

FLANIGANS ENTERPRISES INC

Form 10-K

December 27, 2013

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

FORM 10-K

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

For the fiscal year ended September 28, 2013

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 1-6836

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

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Identification
Number)

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

33334
Zip Code

(954) 377-1961

(Registrant's telephone number, including area code)

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

<u>Common Stock, \$.10 Par Value</u>	<u>NYSE MKT</u>
Title of each class	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 ý

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 ý

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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 corporate 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 (§229.405 of this chapter) 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 Exchange Act.

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 \$6,183,000 as of March 30, 2013, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the common stock as reported on the NYSE MKT of \$7.70.

There were 1,858,647 shares of the Registrant's Common Stock, \$0.10 par value, outstanding as of December 27, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

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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 2014 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission by January 28, 2014.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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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 our 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 September 28, 2013, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants (one of which we operate) and three combination restaurants/package liquor stores. 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 September 28, 2013 and as compared to September 29, 2012. 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 2013	FISCAL YEAR 2012	NOTE NUMBER
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TYPES OF UNITS

Company Owned:

Combination package liquor store and restaurant	4	4
Restaurant only	5	5
Package liquor store only	5	5

Company Managed

Restaurants Only:

Limited partnerships	9	8	(1)
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Franchise	1	1	
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Unrelated Third Party	1	1	
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<u>Company Owned Club:</u>	1	1	
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TOTAL - Company Owned/Operated Units:	26	25	
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FRANCHISED - units	5	5	(2)(3)
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Notes:

(1) Includes a limited partnership owned restaurant located in Miami, Florida which opened for business on December 27, 2012 (the "New Restaurant").

(2) 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.

(3) During the fourth quarter of our fiscal year ended September 29, 2012, with our consent, a franchised package store ceased operations in order to accommodate expanded restaurant operations at the location.

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 78.0% and bar sales approximately 22.0% 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 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.

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<u>ENTITY</u>	<u>STATE OF ORGANIZATION</u>	<u>PERCENTAGE OWNED</u>
Flanigan's Management Services, Inc.	Florida	100
Flanigan's Enterprises, Inc. of Georgia	Georgia	100
Flanigan's Enterprises, Inc. of Pa.	Pennsylvania	100
Flanigan's Enterprises of N. Miami, Inc.	Florida	100
CIC Investors #13, Limited Partnership	Florida	40
CIC Investors #50, Limited Partnership	Florida	18
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 #80, Limited Partnership	Florida	27
CIC Investors #90, Limited Partnership	Florida	5
CIC Investors #95, Limited Partnership	Florida	30
Josar Investments, LLC	Florida	100
Flanigan's Calusa Center, 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 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 our 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.

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Franchised Package Liquor Stores. We currently franchise three package liquor stores, all 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. Two of the three remaining franchised package liquor stores 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 casual 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 nine 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 five restaurants, all of which operate under our service mark “Flanigan’s Seafood Bar and Grill”, two of which operate as a restaurant only and three 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 depending upon our actual advertising

costs.

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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.

Restaurants Owned by Affiliated Limited Partnerships

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

Generally, the terms of the limited partnership agreements provide that until the investors' cash investment in a limited partnership (including any cash invested by us) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant, as a return of capital, up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (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 September 28, 2013, 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. Whether we will have any additional restaurants under development in the future will be dependent, among other things, on market conditions and our ability to raise capital. We anticipate that we will continue to form limited partnerships to raise funds to own and operate restaurants under our service mark "Flanigan's Seafood Bar and Grill" using the same or substantially similar financial arrangements.

Below is information on the ten limited partnerships which own and operate "Flanigan's Seafood Bar and Grill" restaurants:

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.

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Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since April 4, 2000. 29.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by 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 (½) of the cash available for distribution by this limited partnership.

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 2013, this limited partnership has returned to its investors approximately 81.25% of their initial cash invested. During our fiscal years 2013 and 2012, 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 2014.

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 2013, this limited partnership has returned to its investors approximately 65% of their initial cash invested, increased from approximately 56% as of the end of our fiscal year 2012.

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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 2013, this limited partnership has returned to its investors approximately 92% of their initial cash invested, increased from approximately 80% as of our fiscal year ended 2012.

Pembroke Pines, Florida

We are the sole general partner and an 18% 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 2013, this limited partnership has returned to its investors approximately 45.0% of their initial cash invested, increased from approximately 41.0% as of the end of our fiscal year 2012.

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 2013, this limited partnership has returned to its investors approximately 35.5% of their initial cash invested, increased from approximately 27.5% as of the end of our fiscal year 2012.

Miami, Florida

We are the sole general partner and a 5% limited partner in this limited partnership which has owned and operated a restaurant in Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since December 27, 2012. 24.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 6.0% of their initial cash invested.

Fort Lauderdale, Florida

A corporation, owned by one of our board members, 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. 60.1% 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 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.

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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 (1/2) of the net profit, if any, from the operation of the restaurant. For our fiscal years ended September 28, 2013 and September 29, 2012, we generated \$385,000 and \$320,000 of revenue, respectively, from providing these management services. As of September 28, 2013, we have generated revenue in excess of the purchase price of the management agreement.

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 September 28, 2013 and September 29, 2012, we generated \$150,000 and \$157,000 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 supervisors, who visit units to provide on-site management and support. There are two supervisors responsible for package liquor store operations and five supervisors responsible for restaurant operations.

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.

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

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 2013 and 2012, 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 2013 and again in fiscal year 2014 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 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 or \$10,000, as applicable, self-insured retentions.

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 cost 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, 2013, our property insurance will be three (3) 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 fixed deductibles 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, 2013, including insurance coverage for our consolidated limited partnerships, will be approximately \$346,000 as compared to our insurance expense for the policy year which commenced December 30, 2012, (\$294,000), and was the third year of our three (3) year property insurance policy with our insurance carrier.

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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 limited our menu price increases. During our fiscal year 2013 we did not raise our menu prices, but during the fourth quarter of our fiscal year 2011 and the third quarter of our fiscal year 2012, higher food costs and higher overall expenses left us with no alternative but to raise our menu prices. During the second quarter of our fiscal year 2012, we also raised our restaurant bar prices. We continue to offer our customers 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 principal register for our "Flanigan's" and "Flanigan's Seafood Bar and Grill" service marks.

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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 2013, we employed 1,208 persons, of which 756 were full-time and 452 were part-time. Of these, 38 were employed at our corporate offices in administrative capacities and 8 were employed in maintenance. Of the remaining employees, 35 were employed in package liquor stores and 1,127 in restaurants.

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

EXECUTIVE OFFICERS

<u>Name</u>	<u>Positions and Offices Currently Held</u>	<u>Office or Position Age Held Since</u>
James G. Flanigan	Chairman of the Board of Directors, Chief Executive Officer and President	49 (1)
August Bucci	Chief Operating Officer and Executive Vice President	69 2002
Jeffrey D. Kastner	Chief Financial Officer, General Counsel and Secretary	60 (2)

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

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

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 September 28, 2013 and September 29, 2012, the Board of Directors approved discretionary matching contributions totaling \$24,000 and \$23,000, respectively.

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 of 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.

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. New risks and uncertainties arise from time to time, and we cannot predict when they may arise or how they may affect us. We assume no obligation to update

any forward-looking statements after the date of this report as a result of new information, future events or other developments, except as required by applicable laws and regulations.

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Our Sales and Profit Growth Could be Adversely Affected If Comparable Restaurant Sales Increases Are Less Than We Expect, and We May Not Successfully Increase Comparable Restaurant Sales or They May Decrease.

While future sales growth will depend substantially on our opening new restaurants, changes in comparable restaurant sales (which represent the change in period-over-period sales for restaurants) will also affect our sales growth and will continue to be a critical factor affecting profit growth. This is because the profit margin on comparable restaurant sales is generally higher, as comparable restaurant sales increases enable fixed costs to be spread over a higher sales base. Conversely, declines in comparable restaurant sales can have a significant adverse effect on profitability due to the loss of the positive impact on profit margins associated with comparable restaurant sales increases. There is no assurance that comparable restaurant sales will increase in fiscal year 2014 due to, among other things, ongoing consumer and economic uncertainty.

As a result it is possible that we will not achieve our targeted comparable restaurant sales or that the change in comparable restaurant sales could be negative. A number of these factors are beyond our control and therefore we cannot assure that we will be able to sustain comparable restaurant sales increases.

Continued High Unemployment, Instability in the Housing Market, High Energy and Food Costs and General Economic Uncertainty Could Result in a Decline in Consumer Discretionary Spending That Would Materially Affect our Financial Performance.

Dining out is a discretionary expense. Factors that affect consumer behavior and spending for restaurant dining, such as changes in general economic conditions (including national, regional and local economic conditions), discretionary spending patterns, employment levels, instability in the housing market, and high energy and food costs may have a material adverse effect on us. Leading economic indicators, such as unemployment and consumer confidence, remain volatile and may not show meaningful improvement in our fiscal year 2014. If economic conditions worsen, our financial performance could be adversely affected.

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.

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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 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.

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. However, we have not experienced any adverse affects from our recent menu price increases.

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Increases in Food Costs, Raw Materials and Other Supplies and Services May Have a Material Adverse Impact on our Financial Performance.

Our operating margins depend on, among other things, our ability to anticipate and react to changes in the costs of key operating resources, including food and beverage costs, utilities and other supplies and services. We attempt to negotiate short-term and long-term agreements for our principal commodity, supply and equipment requirements, depending on market conditions and expected demand. However, we are currently unable to contract for extended periods of time for certain of our commodities. Consequently, these commodities can be subject to unforeseen supply and cost fluctuations due to factors such as changes in demand patterns, increases in the cost of key inputs, fuel costs, weather and other market conditions outside of our control. Dairy costs can also fluctuate due to government regulation. Our suppliers also may be affected by higher costs to produce and transport commodities used in our restaurants, higher minimum wage and benefit costs, and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us.

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 our fiscal years 2013 and 2012 we had one new restaurant under development which opened for business on December 27, 2012. We currently do not have any new restaurants under development.

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 our 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.

Our Success Depends Substantially on the Value of our Brands and our Reputation for Offering Guests a Satisfactory Experience.

We believe we have built a reasonably strong reputation for the predictability of our menu items, as part of the experience that guests enjoy in our restaurants. We believe we must protect and grow the value of our brands to continue to be successful in the future. Any incident that erodes consumer trust in or affinity for our brands could be harmful to us. If consumers perceive or experience a reduction in food quality, service or ambiance, or in any way believe we failed to deliver a consistently positive experience, our brand value could suffer.

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 two “dram shop” claims, which we are defending vigorously. 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 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.

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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.

If We Are Unable To Protect Our Customers' Credit Card Data, We Could Be Exposed To Data Loss, Litigation, And Liability, And Our Reputation Could Be Significantly Harmed.

In connection with credit card sales, we transmit confidential credit card information by way of secure private retail networks. Although we use private networks, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit card sales, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. If a person is able to circumvent these security measures, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation, and liability, and could seriously disrupt our operations and any resulting negative publicity could significantly harm our reputation.

