal year 2006, we purchased the real property and an assignment of a ground lease of this location pursuant to an option to purchase contained in the Sublease Agreement. During our fiscal year 2007, we purchased the real property subject to the ground lease.

(8) Restaurant opened for business on July 28, 2008.

(9) During the third quarter of our fiscal year 2006, our lease for this location expired. The unaffiliated third party entered into a new lease for the business premises effective May 1, 2006 and as of that date, we no longer have responsibility to pay any amounts under the lease.

(10) During the fourth quarter of our fiscal year 2009, we entered into a contract for the purchase of the real property and building of this location and closed on the purchase subsequent to the end of our fiscal year 2009.

Item 3. Legal Proceedings.

From time to time, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws governing access to public accommodations, employment-related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of this litigation, some of which is covered by insurance, has had a material effect on us.

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 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 we filed our motion for re-consideration of a part of such award. As of October 3, 2009, we have not paid the award of attorneys’ fees and costs, although we have accrued the same, nor has there been a hearing scheduled on our motion for re-consideration of a portion of the award. During the second quarter of our fiscal year 2009, the seller filed suit against us for malicious prosecution. We deny the allegations and are vigorously defending against the allegations.

During fiscal year 2007, we and the limited partnership which owns the restaurant in Pinecrest, Florida filed suit against the limited partnership’s landlord. We are the sole general partner and a 40% limited partner in this

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limited partnership. We are seeking to recover the cost of structural repairs to the business premises we paid, as we believe these structural repairs were the landlord's responsibility under the lease. The lawsuit, in addition to attempting to recover the amounts expended by us for structural repairs is also attempting to recover the rent paid by the limited partnership while the repairs were occurring. The claim also includes a request by the limited partnership for the court to determine if the limited partnership has the exclusive right to the use of the pylon sign in front of the business premises. The landlord filed its answer to the complaint denying liability for structural repairs to the business premises, denying any obligation to reimburse the limited partnership for any rent paid while structural repairs occurred and denying the limited partnership's right to use the pylon sign. The lawsuit is in the discovery stage, but is scheduled for trial during the second quarter of our fiscal year 2010.

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

None.

## PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NYSE/AMEX under the symbol "BDL". The following table sets forth the high and low sales prices of a share of our common stock for the periods specified as reported by the NYSE/AMEX:

Fiscal Year 2008	High	Low
First Quarter (September 30, 2007 - December 29, 2007)	\$9.75	\$7.65
Second Quarter (December 30, 2007 – March 29, 2008)	\$9.90	\$6.56
Third Quarter (March 30, 2008 – June 27, 2008)	\$8.54	\$6.35
Fourth Quarter (June 28, 2008 – September 27, 2008)	\$6.85	\$5.09
Fiscal Year 2009		
First Quarter (September 28, 2008 - December 27, 2008)	\$6.10	\$2.75
Second Quarter (December 28, 2008 – March 28, 2009)	\$4.69	\$2.87
Third Quarter (March 29, 2009 – June 27, 2009)	\$6.42	\$4.00
Fourth Quarter (June 28, 2009 – October 3, 2009)	\$5.94	\$4.95

Holders

As of the close of business on December 31, 2009, there were approximately 331 holders of record of our common stock.

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## Dividend Policy

We did not declare or pay any cash dividends on our capital stock in our fiscal years 2009 or 2008 and do not intend to pay any cash dividends with respect to our common stock in the foreseeable future. We currently intend to retain any earnings for use in the operation of our business and to fund future growth. Any future determination to pay cash dividends will be at our board's discretion and will depend upon our financial condition, operating results, capital requirements and such other factors as our board deems relevant.

## Equity Compensation Plan Information

The following table sets forth information at October 3, 2009 regarding compensation plans under which our equity securities are authorized for issuance:

## Number of securities

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, restricted stock and rights	Weighted-average exercise price of outstanding options, warrants, restricted stock and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	---	\$ --	40,000
Equity compensation plans not approved by security holders	—	\$ ---	—
Total	---	\$ ---	40,000

## Issuer Repurchases of Equity Securities

Pursuant to a discretionary plan approved by the Board of Directors at its meeting on May 17, 2007, the Board of Directors authorized management to purchase up to 100,000 shares of our common stock. During our fiscal year end 2009, we purchased a total of 21,400 shares. During the fourth quarter of our fiscal year 2009, we did not purchase any shares of our common stock pursuant to a discretionary plan approved by the Board of Directors at its meeting on May 17, 2007.

## Item 6. Selected Financial Data

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 6.

