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**MORGAN'S FOODS ANNOUNCES FIRST QUARTER  
FISCAL 2001 RESULTS**

Beachwood, Ohio (July 5, 2000) -- Morgan's Foods, Inc. (AMEX:MR) ([www.morgansfoods.com](http://www.morgansfoods.com)) today announced financial results for the first quarter of its 2001 fiscal year. For the quarter ended May 21, 2000, the Company reported revenues of \$18,194,000, compared to revenues of \$8,323,000 for the quarter ended May 23, 1999.

The revenue increase in the quarter was primarily the result of operating 58 additional KFC and Taco Bell restaurants, partially offset by a decrease in the comparable restaurant revenues of 5.4%. The decline in comparable restaurant revenues was primarily the result of ineffective product promotions by the franchisor during the quarter.

Operating income for the fiscal 2001 first quarter increased to \$675,000 from \$373,000 in fiscal 2000, primarily due to the operation of 58 additional KFC and Taco Bell restaurants. The net loss from continuing operations for the first quarter of fiscal 2001 was \$442,000 or \$.15 per share compared to net income of \$100,000 or \$.03 per share for the first quarter of fiscal 2000. The net loss for the first quarter of fiscal 2001 was \$442,000 or \$.15 per share compared to a net loss of \$238,000 or \$.08 per share for the prior year quarter.

The current year results contain \$1,143,000 of interest and \$888,000 of depreciation and amortization compared to \$281,000 and \$325,000 respectively in the prior year period. These increases primarily reflect the acquisition of 54 KFC and Taco Bell restaurants from the franchisor on July 14, 1999. In addition, the Company made \$451,000 in principal payments on debt during the current year quarter compared to \$129,000 in the prior year.

During the current fiscal year, the Company made capital expenditures of \$1,282,000. These capital expenditures included the conversion of a Taco Bell to a KFC/Taco Bell "2n1", the building of one new KFC/Taco Bell "2n1" and the image enhancement of several other restaurants. Both of these "2n1's", which were in the process of being constructed/converted at the end of the first quarter of fiscal 2001, were completed during the second quarter of fiscal 2001.

Morgan's Foods, Inc. operates 78 KFC restaurants, 11 Taco Bell restaurants and 16 KFC/Taco Bell "2n1's" in six states.

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Table Attached.

MORGAN'S FOODS, INC.

SELECTED FINANCIAL INFORMATION

	<u>First Quarter Ended (unaudited)</u>	
	<u>May 21, 2000</u>	<u>May 23, 1999</u>
Revenues	\$18,194,000	\$ 8,323,000
Cost of sales:		
Food, paper and beverage	5,403,000	2,510,000
Labor and benefits	4,883,000	2,097,000
Restaurant operating expenses	5,068,000	2,244,000
Depreciation and amortization	888,000	325,000
G&A expenses	1,258,000	774,000
Loss on sale or disposal of restaurant assets	<u>19,000</u>	<u>-</u>
Operating income	675,000	373,000
Interest Expense:		
Bank debt and notes payable	(1,143,000)	(281,000)
Capital leases	(19,000)	(12,000)
Other income and expense, net	<u>48,000</u>	<u>16,000</u>
Income (loss) from continuing operations before income taxes and extraordinary items	(439,000)	96,000
Provision for income taxes	<u>3,000</u>	<u>(4,000)</u>
Income (loss) from continuing operations before extraordinary item	(442,000)	100,000
Loss from discontinued operations	<u>-</u>	<u>(338,000)</u>
Net loss	<u>\$ (442,000)</u>	<u>\$ (238,000)</u>
Income (loss) per common share:		
Income (loss) from continuing operations	\$ (.15)	\$ .03
Loss from discontinued operations	<u>-</u>	<u>(.11)</u>
Net loss per share	<u>\$ (.15)</u>	<u>\$ (.08)</u>
Weighted average number of shares outstanding	2,922,727	2,910,834

	<u>May 21, 2000</u>	<u>February 27, 2000</u>
<b>ASSETS</b>		
Current assets	\$ 5,587,000	\$ 6,317,000
Property and equipment, net	41,323,000	40,833,000
Other assets	<u>14,908,000</u>	<u>15,038,000</u>
Total assets	<u>\$61,818,000</u>	<u>\$62,188,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$10,475,000	\$ 10,545,000
Long-term debt	50,132,000	49,968,000
Long-term capital lease obligations	723,000	745,000
Shareholders' equity	<u>488,000</u>	<u>930,000</u>
Total liabilities and shareholders' equity	<u>\$61,818,000</u>	<u>\$62,188,000</u>