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 September, 1968 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); (iv) a 4,500 square foot stand-alone building located in Hollywood, Florida that we purchased in October, 2009 and which since March, 1972 has housed our Hollywood, Florida Company-owned combination restaurant and package liquor store (Store #19); (v) a 4,600 square foot stand-alone building located in Fort Lauderdale, Florida that we purchased in August, 2010 and which since December, 1968 has housed our Fort Lauderdale, Florida Company-owned restaurant (Store #22); (vi) a 5,100 square foot stand-alone building in North Miami, Florida that we purchased in November, 2010 and which since July, 1968 has housed our North Miami, Florida Company-owned combination restaurant and package store (Store #20) and the two parcels of real property adjacent thereto which we purchased in December, 2012, one of which is contiguous to the real property and which we previously leased for non-exclusive parking; and (vii) a 23,678 square foot two building shopping center in Miami, Florida that we purchased in November, 2011; one building, approximately 18,828 square feet, is leased to twelve unaffiliated third parties and the second stand-alone building, approximately 4,850 square feet, has housed our Kendall, Florida based restaurant, which is owned by our affiliated limited partnership (Store #70).

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All of our units require periodic refurbishing in order to remain competitive. We have budgeted \$875,000 for our refurbishing program for fiscal year 2014. See Item 7, "Liquidity and Capital Resources" for discussion of the amounts spent in fiscal year 2013.

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

<u>Name and Location</u>	<u>Square Footage</u>	<u>Franchised/ Seats</u>	<u>Owned by</u>	<u>Lease Terms</u>
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 10/31/14 and Annual Option 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.	4,300	130	Company	1/1/10 to 12/31/14 Options to 12/31/24

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<u>Name and Location</u>	<u>Square Footage</u>	<u>Seats</u>	<u>Franchised/ Owned by</u>	<u>Lease Terms</u>
1550 W. 84 th Street Hialeah, FL				
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 11/15/18
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 Options to 6/1/24
Flanigan's Seafood Bar and Grill #15 CIC Investors #15 Ltd.(1) 1479 E. Commercial Blvd. Ft. Lauderdale, FL	4,000	90	Franchise/ Limited Partnership	1/1/09 to 8/31/16 Options to 12/31/24
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 12/31/15 Option to 12/31/20
Flanigan's Seafood Bar and Grill #19 Flanigan's Enterprises, Inc. 2505 N. University Dr. Hollywood, FL	4,500	160	Company	Company-Owned
Flanigan's Seafood Bar and Grill #20 Flanigan's Enterprises, Inc. 13205 Biscayne Blvd. North Miami, FL	5,100	140	Company	Company-Owned
Flanigan's Seafood	4,100	200	Company	Company-Owned

Bar and Grill #22
Flanigan's Enterprises, Inc.
2600 W. Davie Blvd.
Ft. Lauderdale, FL

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<u>Name and Location</u>	<u>Square Footage</u>	<u>Seats</u>	<u>Franchised/ Owned by</u>	<u>Lease Terms</u>
Flanigan's Seafood Bar and Grill #31 Flanigan's Enterprises, Inc. 4 N. Federal Highway Hallandale, FL	4,600	150	Company	Company Owned
Flanigan's Seafood Bar and Grill #33 Flanigan's Enterprises, Inc. 45 S. Federal Highway Boca Raton, FL	4,620	130	Company	10/1/10 to 5/31/20
Big Daddy's Liquors #34 Flanigan's Enterprises, Inc. 9494 Harding Ave. Surfside, FL	3,000	N/A	Company	5/29/97 to 5/28/17 Options to 5/28/27
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 12/31/15 Option to 12/31/20
Piranha Pat's #43 BD 43 Corporation (1)(2) 2500 E. Atlantic Blvd. Pompano Beach, FL	4,500	90	Franchise	12/1/72 to 11/30/17 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 5/31/16 Option to 5/31/21
Flanigan's Seafood Bar and Grill #50, CIC Investors #50, Ltd. 17185 Pines Boulevard	4,000	200	Limited Partnership	10/24/06 to 10/23/16 Options to 10/23/26

Pembroke Pines, FL

Flanigan’s Seafood	5,900	200	Limited	1/5/07 to 12/31/21
Bar and Grill #55			Partnership Options to 12/31/31	
CIC Investors #55, Ltd.				
2190 S. University Drive				

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<u>Name and Location</u>	<u>Square Footage</u>	<u>Seats</u>	<u>Owned by</u>	<u>Franchised/ Lease Terms</u>
Davie, Florida				
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 12/31/21
Flanigan's Seafood Bar and Grill #65 CIC Investors #65, Ltd. 2335 State Road 7, Suite 100 Wellington, FL	6,128	200	Limited Partnership	5/01/05 to 6/30/15 Options to 3/31/25
Flanigan's Seafood Bar and Grill #70 CIC Investors #70 Ltd. 12790 SW 88 St Miami, 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 Flanigan's Enterprises, Inc. 950 S. Federal Highway Stuart, FL	7,000	200	Company	5/1/10 to 4/30/16
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 #90 (9) CIC Investors #90 Ltd. 9857 S.W. 40 th Street Miami, FL	4,300	200	Limited Partnership	4/1/11 to 3/31/26 Option to 3/31/31
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)(7)
Powers Ferry Landing
Atlanta, GA

10,000 400 Company 4/30/06 to 4/30/16
Option to 4/30/26

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<u>Name and Location</u>	<u>Footage</u>	<u>Square Seats</u>	<u>Owned by</u>	<u>Franchised/ Lease Terms</u>
Flanigan's Calusa Center, LLC (8) 12750 – 12790 S.W. 88 th Street Miami, Florida	28,000 sq. ft.		shopping center	Company owned

(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 September 28, 2013, 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 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 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.

(8) During the first quarter of our fiscal year 2012, our wholly owned subsidiary, Flanigan's Calusa Center, LLC, closed on the purchase of the two building shopping center in Miami, Florida, which consists of one building which is leased to twelve unaffiliated third parties and a second stand-alone building where our limited partnership owned restaurant located at 12790 SW 88th Street, Miami, Florida, (Store #70), operates.

(9) Restaurant opened for business on December 27, 2012.

Recent Purchase of Real Property

N. Miami, Florida

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During the first quarter of our fiscal year 2013, we closed on the purchase of two parcels of real property (the “Two Mortgaged Parcels”), one of which (the “Near Parcel”) is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and the other of which is contiguous to the Near Parcel (the “Other Parcel”). We previously leased the Near Parcel for non-exclusive parking. Each of the Mortgaged Parcels contains a building of approximately 2,600 square feet, but we intend to demolish the building on the Near Parcel to provide for a larger parking lot to be used by our customers. We intend to offer the building on the Other Parcel for lease. We paid \$2,900,000 for the Two Mortgaged Parcels, \$1,950,000 of which was financed by the seller pursuant to a purchase money mortgage (the “\$1.95M Mortgage Loan”). Our repayment obligations under the \$1.95M Mortgage Loan are secured by a first mortgage on the Two Mortgaged Parcels. The \$1.95M Mortgage Loan bears interest at the rate of 7.5% annually and is amortized over twenty (20) years, with our monthly payment of principal and interest totaling \$15,700. The entire principal balance, in the approximate amount of \$1,331,000 and all accrued but unpaid interest under the \$1.95M Mortgage Loan is due on December 31, 2022.

Recent Extension of Existing Lease for Existing Location

Lake Worth, Florida

During the fourth quarter of our fiscal year 2013, we extended our lease for the restaurant we own located at 2405 Tenth Avenue North, Lake Worth, Florida, (Store #12) for a period of five (5) years through November 15, 2018. The terms under the extended term are the same as the existing lease, including that the annual rent will be subject to a 2% fixed increase each year.

Subsequent Events

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

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.

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During the 3rd quarter of our fiscal year 2011, suit was filed against us alleging that we charge employees for required uniforms in violation of the Florida Minimum Wage Act of the Florida Constitution. Subsequent to the end of our fiscal year 2013, the Plaintiff's motion to certify the suit as a class action was denied by the Court and we settled the lawsuit. This lawsuit was uninsured and the settlement did not have a material effect on us.

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 MKT 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 MKT:

Fiscal Year 2012		High	Low
First Quarter	(October 2, 2011 - December 31, 2011)	\$8.25	\$6.74
Second Quarter	(January 1, 2012 – March 31, 2012)	\$8.91	\$6.42
Third Quarter	(April 1, 2012 – June 30, 2012)	\$8.25	\$7.15
Fourth Quarter	(July 1, 2012 – September 29, 2012)	\$8.25	\$7.25
Fiscal Year 2013			
First Quarter	(September 30, 2012 - December 29, 2012)	\$7.76	\$7.13
Second Quarter	(December 30, 2012 – March 30, 2013)	\$7.88	\$7.53
Third Quarter	(March 31, 2013 – June 29, 2013)	\$13.00	\$7.65
Fourth Quarter	(June 30, 2013 – September 28, 2013)	\$10.52	\$9.13

Holders

As of the close of business on December 27, 2013, there were approximately 301 holders of record of our common stock.

Dividend Policy

We did not declare or pay any cash dividends on our capital stock in our fiscal years 2013 and 2012. 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 September 28, 2013 regarding compensation plans under which our equity securities are authorized for issuance:

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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. Since the Board's 2007 authorization, we have purchased an aggregate of 33,786 shares, of which 800 shares were purchased by us in fiscal year 2013. As of September 28, 2013, we still have authority to purchase 66,214 shares of our common stock under the discretionary plan approved by the Board of Directors.

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.

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 2013 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 September 28, 2013 and September 29, 2012 is set forth in the consolidated financial statements which are attached hereto.

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At September 28, 2013, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants, (one of which we operate), and three combination restaurants/package liquor stores.

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

Results of Operations

REVENUES (in thousands):

	Fifty Two Weeks Ended Sept. 28, 2013			Fifty Two Weeks Ended Sept. 29, 2012		
Sales						
Restaurant, food	\$52,467	65.1 %		\$48,943	64.9 %	
Restaurant, bar	14,974	18.5 %		13,255	17.6 %	
Package goods	13,192	16.4 %		13,214	17.5 %	
Total	80,633	100.0%		75,412	100.0%	
Franchise related revenues	1,237			1,133		

Owner's fee	150	157
Other operating income	198	158
Rental income	580	475
Total Revenues	\$82,798	\$77,335

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Comparison of Fiscal Years Ended September 28, 2013 and September 29, 2012

Revenues. Total revenue for our fiscal year 2013 increased \$5,463,000 or 7.06% to \$82,798,000 from \$77,335,000 for our fiscal year 2012. This increase resulted from sales at our new limited partnership-owned restaurant location in Miami, Florida (\$2,625,000), which opened for business on December 27, 2012 (the “New Restaurant”) and increased menu prices. Without giving effect to the revenue generated at the New Restaurant, total revenue for our fiscal year 2013 would have increased \$2,838,000 or 3.67% to \$80,173,000 from \$77,335,000 for our fiscal year 2012.

Restaurant Food Sales. Restaurant revenue generated from the sale of food, including non-alcoholic beverages, at restaurants totaled \$52,467,000 for our fiscal year 2013 as compared to \$48,943,000 for our fiscal year 2012. The increase in restaurant food sales resulted primarily from sales at the New Restaurant (\$1,865,000 of food sales during our fiscal year 2013) and to menu price increases during the fourth quarter of our fiscal year 2011 and the third quarter of our fiscal year 2012. Without giving effect to the revenue generated at the New Restaurant, food sales for our fiscal year 2013 would have increased \$1,659,000 or 3.39% to \$50,602,000 from \$48,943,000 for our fiscal year 2012. Comparable weekly restaurant food sales (for restaurants open for all of our fiscal years 2013 and 2012, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$977,000 and \$941,000 for our fiscal years 2013 and 2012, respectively, an increase of 3.83%. Comparable weekly restaurant food sales for Company owned restaurants only was \$457,000 and \$435,000 for our fiscal years 2013 and 2012, respectively, an increase of 5.06%. Comparable weekly restaurant food sales for affiliated limited partnership owned restaurants only was \$520,000 and \$506,000 for our fiscal years 2013 and 2012, respectively, an increase of 2.77%.