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

Except for the historical information contained herein, the following discussion contains forward-looking statements that are subject to known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. We discuss such risks, uncertainties and other factors throughout this report and specifically under the captions "Risk Factors". In addition, the following discussion and analysis should be read in conjunction with the 2009 Consolidated Financial Statements and the related Notes to Consolidated Financial Statements included elsewhere in this report.

Overview

Financial Information Concerning Industry Segments

Our business is conducted principally in two segments: the restaurant segment and the package liquor store segment. Financial information broken into these two principal industry segments for the two fiscal years ended October 3, 2009 and September 27, 2008 is set forth in the consolidated financial statements which are attached hereto.

General

At October 3, 2009, we (i) operated 23 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 six units, consisting of two restaurants, (one of which we operate) and four combination restaurants/package liquor stores.

Franchised Units. In exchange for our providing management and related services to our franchisees and granting them the right to use our service marks "Flanigan's Seafood Bar and Grill" and "Big Daddy's Liquors", our franchisees (five of which are franchised to members of the family of our Chairman of the Board, officers and/or directors), are required to (i) pay to us a royalty equal to 1% of gross package liquor sales and 3% of gross restaurant sales; and (ii) make advertising expenditures equal to between 1.5% to 3% of all gross sales based upon our actual advertising costs allocated between stores, pro-rata, based upon gross sales.

Affiliated Limited Partnership Owned Units. We manage and control the operations of the ten restaurants owned by limited partnerships, except the Fort Lauderdale, Florida restaurant which is managed and controlled by a related franchisee. Accordingly, the results of operations of all limited partnership owned restaurants, except the Fort Lauderdale, Florida restaurant are consolidated with our results of operations for accounting purposes. The

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results of operations of the Fort Lauderdale, Florida restaurant are accounted for by us utilizing the equity method.

## Results of Operations

THE FISCAL YEAR ENDING OCTOBER 3, 2009 WAS A FIFTY THREE WEEK FISCAL YEAR WHILE THE FISCAL YEAR ENDING SEPTEMBER 27, 2008 WAS A FIFTY TWO WEEK FISCAL YEAR. THE EXTRA WEEK IN THE FISCAL YEAR 2009 CONTRIBUTED TO INCREASES IN REVENUES AND EXPENSES FOR THE FISCAL YEAR AS COMPARED TO REVENUES AND EXPENSES FOR THE FISCAL YEAR 2008, WITH THE EXCEPTION OF THE WEEKLY AVERAGE OF SAME STORE SALES.

## REVENUES (in thousands):

	Fifty Three Weeks Ended Oct. 3, 2009			Fifty Two Weeks Ended Sept. 27, 2008		
Sales						
Restaurant, food	\$42,794	65.2	%	\$40,906	65.2	%
Restaurant, bar	10,185	15.5	%	9,494	15.1	%
Package goods	12,632	19.3	%	12,317	19.7	%
Total	65,611	100.0	%	62,717	100.0	%
Franchise revenues	1,126			1,066		
Owner's fee	170			238		
Other operating income	153			188		
Total Revenues	\$67,060			\$64,209		

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Comparison of Fiscal Years Ended October 3, 2009 and September 27, 2008

Revenues. Total revenue for our fiscal year 2009 increased \$2,851,000 or 4.44% to \$67,060,000 from \$64,209,000 for our fiscal year 2008. This increase resulted from the increase in sales during fiscal year 2009 from the Davie, Florida limited partnership owned restaurant of \$3,025,000 which opened for business on July 28, 2008, offset by a decline in same store restaurant food and bar sales (\$190,000). The Davie, Florida restaurant generated \$3,843,000 of revenue during our fiscal year 2009 and \$818,000 of revenue during our fiscal year 2008. Without giving effect to the increased revenue generated from the Davie, Florida restaurant, (\$3,025,000), total revenue for our fiscal year 2009 would have decreased \$174,000 or 0.27% to \$64,035,000 from \$64,209,000 for our fiscal year 2008.

