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MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2011 RESULTS

Cleveland, Ohio (December 22, 2010) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces third quarter fiscal 2011 results.

Revenues increased by \$612,000 in the quarter ended November 7, 2010 as compared to the prior year quarter, primarily the result of a 3.9%, or \$797,000, increase in comparable restaurant revenues, partially offset by the permanent closing of one restaurant and the temporary closing during the current year quarter of another restaurant for image enhancement. Revenues decreased by \$1,678,000 for the thirty-six weeks ended November 7, 2010 compared to the thirty-six weeks ended November 8, 2009 primarily the result of a 1.6%, or \$1,076,000, decrease in comparable restaurant revenues, as well as the permanent closing of two restaurants and the temporary closing during the current year of three restaurants for image enhancement. The decline in comparable restaurant revenues resulted primarily from higher sales in the prior year first quarter during the introduction of grilled chicken (KGC) and a five and one half week national advertising blackout during the second quarter of the current fiscal year.

Income before taxes for the fiscal 2011 third quarter decreased to \$143,000 from \$643,000 in the comparable prior year period. This decrease of \$500,000 was primarily the result of higher food, labor and restaurant operating costs caused by increases in commodity costs and labor rates as well as higher food cost promotions. Income before taxes for the thirty-six weeks ended November 7, 2010 decreased to \$1,125,000 from \$1,741,000 for the comparable prior year period due to lower profit in the second and third quarters, partially offset by improved profit margins in the first quarter of the current fiscal year primarily driven by lower food costs.

Net loss for the quarter ended November 7, 2010 was \$(54,000), or \$(0.02) per share (\$.02 diluted), compared to net income of \$426,000, or \$.15 per share (\$.14 diluted) for the quarter ended November 8, 2009. Net income for the thirty-six weeks ended November 7, 2010 was \$684,000, or \$.23 per share (\$.23 diluted), compared to the thirty-six weeks ended November 8, 2009 of \$1,100,000, or \$.37 per share (\$.37 diluted). The changes in net income for the year to date were primarily the result of lower income before taxes during the third quarter and an increase in the Company's effective tax rate for the current year caused by changes in projected full year income before taxes. The changes in tax rates did not affect the Company's cash balances or cashflow for the current year period as the tax provisions relate primarily to deferred taxes.

Cash provided by operating activities was \$3,739,000 for the thirty-six weeks ended November 7, 2010 compared to \$3,843,000 for the thirty-six weeks ended November 8, 2009. The decrease in operating cash flow was primarily the result of lower net income in the current fiscal period, \$191,000 less in cash provided by the change in deferred taxes, \$405,000 less in cash provided by the reduction of accounts receivable, \$247,000 less of cash provided by depreciation and amortization and \$433,000 less cash provided by an increase in accrued liabilities in the current year period compared the prior year period. These reductions were partially offset by a \$761,000 increase in cash provided by funding from supply agreements, \$126,000 more in cash provided by the disposal of restaurant assets, and \$946,000 more in cash provided by increases in accounts payable. The Company paid scheduled long-term bank and capitalized lease debt of \$2,331,000 and \$451,000 of debt before its scheduled maturity in the first thirty-six weeks of fiscal 2011 compared to payments of \$2,256,000 and \$306,000 for the same period in fiscal 2010. Capital expenditures for the first thirty-six weeks of fiscal 2011 were \$1,603,000 less \$234,000 of proceeds from the sale of assets, compared to \$1,072,000 and \$119,000,

respectively, for the same period in fiscal 2010. As of November 7, 2010 management believes that it will not meet the deadlines for the remaining image enhancement projects scheduled through the end of fiscal 2011 and is in discussions with one of its franchisors to obtain revised schedules.

“Our third quarter began with double digit year to year revenue declines as a carryover from the absence of national advertising during the second quarter. While sales have improved throughout the quarter to the point that sales for the quarter exceeded the prior year, we continue to address the increasing food and labor cost issues.” said Leonard 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 February 28, 2010. 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 89 restaurants in six states, being comprised of 69 KFC restaurants, 5 Taco Bell restaurants, 10 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		Thirty-six Weeks Ended	
	November 7, 2010	November 8, 2009	November 7, 2010	November 8, 2009
Revenues	\$ 21,257,000	\$ 20,645,000	\$ 65,100,000	\$ 66,778,000
Cost of sales:				
Food, paper and beverage	6,718,000	6,375,000	20,203,000	21,141,000
Labor and benefits	6,300,000	5,867,000	18,879,000	18,700,000
Restaurant operating expenses	5,607,000	5,374,000	16,958,000	17,254,000
Depreciation and amortization	571,000	685,000	1,866,000	2,113,000
G&A expenses	1,402,000	1,241,000	4,141,000	4,087,000
Loss (gain) on restaurant assets	39,000	(9,000)	138,000	12,000
Operating income	620,000	1,112,000	2,915,000	3,471,000
Interest Expense:				
Prepayment and deferred financing costs	-	(98,000)	98,000	(16,000)
Bank debt and notes payable	516,000	584,000	1,611,000	1,800,000
Capital leases	24,000	25,000	72,000	75,000
Other income and expense, net	(63,000)	(42,000)	9,000	(129,000)
Income (loss) before income taxes	143,000	643,000	1,125,000	1,741,000
Income tax provision	197,000	217,000	441,000	641,000
Net Income (loss)	\$ (54,000)	\$ 426,000	\$ 684,000	\$ 1,100,000
Basic net income (loss) per common share	\$ (0.02)	\$ 0.15	\$ 0.23	\$ 0.37
Diluted net income (loss) per common share	\$ (0.02)	\$ 0.14	\$ 0.23	\$ 0.37
Basic average number of shares outstanding	2,934,995	2,934,995	2,934,995	2,934,995
Diluted average number of shares outstanding	2,934,995	2,995,541	2,995,804	2,983,002

	November 7, 2010	February 28, 2010
ASSETS		
Current assets	\$ 6,454,000	\$ 6,792,000
Property and equipment, net	30,723,000	31,227,000
Other assets	483,000	546,000
Intangibles	10,267,000	10,360,000
Total assets	\$ 47,927,000	\$ 48,925,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 11,760,000	\$ 10,776,000
Long-term debt	26,879,000	29,725,000
Long-term capital lease obligations	1,027,000	1,061,000
Other long-term liabilities	3,628,000	3,853,000
Deferred tax liabilities	2,326,000	1,887,000
Total shareholder's equity	2,307,000	1,623,000
Total liabilities and shareholders' equity	\$ 47,927,000	\$ 48,925,000