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Restaurant Bar Sales. Restaurant revenue generated from the sale of alcoholic beverages at restaurants totaled \$14,974,000 for our fiscal year 2013 as compared to \$13,255,000 for our fiscal year 2012 primarily due to an increase in prices during the third quarter of our fiscal year 2012 and to a lesser extent, sales at the New Restaurant (\$760,000 of revenue from New Restaurant bar sales during our fiscal year 2013). Without giving effect to the revenue generated at the New Restaurant, bar sales for our fiscal year 2013 would have increased \$959,000 or 7.24% to \$14,214,000 from \$13,255,000 for our fiscal year 2012. Comparable weekly restaurant bar sales (for restaurants open for all of our fiscal years 2013 and 2012, which consists of nine restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was \$274,000 and \$255,000 for our fiscal years 2013 and 2012, respectively, an increase of 7.45%. Comparable weekly restaurant bar sales for Company owned restaurants only was \$122,000 and \$113,000 for our fiscal years 2013 and 2012, respectively, an increase of 7.96%. Comparable weekly restaurant bar sales for affiliated limited partnership owned restaurants only was \$152,000 and \$142,000 for our fiscal years 2013 and 2012, respectively, an increase of 7.04%.

Package Liquor Store Sales. Revenue generated from sales of liquor and related items at package liquor stores totaled \$13,192,000 for our fiscal year 2013 as compared to \$13,214,000 for our fiscal year 2012, a decrease of \$22,000 or 0.17%. The weekly average of same store package liquor store sales, which includes all nine (9) Company owned package liquor stores, was \$254,000 for each of our fiscal years 2013 and 2012.

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 2013 increased \$4,397,000 or 5.96% to \$78,161,000 from \$73,764,000 for our fiscal year 2012. The increase was primarily due to the costs related to the New Restaurant and to an expected general increase in food costs, offset by a decrease in the cost of ribs and actions taken by management to reduce and/or control costs and expenses. Operating costs and expenses decreased as a percentage of total sales to approximately 94.40% in our fiscal year 2013 from 95.38% in our fiscal year 2012.

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 2013 increased to \$43,652,000 from \$40,059,000 for our fiscal year 2012. 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 64.73% for our fiscal year 2013 and 64.41% for our fiscal year 2012. We anticipate that our gross profit for restaurant food and bar sales will decrease during our fiscal year 2014 due to higher food costs, offset by a decrease in our cost of ribs during calendar year 2014.

Package Liquor Store Sales. Gross profit for package liquor store sales for our fiscal year 2013 decreased to \$3,971,000 from \$4,102,000 for our fiscal year 2012. Our gross profit margin (calculated as gross profit reflected as a percentage of package liquor store sales) for package liquor store sales was 30.10% for our fiscal year 2013 and 31.04% for our fiscal year 2012. We anticipate that our gross profit margin for package liquor store sales will stabilize during our fiscal year 2014.

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Payroll and Related Costs. Payroll and related costs for our fiscal year 2013 increased \$2,067,000 or 8.85% to \$25,421,000 from \$23,354,000 for our fiscal year 2012 due primarily to payroll and related costs associated with the New Restaurant. Payroll and related costs as a percentage of total sales was 30.70% in our fiscal year 2013 and 30.20% of total sales in our fiscal year 2012.

Occupancy Costs. Occupancy costs (consisting of rent, common area maintenance, repairs, real property taxes and amortization of leasehold interests) for our fiscal year 2013 increased \$103,000 or 2.38% to \$4,431,000 from \$4,328,000 for our fiscal year 2012. Our occupancy costs increased primarily due to contractually obligated escalating rents at various locations, offset in part by the termination of rent (as a result of our acquiring the parcels) for the two parcels of real property contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and which we leased for non-exclusive parking. We anticipate that our occupancy costs will remain stable throughout our fiscal year 2014.

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 2013 increased \$468,000 or 3.16% to \$15,299,000 from \$14,831,000 for our fiscal year 2012. Selling, general and administrative expenses decreased as a percentage of total sales in our fiscal year 2013 to 18.48% as compared to 19.18% in our fiscal year 2012. We anticipate that our selling, general and administrative expenses will increase throughout our fiscal year 2014 due primarily to increases across all categories.

Depreciation and Amortization. Depreciation and amortization for our fiscal year 2013 increased \$59,000 or 2.33% to \$2,587,000 from \$2,528,000 for our fiscal year 2012. As a percentage of revenue, depreciation and amortization expense was 3.12% of revenue for our fiscal year 2013 and 3.27% of revenue for our fiscal year 2012.

Interest Expense, Net. Interest expense for our fiscal year 2013 increased \$12,000 to \$818,000 from \$806,000 for our fiscal year 2012. Interest expense increased moderately (\$12,000) during our fiscal year 2013 primarily due (i) to the lower monthly installments of interest as a result of the mortgage loan (\$1,405,000) and the term loan (\$1,595,000) used to re-finance the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates and (ii) the repayment of our term loan from July, 2010, offset by the interest paid on the \$1.95 million purchase money mortgage used to purchase the two parcels of real property, one of which is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates.

Net Income Attributable to Stockholders. Net income attributable to stockholders for our fiscal year 2013 increased \$564,000 or 39.92% to \$1,977,000 from \$1,413,000 for our fiscal year 2012. As a percentage of sales, net income for our fiscal year 2013 is 2.39%, as compared to 1.83% in our fiscal year 2012.

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New Limited Partnership Restaurants

As new restaurants open, our income from operations will be adversely affected due to our obligation to fund pre-opening costs, including but not limited to pre-opening rent for the new locations. During our fiscal years 2013 and 2012, we recognized pre-opening rent expense in the approximate amount of \$32,000 and \$83,000, respectively, for the New Restaurant. We recognize rent expense on a straight line basis over the term of the lease.

During our fiscal years 2013 and 2012, the New Restaurant reported losses of \$208,000 and \$107,000, respectively, primarily due to pre-opening costs, thus contributing to a reduction in the operating income for our fiscal years 2013 and 2012.

We believe that our current cash on hand, together with our expected cash generated from operations will be sufficient to fund our operations and capital expenditures for at least the next twelve months.

Trends

During the next twelve months, we expect that our restaurant food and bar sales will increase, but gross profit for restaurant food and bar sales will decrease due to higher food costs, offset by a decrease in our cost of ribs during calendar year 2014. We anticipate that our package liquor store sales and gross profit margin for package liquor store sales will remain stable. We expect higher food costs and higher overall expenses, including but not limited to higher property and general liability insurance premiums and health insurance premiums to adversely affect our net income. We also plan to continue our increased advertising to attract and retain our customers against increased competition. With our recent menu price increases, we plan to limit further menu price increases as long as possible, but continue to face increased competition and expect higher food costs and higher overall expenses, which will adversely affect our net income. We may be required to raise menu prices wherever competitively possible.

We do not have a new restaurant in the development stage, but continue to search for new locations to open restaurants and thereby expand our business. Any new locations will likely be opened using our limited partnership ownership model.

We are not actively searching for locations for the operation of new package liquor stores, but if an appropriate location for a package liquor store becomes available, we will consider it.

Liquidity and Capital Resources

We fund our operations through our cash on hand and positive cash flow from operations. As of September 28, 2013, we had cash of approximately \$7,058,000, a decrease of \$163,000 from our cash balance of \$7,221,000 as of September 29, 2012. We believe that our current cash on hand and the expected cash from operations will be sufficient to fund our operations and capital expenditures for at least the next twelve months.

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	Fiscal Years	
	2013	2012
	(in thousands)	
Net cash and cash equivalents provided by operating activities	\$6,744	\$6,212
Net cash and cash equivalents used in investing activities	(3,275,000)	(2,027)
Net cash and cash equivalents used in financing activities	(3,632,000)	(1,228)
Net increase (decrease) in cash and equivalents	(163)	2,957
Cash and equivalents, beginning of year	7,221	4,264
Cash and equivalents, end of year	\$7,058	\$7,221

Capital Expenditures

In addition to using cash for our operating expenses, we use cash to fund the development and construction of new restaurants and to fund capitalized property improvements for our existing restaurants. We acquired property and equipment of \$5,702,000, (including \$1,950,000 of which was financed, \$43,000 of which was from the non-cash purchase of a vehicle and \$292,000 of deposits recorded in other assets as of September 29, 2012), during our fiscal year 2013, including \$536,000 for renovations to four (4) existing Company owned restaurant and two (2) existing limited partnership owned restaurants. During our fiscal year 2012, we acquired property and equipment of \$7,800,000, (including \$6,100,000 of which was financed and \$30,000 of deposits recorded in other assets as of October 1, 2011), during our fiscal year 2012. The cost of this refurbishment in our fiscal year 2012 was \$507,000 for renovations to one (1) existing Company owned restaurant and for renovations to three (3) limited partnership owned restaurants. We anticipate the cost of this refurbishment in our fiscal year 2014 will be approximately \$875,000, which funds will be provided from operations.

Debt

As of September 28, 2013, the end of our fiscal year 2013, we had debt of \$13,546,000, as compared to \$13,418,000 as of the end of our fiscal year 2012. As of September 28, 2013, we are in compliance with the covenants of all loans with our lender.

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Re-Financing of Existing Mortgage

During the second quarter of our fiscal year 2013, in order to refinance our third party debt secured by our real property located at 4 N. Federal Highway, Hallandale, Florida where our combination package liquor store and restaurant (Store #31) operates, we (i) re-financed with a non-affiliated third party lender, the mortgage loan encumbering the property which mortgage loan was held by another non-affiliated third party lender (the “\$1.405M Loan”); and (ii) borrowed \$1,595,000 from a non-affiliated third party lender, (the “\$1.595M Term Loan”). The \$1.405M Loan is in the original principal amount of \$1,405,000 and bears interest at a variable rate equal to the BBA LIBOR – 1 Month plus 2.25%. We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the \$1.405M Loan at 4.35% per annum throughout its term. The \$1.405M Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest totaling \$8,415, with the entire principal balance and all accrued but unpaid interest due January 31, 2023. The \$1.595M Term Loan is in the principal amount of \$1,595,000 and bears interest at a variable interest rate equal to the BBA LIBOR – 1 Month plus 3.25%. We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the \$1.595M Term Loan at 4.00% per annum throughout its term. The \$1.595M Term Loan is fully amortized over forty two (42) months, with our monthly payment of principal and interest, totaling \$41,000. We granted our lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the \$1.595M Term Loan. As a part of the refinancing, we prepaid the outstanding balance, (\$325,000), on an existing term loan with the lender, including a \$1,600 pre-payment penalty.

Line of Credit

During the second quarter of our fiscal year 2013, we obtained a \$500,000 line of credit from a non affiliated third party lender, (the “Line of Credit”). The Line of Credit earned interest at the floating rate of prime plus 1.5%. The entire principal balance and all accrued but unpaid interest under the Line of Credit was due April 30, 2013. We granted the lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the Line of Credit. No amounts were drawn on the line of credit by us, so there were no amounts outstanding under the Line of Credit when it terminated during the third quarter of our fiscal year 2013.

We repaid long term debt, including auto loans, financed insurance premiums and mortgages in the amount of \$5,358,000 and \$1,859,000 in our fiscal years 2013 and 2012, respectively.