Restaurant Food Sales. Restaurant revenue generated from the sale of food, including non-alcoholic beverages, at restaurants totaled \$42,794,000 for our fiscal year 2009 as compared to \$40,906,000 for our fiscal year 2008. This increase in restaurant food sales resulted from sales from the Davie, Florida restaurant, which generated \$3,175,000 of revenue from the sale of food during our fiscal year 2009, as compared to \$662,000 of revenue from the sale of food during our fiscal year 2008. Without giving effect to the increased revenue generated from the Davie, Florida restaurant (\$2,513,000) from the sale of food during our fiscal year 2009, restaurant revenue generated from the sale of food during our fiscal year 2009 would have decreased \$625,000 or 1.53% to \$40,281,000 from \$40,906,000 for our fiscal year 2008. The decrease in restaurant food sales is primarily a result of the current financial crises which has reduced customers in some of our restaurants, increased sales of our \$4.99 lunch specials and in general, changed menu items purchased by our customers to lesser priced menu items. Comparable weekly restaurant food sales (for restaurants open for all of our fiscal years 2009 and 2008, which consists of seven restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$701,000 and \$709,000 for our fiscal years 2009 and 2008, respectively, a decrease of 1.13%. Comparable weekly restaurant food sales for Company owned restaurants only was \$307,000 and \$317,000 for our fiscal years 2009 and 2008, respectively, a decrease of 3.15%. Comparable weekly restaurant food sales for affiliated limited partnership owned restaurants only was \$394,000 and \$392,000 for our fiscal years 2009 and 2008, respectively, an increase of 0.51%. We anticipate that restaurant food sales will increase through our fiscal year 2010 primarily because of the restaurant food sales of our Boca Raton, Florida restaurant purchased by us from a franchisee in October, 2009 will be includable in our fiscal year 2010 revenue. However, we anticipate that our same store restaurant food sales will decline in our fiscal year 2010 and accordingly, any increase in revenue derived from including the restaurant food sales from the Boca Raton restaurant will be offset by a decline in same store sales.

Restaurant Bar Sales. Restaurant revenue generated from the sale of alcoholic beverages at restaurants totaled \$10,185,000 for our fiscal year 2009 as compared to \$9,494,000 for our fiscal year 2008. This increase of \$691,000 in restaurant bar sales is due to sales from the Davie, Florida, restaurant. The Davie, Florida restaurant generated \$668,000 of revenues from restaurant bar sales during our fiscal year 2009 as compared to revenues of \$154,000 from restaurant bar sales during our fiscal year 2008. Without giving effect to the increased revenue generated from the Davie, Florida restaurant (\$514,000) from restaurant bar sales during our fiscal year 2009, revenue generated from restaurant bar sales during our fiscal year 2009 would

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have increased \$177,000 or 1.86% to \$9,671,000 from \$9,494,000 for our fiscal year 2008. Comparable weekly restaurant bar sales (for restaurants open for all of our fiscal years 2009 and 2008, which consists of seven restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$171,000 and \$167,000 for our fiscal years 2009 and 2008, respectively, an increase of 2.40%. Comparable weekly restaurant bar sales for Company owned restaurants only was \$74,000 and \$72,000 for our fiscal years 2009 and 2008, respectively, an increase of 2.78%. Comparable weekly restaurant bar sales for affiliated limited partnership owned restaurants only was \$97,000 and \$95,000 for our fiscal years 2009 and 2008, respectively, an increase of 2.11%. We anticipate that restaurant bar sales will increase through our fiscal year 2010 primarily because of the restaurant bar sales from our recently acquired Boca Raton, Florida restaurant from a franchisee, as well as an increase in same store restaurant bar sales because of a new promotion, (half price drinks from 9:00 p.m. to closing, a slow period of time for business for most of our restaurants), instituted subsequent to our fiscal year 2009.

Package Liquor Store Sales. Revenue generated from sales of liquor and related items at package liquor stores totaled \$12,632,000 for our fiscal year 2009 as compared to \$12,317,000 for our fiscal year 2008, an increase of \$315,000 or 2.56%, primarily due to the 53rd week during our fiscal year 2009. The weekly average of same store package liquor store sales, which includes all nine (9) Company owned package liquor stores, was \$238,000 for our fiscal year 2008 as compared to \$237,000 for our fiscal year 2008, an increase of 0.42%. Package liquor store sales are expected to remain stable through our fiscal year 2010.

Operating Costs and Expenses. Operating costs and expenses, (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for our fiscal year 2009 increased \$2,404,000 or 3.86% to \$64,613,000 from \$62,209,000 for our fiscal year 2008. The increase was primarily due to expenses related to the operation of the Davie, Florida restaurant of approximately \$3,706,000 and to a lesser extent a general increase in food costs, offset by a decrease in repairs and maintenance to our units and actions taken by management to reduce and/or control costs and expenses. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2010 due primarily to the operating costs and expenses associated with our recently acquired Boca Raton restaurant location from a franchisee and among other things, an expected general increase in food costs, offset by a decrease in the cost of ribs. Operating costs and expenses decreased slightly as a percentage of total sales to approximately 96.35% in our fiscal year 2009 from 96.89% in our fiscal year 2008.

Gross Profit. Gross profit is calculated by subtracting the cost of merchandise sold from sales.

