

**FOR IMMEDIATE RELEASE**

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**MORGAN'S FOODS ANNOUNCES FIRST QUARTER FISCAL 2009 RESULTS**

Cleveland, Ohio (July 9, 2008) -- Morgan's Foods, Inc. (OTC:MRFD) ([www.morgansfoods.com](http://www.morgansfoods.com)) announces first quarter fiscal 2009 results.

Revenues for the quarter ended May 25, 2008 were \$21,753,000 compared to \$22,650,000 for the quarter ended May 20, 2007. This decrease of \$897,000 was due mainly to a 4.4% decrease in comparable restaurant revenues with one restaurant permanently closed and five closed for short periods for remodeling partially offset by the addition of a KFC/Taco Bell restaurant which replaced a Taco Bell restaurant. The decrease in comparable restaurant revenues was primarily the result of weak product promotions by the KFC system during the current year quarter including the Toasted Wrap as well as difficult economic conditions for consumers in our market areas.

Income before taxes for the fiscal 2008 first quarter decreased to \$176,000 from \$1,237,000 in the comparable prior year period. This decrease of \$1,061,000 was mainly the result of lower revenues resulting in reduced operating efficiencies and higher labor and food costs due to minimum wage increases and rising commodity costs. While some menu price increases were implemented during the current year quarter, they did not fully offset the rapid increase in costs.

Net income for the quarter ended May 25, 2008 was \$94,000, or \$.03 per share (\$.03 diluted), compared to net income for the quarter ended May 20, 2007 of \$830,000, or \$.29 per share (\$.28 diluted). The reduction in net income was primarily the result of lower income before taxes and an increase in the Company's effective tax rate for the current year quarter caused by changes in the estimates of the future usage of deferred tax benefits. This change did not affect the Company's cash balances or cashflow for the current year period as the provisions relate primarily to deferred taxes.

The Company used cash in its operations for the first quarter of fiscal 2009 of \$237,000 compared to cash provided by operations of \$2,275,000 in the first quarter of fiscal 2008. Capital expenditures for the current year quarter were \$2,213,000 compared to \$735,000 in the comparable prior year period due to the image enhancement of several restaurant locations to meet the requirements of their franchise agreements.

On May 30, 2008, subsequent to its fiscal quarter end of May 25, 2008, the Company completed a set of financing transactions involving: 1) the sale leaseback of five of its restaurant properties, 2) equipment debt supported by five additional restaurants and 3) the payment, before their maturity, of nine existing loans secured by certain of the properties. The Company retired

approximately \$1,532,000 of debt, paid \$222,000 of prepayment charges and administrative fees and will write off approximately \$31,000 of deferred financing costs associated with the loans being retired early.

“The past quarter was difficult for consumers in our market areas and we have been challenged to provide value to those consumers while at the same time protecting our operating margins. We look to our franchisors to assist in these efforts with the proper mix of products and promotions.” said Leonard R. Stein-Sapir, Chairman and Chief Executive Officer.

### **Forward-Looking Statements**

Statements in this release that are not historical in nature are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied in this release. The forward-looking statements reflect the Company’s current expectations, are based upon data available at the time of the statement. Such risks and uncertainties include both Company risks and uncertainties and general economic and industry risks and uncertainties. Such risks and uncertainties include, but are not limited to, the Company’s debt covenant compliance, actions that lenders may take with respect to any debt covenant violations, the Company’s ability to obtain waivers of any debt covenant violations or to pay all of its current and long-term obligations and those risks described in Part I Item 1.A.(“Risk Factors”) of the Company’s Form 10-K for the fiscal year ended March 2, 2008. Economic and industry risks and uncertainties include, but are not limited to, franchisor promotions, business and economic conditions, legislation and governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and demographic trends. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release.

Morgan’s Foods, Inc. operates a total of 96 restaurants in six states, being comprised of 72 KFC restaurants, 6 Taco Bell restaurants, 13 KFC/Taco Bell “2n1” restaurants, 3 Taco Bell/Pizza Hut Express “2n1’s”, 1 KFC/Pizza Hut Express “2n1” and 1 KFC/A&W “2n1”.

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Table attached.

MORGAN'S FOODS, INC.  
SELECTED FINANCIAL INFORMATION

	Quarter Ended (unaudited)	
	May 25, 2008	May 20, 2007
Revenues	\$ 21,753,000	\$ 22,650,000
Cost of sales:		
Food, paper and beverage	6,964,000	6,939,000
Labor and benefits	6,238,000	6,051,000
Restaurant operating expenses	5,487,000	5,573,000
Depreciation and amortization	773,000	654,000
G&A expenses	1,350,000	1,380,000
Loss (gain) on restaurant assets	5,000	(16,000)
Operating income	936,000	2,069,000
Interest Expense:		
Bank debt and notes payable	824,000	847,000
Capital leases	26,000	29,000
Other income and expense, net	(90,000)	(44,000)
Income before income taxes	176,000	1,237,000
Income tax provision (benefit)	82,000	407,000
Net Income (loss)	\$ 94,000	\$ 830,000
Basic net income (loss) per common share	\$ 0.03	\$ 0.29
Diluted net income (loss) per common share	\$ 0.03	\$ 0.28
Basic average number of shares outstanding	2,934,995	2,880,995
Diluted average number of shares outstanding	2,957,896	2,964,527
	May 25, 2008	March 2, 2008
<b>ASSETS</b>		
Current assets	\$5,110,000	\$8,285,000
Property and equipment, net	36,876,000	35,430,000
Deferred tax assets	730,000	766,000
Other assets	11,426,000	11,481,000
Total assets	\$ 54,142,000	\$ 55,962,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$12,561,000	\$13,620,000
Long-term debt	\$34,915,000	\$35,789,000
Long-term capital lease obligations	1,136,000	1,144,000
Other long-term liabilities	1,078,000	1,083,000
Deferred tax liabilities	1,885,000	1,853,000
Total shareholder's equity	2,567,000	2,473,000
Total liabilities and shareholders' equity	\$ 54,142,000	\$ 55,962,000