Financed Insurance Premiums

(i) For the policy year beginning December 30, 2010, our property insurance is a three (3) year policy with our insurance carrier. The three (3) year property insurance premium is in the amount of \$894,000, of which \$727,000 is financed through an unaffiliated third party lender. The finance agreement provides that we are obligated to repay the

amounts financed, together with interest at the rate of 4.89% per annum, over 30 months, with monthly payments of principal and interest, each in the amount of approximately \$25,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

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(ii) For the policy year beginning December 30, 2013, our property insurance is a three (3) year policy with our insurance carrier. The three (3) year property insurance premium is in the amount of \$1,140,000, of which \$912,000 is financed through the same unaffiliated third party lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 2.65% per annum, over 30 months, with monthly payments of principal and interest, each in the amount of approximately \$32,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(iii) For the policy year beginning December 30, 2012, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate \$309,000, of which \$282,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed together with interest at the rate of 3.29% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of \$29,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(iv) For the policy year beginning December 30, 2012, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate \$390,000, of which \$356,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed, together with interest at the rate of 3.29% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of \$36,000. The finance agreement is secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(v) For the policy year beginning December 30, 2013, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate \$350,000, of which \$318,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed together with interest at the rate of 3.26% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of \$32,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

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(vi) For the policy year beginning December 30, 2013, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate \$440,000, of which \$399,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed, together with interest at the rate of 3.26% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of \$41,000. The finance agreement is secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

As of September 28, 2013, the aggregate principal balance owed from the financing of our property and general liability insurance policies is \$117,000.

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants, on October 22, 2013, we entered into a purchase agreement with a new rib supplier, whereby we agreed to purchase approximately \$4,260,000 of baby back ribs during calendar year 2014 from this vendor at a fixed cost. While we anticipate purchasing all of our rib supply from this vendor, we believe there are several other alternative vendors available, if needed.

Purchase of Limited Partnership Interests

During our fiscal year 2013, we purchased from one limited partner (who is not an officer director or family member of officers or director) a limited partnership interest of 0.36% in one (1) limited partnership which owns a restaurant and a limited partnership interest of 0.18% in another limited partnership which owns a restaurant for an aggregate purchase price of \$5,000. During our fiscal year 2012, we purchased from one limited partner (who is not an officer, director or family member of officers or directors) a limited partnership interest of 0.18% in one (1) limited partnership which owns a restaurant for an aggregate purchase price of \$3,000.

Working capital

The table below summarizes our current assets, current liabilities and working capital as of the end of our fiscal years 2013 and 2012:

	Sept. 28	Sept. 29
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(in thousands)	2013	2012
Current assets	\$ 11,522	\$ 11,433
Current liabilities	9,139	8,283
Working capital	2,383	3,150

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Our working capital decreased by 24.35% as of September 28, 2013 from our working capital as of September 29, 2012 primarily due to our using cash as part of the purchase price for our acquisition during the first quarter of our fiscal year 2013 of the two parcels of real property, one of which is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and the other of which is contiguous thereto for a purchase price of \$2,900,000, \$1,950,000 of which was financed by the seller pursuant to the \$1.95M Mortgage Loan and \$950,000 of which was expended by us as the cash required to close. The decrease in our working capital was also caused by our using cash to pay for renovations at the New Restaurant which opened in December, 2012.

While there can be no assurance due to, among other things, unanticipated expenses or unanticipated decline in revenues, or both, we believe that our cash on hand and positive cash flow from operations will adequately fund operations, debt reductions and planned capital expenditures throughout our fiscal year 2014.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of the end of our fiscal year 2013 or our fiscal year 2012.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements located in Item 8 of this Annual Report on Form 10-K. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the related disclosures of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions or conditions. We believe that the following critical accounting policies are subject to estimates and judgments used in the preparation of our consolidated financial statements:

Estimated Useful Lives of Property and Equipment

The estimates of useful lives for property and equipment are significant estimates. Expenditures for the leasehold improvements and equipment when a restaurant is first constructed are material. In addition, periodic refurbishing takes place and those expenditures can be material. We estimate the useful life of those assets by considering, among other things, expected use, life of the lease on the building, and warranty period, if applicable. The assets are then depreciated using a straight line method over those estimated lives. These estimated lives are reviewed periodically and adjusted if necessary. Any necessary adjustment to depreciation expense is made in the income statement of the

period in which the adjustment is determined to be necessary.

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Consolidation of Limited Partnerships

As of September 28, 2013, we operate nine (9) restaurants as general partner of the limited partnerships that own the operations of these restaurants. We expect that any expansion which takes place in opening new restaurants will also result in us operating the restaurants as general partner. In addition to the general partnership interest we also purchase limited partnership units ranging from 5% to 48% of the total units outstanding. As a result of these controlling interests, we consolidate the operations of these limited partnerships with ours despite the fact that we do not own in excess of 50% of the equity interests. All intercompany transactions are eliminated in consolidation. The non-controlling interests in the earnings of these limited partnerships are removed from net income and are not included in the calculation of earnings per share.

Income Taxes

FASB ASC Topic 740 – *Income Taxes*, requires, among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities and to tax net operating loss and tip credit carryforwards to the extent that realization of said benefits is more likely than not. For discussion regarding our carryforwards refer to Note 6 to the consolidated financial statements for our fiscal year 2013.

Other Matters

Impact of Inflation

The primary inflationary factors affecting our operations are food, beverage and labor costs. A large number of restaurant personnel are paid at rates based upon applicable minimum wage and increases in minimum wage directly affect labor costs. To date, inflation has not had a material impact on our operating results, but this circumstance may change in the future if food and fuel costs continue to rise.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As part of our ongoing operations, we are exposed to interest rate fluctuations on our borrowings. As more fully described in Note 9 “Fair Value Measurements of Financial Instruments” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, we use interest rate swap agreements to manage these risks. These instruments are not used for speculative purposes but are used to modify variable rate obligations into fixed rate obligations.

At September 28, 2013, we had five variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we converted the amount outstanding on our line of credit (\$1,586,000) to a term loan (the “Term Loan”) and we also re-financed the mortgage loan encumbering our corporate offices (the “Refinanced Mortgage Loan”). In November, 2011, we financed our purchase of the real property and two building shopping center in Miami, Florida, with a \$4,500,000 mortgage loan (the “\$4.5M Mortgage Loan”), and received a \$1,600,000 term loan (the “\$1.6M Term Loan”) the proceeds of which were ultimately used to purchase the shopping center, while permitting us to retain our working capital and cash reserves. In January, 2013, we re-financed the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the “\$1.405M Loan”) and borrowed \$1,595,000 from a non affiliated third party lender, (the “\$1.595M Term Loan”), and used all of the net proceeds of this loan to re-finance the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates.

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As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following five (5) interest rate swap agreements, having pre-paid one existing variable rate debt instrument that was impacted by changes in interest rates during the second quarter of our fiscal year 2013:

(i) One (1) interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the “Mortgage Loan Swap”). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of \$935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at September 28, 2013, we determined that based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender, the fair value of the Mortgage Loan Swap was not material; and

(ii) The second interest rate swap agreement entered into in November, 2011 by our wholly owned subsidiary, Flanigan’s Calusa Center, LLC, relates to the \$4.5 Mortgage Loan (the “\$4.5M Mortgage Loan Swap”). The \$4.5M Mortgage Loan Swap requires us to pay interest for an eight (8) year period at a fixed rate of 4.51% on an initial amortizing notional principal amount of \$3,750,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(iii) The third interest rate swap agreement entered into in November, 2011 relates to the \$1.6M Term Loan (the “\$1.6M Term Loan Swap”). The \$1.6M Term Loan Swap requires us to pay interest for a four (4) year period at a fixed rate of 3.43% on an initial amortizing notional principal amount of \$1,600,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

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(iv) The fourth interest rate swap agreement entered into in January, 2013 relates to the \$1.405M Loan (the “\$1.405M Term Loan Swap”). The \$1.405M Term Loan Swap requires us to pay interest for a twenty (20) year period at a fixed rate of 4.35% on an initial amortizing notional principal amount of \$1,405,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(v) The fifth interest rate swap agreement entered into in January, 2013 relates to the \$1.595M Term Loan (the “\$1.595M Term Loan Swap”). The \$1.595M Term Loan Swap requires us to pay interest for a forty two (42) month period at a fixed rate of 4.00% on an initial amortizing notional principal amount of \$1,595,000, while receiving interest for the same period at LIBOR – 1 Month, plus 3.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material.

At September 28, 2013, our cash resources earn interest at variable rates. Accordingly, our return on these funds is affected by fluctuations in interest rates.

There is no assurance that interest rates will increase or decrease over our next fiscal year or that an increase will not have a material adverse effect on our operations.

Item 8. Financial Statements and Supplementary Data.

Our Financial Statements and supplementary data are on pages F-1 through F-6.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on evaluations as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer, with the participation of our management team, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective to ensure that information the Company is required to disclose in reports that it files or submits under the Securities Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

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Management's Assessment on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 28, 2013, our internal control over financial reporting was effective.

Limitations on the Effectiveness of Controls and Permitted Omission from Management's Assessment

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is incorporated by reference to our Proxy Statement for our 2014 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 28, 2014. The information under the heading “Executive Officers” in Part I of this Form 10-K is also incorporated herein by reference.

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Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to our Proxy Statement for our 2014 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 28, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is incorporated by reference to our Proxy Statement for our 2014 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 28, 2014.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by Item 13 is incorporated by reference to our Proxy Statement for our 2014 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 28, 2014.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is incorporated by reference to our Proxy Statement for our 2014 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 28, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

See Item 8, “Financial Statements and Supplementary Data” for Financial Statements included with this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

All other schedules have been omitted because the required information is not applicable or the information is included in the consolidated financial statements or the Notes thereto.

(a)(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Annual Report.