Restaurant Food and Bar Sales. Gross profit for food and bar sales for our fiscal year 2009 increased to \$34,792,000 from \$33,368,000 for our fiscal year 2008. Our gross profit margin for restaurant food and bar sales (calculated as gross profit reflected as a percentage of restaurant food and bar sales), was 65.67% for our fiscal year 2009 and 66.21% for our fiscal year 2008. This decrease in gross profit for restaurant and bar sales for our fiscal year 2009 was primarily due to an increase in food costs, primarily our cost of ribs and poultry.

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We anticipate that our gross profit for restaurant food and bar sales will decrease during our fiscal year 2010 due to a decrease in our gross profit for restaurant bar sales due primarily to the new promotion, (half price drinks from 9:00 p.m. to closing, a slow period of time for business for most of our restaurants), instituted subsequent to our fiscal year end 2009, offset by a decrease in the cost of ribs during calendar year 2010.

**Package Liquor Store Sales.** Gross profit for package liquor store sales for our fiscal year 2009 increased to \$3,937,000 from \$3,661,000 for our fiscal year 2008. Our gross profit margin (calculated as gross profit reflected as a percentage of package liquor store sales) for package liquor store sales was 31.17% for our fiscal year 2009 and 29.72% for our fiscal year 2008. The increase in our gross profit margin, (1.45%), was primarily due to our continued purchase of "close out" and inventory reduction merchandise from wholesalers. We anticipate the gross profit margin for package liquor store sales to remain constant throughout our fiscal year 2010.

**Payroll and Related Costs.** Payroll and related costs for our fiscal year 2009 increased \$611,000 or 3.20% to \$19,676,000 from \$19,065,000 for our fiscal year 2008. This increase is primarily attributable to the payroll and related costs of the Davie, Florida restaurant of approximately \$1,163,000 and the annual increase in the Florida minimum wage, which was effective January 1, 2009, offset by a reduction of our store level management. We anticipate that our payroll and related costs will increase through our fiscal year 2010, primarily due to the payroll and related costs and expenses associated with our recently acquired Boca Raton restaurant location from a franchisee. Payroll and related costs as a percentage of total sales was 29.34% in our fiscal year 2009 and 29.69% of total sales in our fiscal year 2008. This decrease as a percentage of sales was primarily due to a reduction of our store level management.

**Occupancy Costs.** Occupancy costs (consisting of rent, common area maintenance, repairs, real property taxes and amortization of leasehold interests) for our fiscal year 2009 increased \$18,000 or 0.45% to \$3,995,000 from \$3,977,000 for our fiscal year 2008. We anticipate that our occupancy costs will increase through our fiscal year 2010, primarily due to the occupancy cost associated with our recently acquired Boca Raton restaurant location from a franchisee, offset by the elimination of rent paid for our combination restaurant and package liquor store located at 2505 N. University Drive, Hollywood, Florida, (store # 19), the real property and building of which we purchased subsequent to our fiscal year 2009 and a decrease in the rent paid for our restaurant located at 1550 W. 84th Street, Hialeah, Florida (Store #9), at the start of the second quarter of our fiscal year 2010.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for our fiscal year 2009 increased \$581,000 or 4.31% to \$14,060,000 from \$13,479,000 for our fiscal year 2008. This increase is due primarily to the operation of the Davie, Florida restaurant, increased advertising expense and an overall increase in expenses. Selling, general and administrative expenses remained constant as a percentage of total sales, 20.97% in our fiscal year 2009 as compared to 20.99% in our fiscal year 2008. We anticipate that our selling, general and administrative expenses will increase throughout our fiscal year 2010 due primarily to the operation of our recently acquired Boca Raton restaurant location from a franchisee and an overall increase in expenses, which will not be offset in their entirety by increased advertising credits and rebates from our food distributor.

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Depreciation. Depreciation for our fiscal year 2009 increased \$128,000 or 6.01% to \$2,259,000 from \$2,131,000 for our fiscal year 2008. As a percentage of total sales, depreciation expense was relatively constant over both periods, representing 3.37% of revenue for our fiscal year 2009 and 3.32% of revenue for our fiscal year 2008.

Interest Expense, Net. Interest expense for our fiscal year 2009 decreased \$59,000 to \$436,000 from \$495,000 for our fiscal year 2008. This decrease is attributable to a lower variable interest rate on our line of credit during our fiscal year 2009.

Net Income. Net income for our fiscal year 2009 increased \$332,000 or 31.41% to \$1,389,000 from \$1,057,000 for our fiscal year 2008. As a percentage of sales, net income for our fiscal year 2009 is 2.07%, as compared to 1.65% in our fiscal year 2008.

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