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2	Plan of Reorganization, Amended Disclosure Statement, Amended Plan of Reorganization, Modification of Amended Plan of Reorganization, Second Modification of Amended Plan of Reorganization, Order Confirming Plan of Reorganization	SB-2	5/5/87	2	
3	Restated Articles of Incorporation, adopted January 9, 1984	10-K	12/29/02	3	
10(a)(1)	Employment Agreement with Joseph G. Flanigan*	DEF14A	1/27/1988	10(a)(1)	
10(a)(2)	Form of Employment Agreement between Joseph G. Flanigan and the Company (as ratified and amended by the stockholders at the 1988 annual meeting is incorporated herein by reference).*	10-K		10(a)(1)	
10(c)	Consent Agreement regarding the Company's Trademark Litigation	8-K	4/10/1985	10(c)	
10(d)	King of Prussia(#850)Partnership Agreement*	8-K	4/10/1985	10(d)	
10(o)	Management Agreement for Atlanta, Georgia, (#600)*	10-K	10/3/1992	10(o)	
10(p)	Settlement Agreement with Former Vice Chairman of the Board of Directors (re #5)	10-K	10/3/1992	10(p)	
10(q)	Hardware Purchase Agreement and Software License Agreement for restaurant point of sale system.	10-KSB	10/2/1993	10(q)	
10(a)(3)	Key Employee Incentive Stock Option Plan	DEF14A	1/26/1994	10(a)(3)	
10(r)	Limited Partnership Agreement of CIC Investors #13, Ltd., between Flanigan's Enterprises, Inc., as General Partner and fifty percent owner of the limited partnership, and Hotel Properties, LTD. *	10-KSB	9/30/1995	10(r)	

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10(s)	Form of Franchise Agreement between Flanigan's Enterprises, Inc. and Franchisees.*	10-KSB 9/30/1995	10(s)
10(t)	Licensing Agreement between Flanigan's Enterprises, Inc. and James B. Flanigan, dated November 4, 1996, for non-exclusive use of the servicemark "Flanigan's" in the Commonwealth of Pennsylvania. *	10-KSB 9/28/1996	10(t)
10(u)	Limited Partnership Agreement of CIC Investors #15 Ltd., dated March 28, 1997, between B.D. 15 Corp. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as a limited partner owning twenty five percent of the limited partnership. *	10-KSB 9/27/1997	10(u)
10(v)	Limited Partnership Agreement of CIC Investors #60 Ltd., dated July 8, 1997, between Flanigan's Enterprises, Inc., as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty percent of the limited partnership. *	10-KSB 9/27/1997	10(v)
10(w)	Stipulated Agreed Order of Dismissal upon Mediation with former franchisee.	10-KSB 9/27/1997	10(w)
10(x)	Limited Partnership Agreement of CIC Investors #70, Ltd. dated February 1999 between Flanigan's Enterprises, Inc. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty percent of the limited partnership. *	10-KSB 10/02/1999	10(x)
10(y)	Limited Partnership Agreement of CIC Investors #80, Ltd., dated May 2001, between Flanigan's Enterprises, Inc. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc., as limited partner owning twenty five percent of the limited partnership. *	10-KSB 9/29/2001	10(y)
10(z)	Limited Partnership Agreement of CIC Investors #95, Ltd., dated July 2001, between Flanigan's Enterprises, Inc., as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twenty eight percent of the limited partnership. *	10-KSB 9/29/2001	10(z)

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10(aa)	Limited Partnership Agreement of CIC Investors #75, Ltd., dated June 17, 2003, between Flanigan's Enterprises, Inc., as General Partner, and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twelve percent of the limited partnership. *	10-K 9/27/03	10(aa)
10(bb)	Limited Partnership Agreement of CIC Investors #65, Ltd., dated June 24, 2004, between Flanigan's Enterprises, Inc., as General Partner, and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twenty six percent of the limited partnership. *	10-K 10/2/2004	10(bb)
10(cc)	Amended and Restated Limited Partnership Certificate and Agreement of CIC Investors #13, Ltd., dated March 1, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning thirty nine percent of the limited partnership. *	10-K 9/30/2006	10(cc)
10(dd)	Limited Partnership Agreement of CIC Investors #50, Ltd., dated October 17, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning sixteen percent of the limited partnership. *	10-K 9/29/2007	10(dd)
10(ee)	Limited Partnership Agreement of CIC Investors #55, Ltd., dated December 12, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty eight percent of the limited partnership. *	10-K 9/29/2007	10(ee)
10(ff)	Limited Partnership Agreement of CIC Investors #90, Ltd., dated January 18, 2012, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning five percent of the limited partnership. *	10-K 9/29/2012	10(ff)

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13	Registrant's Form 10-K constitutes the Annual Report to Shareholders for the fiscal year ended September 28, 2013.	X
21(a)	Company's subsidiaries are set forth in this Annual Report on Form 10-K.	X
31.1	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 of Chief Executive Officer.	X
31.2	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 of Chief Financial Officer.	X
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer.	X
32.2	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer.	X
*	Compensatory plan or arrangement.	

List of XBRL documents as exhibits 101

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Flanigan's Enterprises, Inc.
Registrant

By: /s/ JAMES G. FLANIGAN II
JAMES G. FLANIGAN II
Chief Executive Officer
Date: 12/27/2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their capacities and on the dates indicated.

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/s/ JAMES G. FLANIGAN II James G. Flanigan II	Chairman of the Board, Chief Executive Officer, and Director	Date: 12/27/2013
/s/ JEFFREY D. KASTNER Jeffrey D. Kastner	Chief Financial Officer, Secretary and Director	Date: 12/27/2013
/s/ GERMAINE M. BELL Germaine M. Bell	Director	Date: 12/27/2013
/s/ BARBARA J. KRONK Barbara J. Kronk	Director	Date: 12/27/2013
/s/ AUGIE BUCCI Augie Bucci	Chief Operating Officer and Director	Date: 12/27/2013
/s/ MICHAEL B. FLANIGAN Michael B. Flanigan	Director	Date: 12/27/2013
/s/ PATRICK J. FLANIGAN Patrick J. Flanigan	Director	Date: 12/27/2013
/s/ CHRISTOPHER O'NEIL Christopher O'Neil	Vice President and Director	Date: 12/27/2013
/s/ Mary Elizabeth Bennett Mary Elizabeth Bennett	Director	Date: 12/27/2013

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Flanigan's Enterprises, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

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Flanigan's Enterprises, Inc. and Subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Flanigan's Enterprises, Inc. and Subsidiaries (the "Company"), as of September 28, 2013 and September 29, 2012 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Flanigan's Enterprises, Inc. and Subsidiaries as of September 28, 2013 and September 29, 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum LLP

Fort Lauderdale, FL

December 27, 2013

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Table of Contents**Flanigan's Enterprises, Inc. and Subsidiaries**

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

(rounded to the nearest thousandth, except share amounts)

<u>ASSETS</u>	2013	2012
Current Assets:		
Cash and cash equivalents	\$7,058,000	\$7,221,000
Prepaid income taxes	181,000	—
Due from franchisee	21,000	—
Other receivables	235,000	207,000
Inventories	2,701,000	2,516,000
Prepaid expenses	859,000	1,118,000
Deferred tax assets	467,000	371,000
Total current assets	11,522,000	11,433,000
Property and Equipment, Net	34,627,000	31,595,000
Investment in Limited Partnership	216,000	171,000
Other Assets:		
Liquor licenses	630,000	470,000
Deferred tax assets	971,000	961,000
Leasehold interests, net	1,043,000	1,177,000
Other	615,000	937,000
Total other assets	3,259,000	3,545,000
Total assets	\$49,624,000	\$46,744,000
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$5,985,000	\$5,265,000
Income taxes payable	—	39,000
Due to franchisees	1,661,000	1,231,000
Current portion of long-term debt	1,477,000	1,732,000
Deferred rent	16,000	16,000
Total current liabilities	9,139,000	8,283,000

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Long-Term Debt, Net of Current Portion	12,069,000	11,686,000
Deferred Rent, Net of Current Portion	130,000	147,000
Commitments and Contingencies		
Equity:		
Flanigan's Enterprises, Inc. stockholders' equity		
Common stock, \$.10 par value; 5,000,000 shares authorized; 4,197,642 shares issued; 1,859,447 and 1,860,247 outstanding for years ended 2013 and 2012	420,000	420,000
Capital in excess of par value	6,240,000	6,240,000
Retained earnings	20,107,000	18,130,000
Treasury stock, at cost, 2,338,195 and 2,337,395 shares for the years ended 2013 and 2012, respectively	(6,067,000)	(6,061,000)
Total Flanigan's Enterprises, Inc. stockholders' equity	20,700,000	18,729,000
Noncontrolling interests	7,586,000	7,899,000
Total equity	28,286,000	26,628,000
Total liabilities and equity	\$49,624,000	\$46,744,000

See notes to consolidated financial statements.

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Table of Contents**Flanigan's Enterprises, Inc. and Subsidiaries**

CONSOLIDATED STATEMENTS OF INCOME

Years Ended September 28, 2013 and September 29, 2012

(rounded to the nearest thousandth, except share and per share amounts)

	2013	2012
Revenues:		
Restaurant food sales	\$52,467,000	\$48,943,000
Restaurant beverage sales	14,974,000	13,255,000
Package goods sales	13,192,000	13,214,000
Franchise-related revenues	1,237,000	1,133,000
Owner's fee	150,000	157,000
Other operating income	198,000	158,000
Rental income	580,000	475,000
	82,798,000	77,335,000
Costs and Expenses:		
Cost of merchandise sold:		
Restaurants and lounges	23,789,000	22,139,000
Package goods	9,221,000	9,112,000
Payroll and related costs	25,421,000	23,354,000
Occupancy costs	4,431,000	4,328,000
Selling, general and administrative expenses	15,299,000	14,831,000
	78,161,000	73,764,000
Income from Operations	4,637,000	3,571,000
Other Income (Expense):		
Interest expense	(818,000)	(806,000)
Interest and other income	28,000	73,000
	(790,000)	(733,000)
Income Before Provision for Income Taxes	3,847,000	2,838,000
Provision for Income Taxes	(915,000)	(765,000)
Net Income	2,932,000	2,073,000
Less: Net Income Attributable to Noncontrolling Interests	(955,000)	(660,000)

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Net Income Attributable to Stockholders	\$1,977,000	\$1,413,000
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Net Income Per Common Share:

Basic and Diluted	\$1.06	\$0.76
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Weighted Average Shares and Equivalent Shares Outstanding:

Basic and Diluted	1,859,629	1,860,231
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See notes to consolidated financial statements.

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Table of Contents**Flanigan's Enterprises, Inc.**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

(rounded to nearest thousandth, except share amounts)

	Common Stock		Capital in	Retained	Treasury Stock		No
	Shares	Amount	Excess of Par Value	Earnings	Shares	Amount	Int
Balance, October 1, 2011	4,197,642	\$420,000	\$6,240,000	\$16,717,000	2,336,595	\$(6,055,000)	\$6
Year Ended September 29, 2012:							
Net income	—	—	—	1,413,000	—	—	6
Purchase of treasury stock	—	—	—	—	800	(6,000)	)
Distributions to noncontrolling interests	—	—	—	—	—	—	(
Contributions by noncontrolling interests	—	—	—	—	—	—	1
Purchase of noncontrolling interests	—	—	—	—	—	—	(
Balance, September 29, 2012	4,197,642	420,000	6,240,000	18,130,000	2,337,395	(6,061,000)	7
Year Ended September 28, 2013:							
Net income	—	—	—	1,977,000	—	—	9
Purchase of treasury stock	—	—	—	—	800	(6,000)	)
Distributions to noncontrolling interests	—	—	—	—	—	—	(
Purchase of noncontrolling interests	—	—	—	—	—	—	(
Balance, September 28, 2013	4,197,642	\$420,000	\$6,240,000	\$20,107,000	2,338,195	\$(6,067,000)	\$7

See notes to consolidated financial statements.

Table of Contents**Flanigan's Enterprises, Inc.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

(rounded to nearest thousandth)

	2013	2012
Cash Flows from Operating Activities:		
Net income	\$2,932,000	\$2,073,000
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,453,000	2,377,000
Amortization of leasehold interests	134,000	151,000
Loss on abandonment of property and equipment	147,000	66,000
Deferred income taxes	(106,000)	(70,000)
Deferred rent	(16,000)	(17,000)
Income from unconsolidated limited partnership	(61,000)	(45,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Due from franchisees	(21,000)	—
Other receivables	(28,000)	(55,000)
Prepaid income taxes	(181,000)	219,000
Inventories	(185,000)	(331,000)
Prepaid expenses	751,000	422,000
Other assets	(26,000)	193,000
Increase (decrease) in:		
Accounts payable and accrued expenses	720,000	591,000
Income taxes payable	(39,000)	39,000
Due to franchisees	270,000	599,000
Net cash and cash equivalents provided by operating activities	6,744,000	6,212,000
Cash Flows from Investing Activities:		
Purchase of property and equipment	(3,417,000)	(1,670,000)
Deposit on purchase of fixed assets	(41,000)	(315,000)
Proceeds from sale of fixed assets	167,000	39,000
Distributions from unconsolidated limited partnership	16,000	14,000
Purchase of leasehold interest	—	(95,000)
Net cash and cash equivalents used in investing activities	(3,275,000)	(2,027,000)

Cash Flows from Financing Activities:

Payments of long-term debt	(5,358,000)	(1,859,000)
Proceeds from long-term debt	3,000,000	—
Purchase of treasury stock	(6,000)	(6,000)
Distributions to noncontrolling interests	(1,263,000)	(1,255,000)
Contributions from noncontrolling interests	—	1,895,000
Purchase of noncontrolling interests	(5,000)	(3,000)
Net cash and cash equivalents used in financing activities	(3,632,000)	(1,228,000)

Net Increase (Decrease) in Cash and Cash Equivalents	(163,000)	2,957,000
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Cash and Cash Equivalents, Beginning	7,221,000	4,264,000
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Cash and Cash Equivalents, Ending	\$7,058,000	\$7,221,000
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See notes to consolidated financial statements.

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Flanigan's Enterprises, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

(rounded to nearest thousandth)

	2013	2012
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$818,000	\$806,000
Income taxes	\$845,000	\$577,000
Supplemental Disclosure for Non-Cash Investing and Financing Activities:		
Financing of insurance contracts	\$492,000	\$421,000
Purchase deposits transferred to property and equipment	\$292,000	\$30,000
Purchase of vehicles in exchange for debt	\$43,000	\$—
Purchase of property in exchange for debt	\$1,950,000	\$6,100,000
Purchase of liquor license in exchange for debt	\$160,000	—

See notes to consolidated financial statements.

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Flanigan's Enterprises, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 29, 2013 AND SEPTEMBER 29, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Capitalization

The Company was incorporated in 1959 and operates in South Florida as a chain of full-service restaurants and package liquor stores. Restaurant food and beverage sales make up the majority of our total revenue. At September 28, 2013, we (i) operated 25 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of two restaurants, (one of which we operate) and three combination restaurants/package liquor stores. With the exception of one restaurant we operate under the name "The Whale's Rib", and in which we do not have an ownership interest, all of the restaurants operate under our service mark "Flanigan's Seafood Bar and Grill" and all of the package liquor stores operate under our service mark "Big Daddy's Liquors".

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

We operate under a 52-53 week year ending the Saturday closest to September 30. Our fiscal years 2013 and 2012 are each comprised of a 52-week period.

Principles of Consolidation

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

Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the U.S. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the estimated useful lives of tangible assets and the recognition of deferred tax assets and liabilities. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in our consolidated financial statements in the period they are determined to be necessary. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, they may ultimately differ from actual results.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Inventories

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

Liquor Licenses

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, “*Intangibles - Goodwill and Other*”, our liquor licenses are indefinite lived assets, which are not being amortized, but are tested annually for impairment (see Note 7).

Property and Equipment

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

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

Leasehold Interests

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Limited Partnerships

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

Concentrations of Credit Risk

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

Cash and Cash Equivalents

We maintain deposit balances with financial institutions which balances may, from time to time, exceed the federally insured limits, which are \$250,000 for interest bearing accounts. In addition, from December 31, 2010 through December 31, 2012, our financial banking institutions participated in the Temporary Liquidity Guarantee Program, which program provided FDIC coverage on the full balance of non-interest bearing deposits, but since January 1, 2013, the balance of our non-interest bearing deposits no longer receive full FDIC insurance coverage. Effective January 1, 2013, FDIC insurance coverage on non-interest bearing deposits is limited to the standard \$250,000 maximum deposit insurance amount. At September 28, 2013, we have deposits of approximately \$5,301,000 in excess of federally insured limits. We have not experienced any losses in such accounts.

Major Supplier

Throughout our fiscal years 2013 and 2012, we purchased substantially all of our food products from one major supplier pursuant to a master distribution agreement which entitled us to receive certain purchase discounts, rebates and advertising allowances. We believe that several other alternative vendors are available, if necessary.

Revenue Recognition

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

Pre-opening Costs

Our pre-opening costs are those typically associated with the opening of a new restaurant and generally include payroll costs associated with the “new restaurant openers” (a team of select

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pre-opening Costs (Continued)

employees who travel to new restaurants to ensure that our high standards for quality are met), rent and promotional costs. We expense pre-opening costs as incurred. During our fiscal years 2013 and 2012, we reported losses of \$208,000 and \$107,000 respectively, primarily due to pre-opening costs associated with the new limited partnership restaurant in Miami, Florida.

Advertising Costs

Our advertising costs are expensed as incurred. Advertising costs incurred during our fiscal years ended September 28, 2013 and September 29, 2012 were approximately \$454,000 and \$531,000 respectively.

General Liability Insurance

We have general liability insurance which incorporates a semi-self-insured plan under which we assume the full risk of the first \$50,000 of exposure per occurrence, while the limited partnerships assume the full risk of the first \$10,000 of exposure per occurrence. Our insurance carrier is responsible for \$1,000,000 coverage per occurrence above our self-insured deductible, up to a maximum aggregate of \$2,000,000 per year. During our fiscal years ended September 28, 2013 and September 29, 2012, we were able to purchase excess liability insurance, whereby our excess insurance carrier is responsible for \$6,000,000 coverage above our primary general liability insurance coverage. With the exception of one (1) limited partnership which has higher general liability insurance coverage to comply with the terms of its lease for the business premises, we are un-insured against liability claims in excess of \$7,000,000 per occurrence and in the aggregate.

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

Fair Value of Financial Instruments

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (continued)

In accordance with FASB ASC Topic 820-10-50-1, we utilized a valuation model to determine the fair value of our swap agreements. As the valuation models for the swap agreements were based upon observable inputs, they are classified as Level 2 (see Note 11).

Derivative Instruments

We account for derivative instruments in accordance with FASB ASC Topic 815-10-05-4, “*Accounting for Derivative Instruments and Hedging Activities*” as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. In accordance with FASB ASC Topic 815-10-05-4, derivative instruments are recognized as assets or liabilities in the Company’s consolidated balance sheets and are measured at fair value. We recognized all changes in fair value through earnings unless the derivative is determined to be an effective hedge. We currently have five derivatives which we have designated as effective hedges (See Note 11).

Income Taxes

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

We adopted the provisions regarding *Accounting for Uncertainty in Income Taxes*, which require the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We applied these changes to tax positions for our fiscal years ending September 28, 2013 and September 29, 2012. We had no material unrecognized tax benefits and no adjustments to our financial position, results of operations or cash flows were required. Generally, federal, state and local authorities may examine the Company’s tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of September 28, 2013. We do not expect that

unrecognized tax benefits will increase within the next twelve months. We recognize accrued interest and penalties related to uncertain tax positions as income tax expense.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

We follow FASB ASC Topic 718, “*Compensation – Stock Compensation*” to account for stock-based employee compensation, which generally requires, among other things that all employee share-based compensation be measured using a fair value method and that resulting compensation costs be recognized in the consolidated financial statements. We had no unvested stock options as of January 1, 2006 and granted no stock options subsequent thereto, including our fiscal years 2013 and 2012, so there is no compensation expense recorded in our consolidated financial statements for our fiscal years 2013 or 2012.

Long-Lived Assets

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

Earnings Per Share

We follow FASB ASC Topic 260 - “*Earnings per Share*.” This section provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share assumes the exercise of options granted if the weighted average market price exceeds the exercise price. Earnings per share are computed by dividing income available to common stockholders by the basic and diluted weighted average number of common shares.

Recently Adopted and Recently Issued Accounting Pronouncements

Adopted

In July 2013, the FASB issued ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. The amendments in this Update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. This ASU is not expected to have a significant impact on our consolidated financial statements.

In May 2011, the FASB issued an update to ASC Topic 820 – “*Fair Value Measurements and Disclosures*”. This update provides guidance on how fair value accounting should be applied where its use is already required or permitted by other standards and does not extend the use of fair value accounting. We adopted this guidance in the first quarter of our fiscal year 2013 as required, and the adoption did not have a significant impact on our consolidated financial statements.

Table of Contents**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements (Continued)

Issued

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU is not expected to have a significant impact on our consolidated financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

	2013	2012
Furniture and equipment	\$10,868,000	\$10,269,000
Leasehold improvements	19,112,000	18,905,000
Land and land improvements	14,595,000	12,030,000
Building and improvements	12,305,000	10,557,000
Vehicles	776,000	751,000
	57,656,000	52,512,000
Less accumulated depreciation and amortization	23,029,000	20,917,000
	\$34,627,000	\$31,595,000

Depreciation and amortization expense for the fiscal years ended September 28, 2013 and September 29, 2012 was approximately \$2,453,000 and \$2,377,000, respectively.

NOTE 3. LEASEHOLD INTERESTS

	2013	2012
Leasehold interests, at cost	\$3,024,000	\$3,024,000
Less accumulated amortization	1,981,000	1,847,000
	\$1,043,000	\$1,177,000

Future leasehold amortization as of September 28, 2013 is as follows:

2014	\$134,000
2015	128,000
2016	122,000
2017	122,000
2018	122,000
Thereafter	415,000
Total	\$1,043,000

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS

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

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

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

As of September 28, 2013, 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 only while we act as general partner. This 3% fee is "earned" when sales are made by the limited partnerships and is paid weekly, in arrears.

Surfside, Florida

We are the sole general partner and a 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 the limited partnership. This entity is consolidated in the accompanying financial statements.

Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 4, 2000. 29.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (1/2) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

West Miami, Florida

We are the sole general partner and a 27% limited partner in this limited partnership which has owned and operated a restaurant in West Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 11, 2001. 34.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Weston, Florida

We are the sole general partner and a 30% limited partner in this limited partnership which has owned and operated a restaurant in Weston, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since January 20, 2003. 35.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 81.25% of their initial cash invested. During our fiscal year 2013, no distributions were made to limited partners as this limited partnership had limited positive cash flow generated by this restaurant. This entity is consolidated in the accompanying financial statements.

Wellington, Florida

We are the sole general partner and a 28% limited partner in this limited partnership which has owned and operated a restaurant in Wellington, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since May 27, 2005. 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 2013, this limited partnership has returned to its investors approximately 65% of their initial cash invested, increased from approximately 56% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

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 2013, this limited partnership has returned to its investors approximately 92% of their initial cash invested, increased from approximately 80% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

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NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Pembroke Pines, Florida

We are the sole general partner and an 18% 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 2013, this limited partnership has returned to its investors approximately 45.0% of their initial cash invested, increased from approximately 41.0% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

Davie, Florida

We are the sole general partner and a 48% limited partner in this limited partnership which has owned and operated a restaurant in Davie, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since July 28, 2008. 9.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 35.5% of their initial cash invested, increased from approximately 27.5% as of the end of our fiscal year 2012. This entity is consolidated in the accompanying financial statements.

Miami, Florida

We are the sole general partner and a 5% limited partner in this limited partnership which has owned and operated a restaurant in Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since December 27, 2012. 24.3% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2013, this limited partnership has returned to its investors approximately 6.0% of their initial cash invested. This entity is consolidated in the accompanying financial statements.

Fort Lauderdale, Florida

A corporation, owned by a member of our Board of Directors, acts as sole general partner of a limited partnership which has owned and operated a restaurant in Fort Lauderdale, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since April 1, 1997. We have a 25% limited partnership interest in this limited partnership. 60.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. We have a franchise arrangement with this limited partnership. For accounting purposes, we do not consolidate the operations of this limited partnership into our operations. This entity is reported using the equity method in the accompanying consolidated financial statements. The following is a summary of condensed unaudited

financial information pertaining to our limited partnership investment in Fort Lauderdale, Florida:

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Table of Contents**NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)*****Fort Lauderdale, Florida*** (Continued)

Financial Position:	2013	2012
Current assets	\$453,000	\$277,000
Non-current assets	418,000	439,000
Current liabilities	114,000	141,000
Operating Results:		
Revenues	2,777,000	2,641,000
Gross profit	1,847,000	1,751,000
Net income	242,000	181,000

NOTE 5. INVESTMENT IN REAL PROPERTY FINANCED BY DEBT***N. Miami, Florida***

During the first quarter of our fiscal year 2013, we closed on the purchase of two parcels of real property (the “Two Mortgaged Parcels”), one of which (the “Near Parcel”) is contiguous to the real property we own where our combination package liquor store and restaurant located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates and the other of which is contiguous to the Near Parcel (the “Other Parcel”). We previously leased the Near Parcel for non-exclusive parking. Each of the Mortgaged Parcels contains a building of approximately 2,600 square feet, but we intend to demolish the building on the Near Parcel to provide for a larger parking lot to be used by our customers. We intend to offer the building on the Other Parcel for lease. We paid \$2,900,000 for the Two Mortgaged Parcels, \$1,950,000 of which was financed by the seller pursuant to a purchase money mortgage (the “\$1.95M Mortgage Loan”). Our repayment obligations under the \$1.95M Mortgage Loan are secured by a first mortgage on the Two Mortgaged Parcels. The \$1.95M Mortgage Loan bears interest at the rate of 7.5% annually and is amortized over twenty (20) years, with our monthly payment of principal and interest totaling \$15,700. The entire principal balance, in the approximate amount of \$1,331,000 and all accrued but unpaid interest under the \$1.95M Mortgage Loan is due on December 31, 2022. The balance outstanding under the loan was approximately \$1,921,000 as of September 28, 2013.

NOTE 6. RE-FINANCING OF EXISTING DEBT; LINE OF CREDIT***Re-Financing of Existing Mortgage***

During the second quarter of our fiscal year 2013, in order to refinance our third party debt secured by our real property located at 4 N. Federal Highway, Hallandale, Florida where our combination package liquor store and restaurant (Store #31) operates, we (i) re-financed with a non-affiliated third party lender, the mortgage loan encumbering the property which mortgage loan was held by another non-affiliated third party lender (the “\$1.405M Loan”); and (ii) borrowed \$1,595,000 from a non-affiliated third party lender, (the “\$1.595M Term Loan”). The \$1.405M Loan bears interest at a variable rate equal to the BBA LIBOR – 1 Month plus 2.25%, (2.43% September 28, 2013). We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the \$1.405M Loan at 4.35% per annum throughout its term. The \$1.405M Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest totaling \$8,415, with the entire principal balance and all accrued but unpaid interest due January 31, 2023. The \$1.595M Term Loan bears interest at a variable interest rate equal to the BBA LIBOR – 1 Month plus 3.25% (3.43% as of September 28, 2013). We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the \$1.595M Term Loan at 4.00% per annum throughout its term. The \$1.595M Term Loan is fully amortized over forty two (42) months, with our monthly payment of principal and interest, totaling \$41,000. We granted our lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the \$1.595M Term Loan. As a part of the refinancing, we prepaid the outstanding balance, (\$325,000), on an existing term loan with the lender, including a \$1,600 pre-payment penalty.

Line of Credit

During the second quarter of our fiscal year 2013, we obtained a \$500,000 line of credit from a non affiliated third party lender, (the “Line of Credit”). The Line of Credit earned interest at the floating rate of prime plus 1.5%. The entire principal balance and all accrued but unpaid interest under the Line of Credit was due April 30, 2013. We granted the lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under the Line of Credit. No amounts were drawn on the line of credit by us, so there were no amounts outstanding under the Line of Credit when it terminated during the third quarter of our fiscal year 2013.

NOTE 7. LIQUOR LICENSES

Liquor licenses, which are indefinite lived assets, are tested for impairment in September of each of our fiscal years. The fair value of liquor licenses at September 28, 2013, exceeded the carrying amount; therefore, we recognized no impairment loss. The fair value of the liquor licenses was evaluated by comparing the carrying value to recent sales for similar liquor licenses in the County issued. At September 28, 2013 and September 29, 2012, the total carrying amount of our liquor licenses were \$630,000 and \$470,000, respectively. We acquired one (1) liquor license from a franchisee in our fiscal year 2013 and no liquor licenses in our fiscal year 2012.

NOTE 8. INCOME TAXES

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The components of our provision for income taxes for our fiscal years 2013 and 2012 are as follows:

	2013	2012
Current:	\$803,000	\$660,000
Federal	218,000	175,000
State	1,021,000	835,000
Deferred:	(96,000)	(63,000)
Federal	(10,000)	(7,000)
State	(106,000)	(70,000)
	\$915,000	\$765,000

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

	2013	2012
Tax provision at the statutory rate of 34%	\$983,000	\$741,000
State income taxes, net of federal income tax	121,000	94,000
FICA tip credit	(241,000)	(227,000)
True up adjustment	22,000	110,000
Other permanent items	30,000	47,000
	\$915,000	\$765,000

Table of Contents**NOTE 8. INCOME TAXES (Continued)**

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

The components of our deferred tax assets at September 28, 2013 and September 29, 2012 were as follows:

	2013	2012
Current:		
Reversal of aged payables	\$27,000	\$27,000
Capitalized inventory costs	26,000	25,000
Accrued bonuses	222,000	188,000
Accruals for potential uninsured claims	57,000	30,000
Gift cards	108,000	72,000
Limited partnership management fees	27,000	29,000
	\$467,000	\$371,000
Long-Term:		
Book/tax differences in property and equipment	\$632,000	\$540,000
Limited partnership investments	299,000	386,000
Accrued limited retirement	40,000	35,000
	\$971,000	\$961,000

NOTE 9. DEBT***Long-Term Debt***

	2013	2012
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.43% at September 28, 2013), but with \$3,750,000 of the principal amount fixed at 4.51% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$23,700, and our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, (\$750,000), is payable at BBA LIBOR – 1 Month + 2.25% interest rate, (2.43% as of September 28, 2013). The entire principal balance and all accrued but unpaid interest	\$4,106,000	\$4,331,000

is due on December 1, 2019.

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Table of Contents**NOTE 9. DEBT** (Continued)

Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at 7½%, payable in monthly installments of principal and interest of \$28,600, with a balloon payment of approximately \$2,833,000 in October, 2013. This loan was paid off early in January, 2013.	—	2,958,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 7½%, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$15,700, with a balloon payment of approximately \$1,331,000 in December, 2022.	1,921,000	—
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR – 1 Month +2.25%, (2.43% at September 28, 2013), but with the principal amount fixed at 4.35% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$8,415, with a balloon payment of approximately \$858,000 on January 31, 2023.	1,375,000	—
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 3.25%, (3.43% at September 28, 2013), but fixed at 4.00% pursuant to a swap agreement, payable in forty two (42) monthly installments of principal and interest of approximately \$41,000, with the final payment due July 24, 2016.	1,307,000	—
Term loan payable to lender, secured by a blanket loan on all Company assets, bearing interest at BBA LIBOR – 1 Month + 2.25%, (2.43% at September 28, 2013), but fixed at 3.43%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately \$38,000, payable interest only for 3 months and then fully amortized over 45 months, with the final payment due December 1, 2015.	960,000	1,387,000
Term loan payable to lender, secured by a blanket lien on all Company assets and a second mortgage on a building, bearing interest at BBA LIBOR +3.25%, but fixed at 4.55%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately \$50,000, fully amortized over 36 months, with the final payment due August, 2013.	—	508,000

Table of Contents**NOTE 9. DEBT** (Continued)

Mortgage payable to a related third party, secured by first mortgage on real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately \$10,800, with a balloon payment of approximately \$658,000 due in September, 2018.	902,000	939,000
Mortgage payable to lender, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR +2.25%, (2.43% at September 28, 2013), but fixed at 5.11% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately \$4,600, with a balloon payment of approximately \$720,000 due in August, 2017.	849,000	879,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 8½%, amortized over 15 years, payable in monthly installments of principal and interest of approximately \$8,400, with a balloon payment of approximately \$537,000 in November, 2017.	723,000	760,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 10.0%; amortized over 30 years, payable in monthly installments of principal and interest of approximately \$4,000, with a balloon payment of approximately \$413,000 in May, 2017.	429,000	433,000
Financed insurance premiums, secured by all insurance policies, bearing interest between 2.99% and 4.89%, payable in monthly installments of principal and interest in the aggregate amount of \$24,000 a month through October 1, 2013.	116,000	333,000
Mortgage payable to related third party, secured by first mortgage on real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately \$9,100, with a balloon payment of approximately \$555,000 due in January, 2019.	775,000	806,000
Other	83,000	84,000
	13,546,000	13,418,000
Less current portion	1,477,000	1,732,000
	\$ 12,069,000	\$ 11,686,000

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NOTE 9. DEBT (Continued)

Long-Term Debt (continued)

Long-term debt at September 28, 2013 matures as follows:

2014	1,477,000
2015	1,361,000
2016	1,054,000
2017	2,179,000
2018	1,086,000
Thereafter	6,389,000
	\$13,546,000

As of September 28, 2013, we are in compliance with the covenants of all loans with our lender.

NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Legal Matters

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

Leases

We lease a substantial portion of the land and buildings used in our operations under leases with initial terms expiring between 2014 and 2027. Renewal options are available on many of our leases. Most of our leases are fixed rent agreements. For one Company-owned restaurant/package liquor store combination unit, lease rental is subject to sales overrides ranging from 3% to 4% of annual sales in excess of established amounts. For another Company-owned

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

We have a ground lease for an out parcel in Hollywood, Florida where we constructed a 4,120 square foot stand-alone building, one-half (1/2) of which is used by us for the operation of our Company-owned package liquor store and the other one-half (1/2) of which is subleased to an unrelated third party as retail space. Rent for the retail space commenced January 1, 2005, and we generated approximately \$49,000 and \$54,000 of revenue from this source during our fiscal years ended September 28, 2013 and September 29, 2012, respectively. Total future minimum sublease payments under the non-cancelable sublease are \$77,000, including Florida sales tax (currently 6%).

Table of Contents**NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)*****Leases*** (Continued)

Future minimum lease payments, including Florida sales tax (currently 6% to 7%) under our non-cancelable operating leases as of September 28, 2013 are as follows:

2014	\$2,675,000
2015	2,396,000
2016	1,985,000
2017	1,670,000
2018	1,183,000
Thereafter	3,289,000
Total	\$13,198,000

Total rent expense for all of our operating leases was approximately \$2,979,000 and \$2,922,000 in our fiscal years 2013 and 2012, respectively, and is included in "Occupancy Costs" in our accompanying consolidated statements of income. This total rent expense is comprised of the following:

	2013	2012
Minimum Base Rent	\$2,461,000	\$2,451,000
Contingent Percentage Rent	518,000	471,000
Total	\$2,979,000	\$2,922,000

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants during calendar year 2014, on October 22, 2013, we entered into a purchase agreement with our rib supplier, whereby we agreed to purchase approximately \$4,260,000 of baby back ribs from this vendor at a fixed cost. We contract for the purchase of baby back ribs on an annual basis to fix the cost and ensure adequate supply for the calendar year. We anticipate purchasing all of our rib supply from this vendor, but we believe that several other alternative vendors are available, if necessary.

Franchise Program

At September 28, 2013 and September 29, 2012, we were the franchisor of five units under franchise agreements. Of the five franchised stores, three are combination restaurant/package liquor stores and two are restaurants (one of which we operate). During the fourth quarter of our fiscal year ended 2012, a franchised package liquor store located in Deerfield Beach, Florida, franchised to members of the family of our Chairman of the Board, officers and/or directors, with our consent, ceased operations in order to permit expanded operations of the jointly operated restaurant at the location. Three franchised stores are owned and operated by related parties. Under the franchise agreements, we provide guidance, advice and management assistance to the franchisees. In addition and for an additional annual fee of approximately \$25,000, we also act as fiscal agent for the

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NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Franchise Program (Continued)

franchisees whereby we collect all revenues and pay all expenses and distributions. We also, from time to time, advance funds on behalf of the franchisees for the cost of renovations. The resulting amounts receivable from and payable to these franchisees are reflected in the accompanying consolidated balance sheet as either an asset or a liability. We also agree to sponsor and manage cooperative buying groups on behalf of the franchisees for the purchase of inventory. The franchise agreements provide for royalties to us of approximately 3% of gross restaurant sales and 1% of gross package liquor sales. We are not currently offering or accepting new franchises.

Employment Agreement/Bonuses

As of September 28, 2013 and September 29, 2012, we had no employment agreements.

Our Board of Directors approved an annual performance bonus, with 14% of the corporate pre-tax net income, plus or minus non-recurring items, but before depreciation and amortization in excess of \$650,000 paid to the Chief Executive Officer and 6% paid to other members of management. Bonuses for our fiscal years 2013 and 2012 amounted to approximately \$920,000 and \$739,000, respectively.

Our Board of Directors also approved an annual performance bonus, with 5% of the pre-tax net income before depreciation and amortization from our restaurants in excess of \$1,875,000 and our share of the pre-tax net income before depreciation and amortization from the restaurants owned by the limited partnerships paid to the Chief Operating Officer and 5% paid to the Chief Financial Officer. Bonuses for our fiscal years 2013 and 2012 amounted to approximately \$550,000 and \$460,000, respectively.

Our Board of Directors approved an annual performance bonus, with 3% of the pre-tax net income before depreciation and amortization from the package liquor stores paid to the Vice President of Package Operations. Bonuses for our fiscal years 2013 and 2012 amounted to approximately \$34,000 and \$33,000, respectively.

Management Agreements

Atlanta, Georgia

We own, but do not operate, an adult entertainment nightclub located in Atlanta, Georgia which operates under the name “Mardi Gras”. We have a management agreement with an unaffiliated third party to manage the club. Under our management agreement, the unaffiliated third party management firm is obligated to pay us an annual amount, paid monthly, equal to the greater of \$150,000 or ten (10%) percent of gross sales from the club, offset by one-half (1/2) of any rental increases, provided our fees will never be less than \$150,000 per year. For our fiscal years ended September 28, 2013 and September 29, 2012, we generated \$150,000 and \$157,000 of revenue, respectively, from the operation of the club.

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NOTE 10. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Management Agreements (Continued)

Deerfield Beach, Florida

Since January 2006, we have managed “The Whale’s Rib”, a casual dining restaurant located in Deerfield Beach, Florida, pursuant to a management agreement. We paid \$500,000 in exchange for our rights to manage this restaurant. The management agreement is being amortized on a straight line basis over the life of the initial term of the agreement, ten (10) years. As of September 28, 2013 and September 29, 2012, the balance of our management agreement of \$112,000 and \$162,000 was included in other assets in the accompanying consolidated balance sheet. The restaurant is owned by a third party unaffiliated with us. In exchange for providing management, bookkeeping and related services, we receive one-half (½) of the net profit, if any, from the operation of the restaurant. During the third quarter of our fiscal year 2011, the term of the management agreement was extended through January 9, 2036. For our fiscal years ended September 28, 2013 and September 29, 2012, we generated \$385,000 and \$320,000 of revenue, respectively, from providing these management services. As of September 28, 2013, we have generated revenue in excess of the purchase price of the management agreement.

NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

As of September 28, 2013, we have fully adopted FASB (ASC) Topic 820, “*Fair Value Measurements and Disclosures*”, for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. Topic 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance. Topic 820 establishes a fair market hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs -- Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to evaluation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

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NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Level 3 Inputs -- One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

Interest Rate Swap Agreements

At September 28, 2013, we had five variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we converted the amount outstanding on our line of credit (\$1,586,000) to a term loan (the "Term Loan") and we also re-financed the mortgage loan encumbering our corporate offices (the "Refinanced Mortgage Loan"). In November, 2011, we financed our purchase of the real property and two building shopping center in Miami, Florida, with a \$4,500,000 mortgage loan (the "\$4.5M Mortgage Loan"), and received a \$1,600,000 term loan (the "\$1.6M Term Loan") the proceeds of which were ultimately used to purchase the shopping center, while permitting us to retain our working capital and cash reserves. In January, 2013, we re-financed the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the "\$1.405M Loan") and borrowed \$1,595,000 from a non affiliated third party lender, (the "\$1.595M Term Loan"), and used all of the net proceeds of this loan to re-finance the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale, Florida, (Store #31) operates.

As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following five (5) interest rate swap agreements, having pre-paid one existing variable rate debt instrument that was impacted by changes in interest rates during the second quarter of our fiscal year 2013:

(i) One (1) interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the "Mortgage Loan Swap"). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of \$935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at September 28, 2013, we determined that based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender, the fair value of the Mortgage Loan Swap was not material; and

(ii) The second interest rate swap agreement entered into in November, 2011 by our wholly owned subsidiary, Flanigan's Calusa Center, LLC, relates to the \$4.5 Mortgage Loan (the "\$4.5M Mortgage Loan Swap"). The \$4.5M Mortgage Loan Swap requires us to pay interest for an eight (8) year period at a fixed rate of 4.51% on an initial amortizing notional principal amount of \$3,750,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest

rate swap agreement is an effective hedging agreement and the fair value was not material; and

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NOTE 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(iii) The third interest rate swap agreement entered into in November, 2011 relates to the \$1.6M Term Loan (the “\$1.6M Term Loan Swap”). The \$1.6M Term Loan Swap requires us to pay interest for a four (4) year period at a fixed rate of 3.43% on an initial amortizing notional principal amount of \$1,600,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(iv) The fourth interest rate swap agreement entered into in January, 2013 relates to the \$1.405M Loan (the “\$1.405M Term Loan Swap”). The \$1.405M Term Loan Swap requires us to pay interest for a twenty (20) year period at a fixed rate of 4.35% on an initial amortizing notional principal amount of \$1,405,000, while receiving interest for the same period at LIBOR – 1 Month, plus 2.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material; and

(v) The fifth interest rate swap agreement entered into in January, 2013 relates to the \$1.595M Term Loan (the “\$1.595M Term Loan Swap”). The \$1.595M Term Loan Swap requires us to pay interest for a forty two (42) month period at a fixed rate of 4.00% on an initial amortizing notional principal amount of \$1,595,000, while receiving interest for the same period at LIBOR – 1 Month, plus 3.25%, on the same amortizing notional principal amount. We determined that at September 28, 2013, the interest rate swap agreement is an effective hedging agreement and the fair value was not material.

NOTE 12. COMMON STOCK

Treasury Stock

Purchase of Common Shares

Pursuant to a discretionary plan approved by the Board of Directors, during our fiscal year 2013, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for a purchase price of \$6,000. During our fiscal year 2012, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for a purchase price of \$6,000.

Sale of Common Shares

During our fiscal years 2013 and 2012, we did not sell any shares of our common stock.

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Table of Contents**NOTE 12. COMMON STOCK** (Continued)*Stock Options*

We granted no options during our fiscal years 2013 and 2012. We have no options outstanding at September 28, 2013.

NOTE 13. BUSINESS SEGMENTS

We operate principally in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. Information concerning the revenues and operating income for our fiscal years ended 2013 and 2012, and identifiable assets for the two reportable segments in which we operate, are shown in the following table. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expense and income taxes. Identifiable assets by segment are those assets that are used in our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material.

Operating Revenues:	2013	2012
Restaurants	\$67,441,000	\$62,198,000
Package stores	13,192,000	13,214,000
Other revenues	2,165,000	1,923,000
Total operating revenues	\$82,798,000	\$77,335,000

Income from Operations Reconciled to Income before
Income Taxes and Net Income Attributable to
Noncontrolling Interests

Restaurants	\$6,124,000	\$5,269,000
Package stores	923,000	874,000
	7,047,000	6,143,000
Corporate expenses, net of other revenues	(2,410,000)	(2,572,000)
Income from Operations	4,637,000	3,571,000
Interest and Other Income	28,000	73,000
Net Income Attributable to Noncontrolling Interests	(955,000)	(660,000)
Interest expense	(818,000)	(806,000)
Income Before Income Taxes	\$2,892,000	\$2,178,000

Identifiable Assets:

Restaurants	\$27,460,000	\$22,133,000
Package store	4,490,000	4,952,000

Table of Contents**NOTE 13. BUSINESS SEGMENTS (Continued)**

	31,950,000	27,085,000
Corporate	17,674,000	19,659,000
Consolidated Totals	\$49,624,000	\$46,744,000

Capital Expenditures:

Restaurants	\$5,093,000	\$1,144,000
Package stores	206,000	101,000
	5,299,000	1,245,000
Corporate	403,000	6,555,000
Total Capital Expenditures	\$5,702,000	\$7,800,000

Depreciation and Amortization:

Restaurants	\$1,916,000	\$1,704,000
Package stores	218,000	388,000
	2,134,000	2,092,000
Corporate	453,000	436,000
Total Depreciation and Amortization	\$2,587,000	\$2,528,000

NOTE 14. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the quarters in our fiscal years 2013 and 2012.

	Quarter Ended			
	Dec. 29, 2012	March 30, 2013	June 29, 2013	Sept. 28, 2013
Revenues	\$19,613,000	\$22,255,000	\$21,012,000	\$19,918,000
Income from operations	636,000	1,405,000	1,629,000	967,000
Net income attributable to stockholders	345,000	750,000	660,000	222,000
Net income per share – basic and diluted	0.19	0.40	0.35	0.12
Weighted average common stock outstanding – basic and diluted	1,859,987	1,859,257	1,859,257	1,859,257

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	Quarter Ended			
	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 29, 2012
Revenues	\$18,952,000	\$20,618,000	\$19,382,000	\$18,383,000
Income from operations	660,000	1,113,000	969,000	829,000
Net income attributable to stockholders	336,000	509,000	236,000	332,000
Net income per share – basic and diluted	0.18	0.27	0.13	0.18
Weighted average common stock outstanding – basic and diluted	1,860,752	1,860,057	1,860,057	1,860,057

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

NOTE 15. 401(k) PLAN

Effective July 2004, we began sponsoring a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. Employees may contribute elective deferrals to the plan up to amounts allowed under the Internal Revenue Code. We are not required to contribute to the plan but may make discretionary profit sharing and matching contributions. During our fiscal years 2013 and 2012, we made discretionary contributions of \$24,000 and \$23,000, respectively.

NOTE 16. SUBSEQUENT EVENTS

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