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**MORGAN'S FOODS ANNOUNCES FIRST QUARTER
FISCAL 2000 RESULTS**

Beachwood, Ohio (July 8, 1999) -- Morgan's Foods, Inc. (AMEX:MR) today announced financial results for the first quarter of its 2000 fiscal year. For the quarter ended May 23, 1999, the Company reported revenues of \$9,859,000, compared to revenues of \$9,060,000 for the quarter ended May 24, 1998.

The revenue increase in the quarter was primarily the result of operating nine additional KFC restaurants, partially offset by the operation of one less East Side Mario's restaurant during the current quarter, and decreases in the comparable East Side Mario's restaurant revenues. Comparable restaurant sales for the KFC restaurants decreased slightly, by 1.7% from the year earlier quarter while comparable sales for the East Side Mario's restaurants declined by 6.2%. KFC revenues in the prior year were especially strong due to successful promotions of chicken strips while the current year quarter promotions were not as effective. East Side Mario's revenues continue to slide due to a lack of support by the franchisor.

Operating income for the fiscal 2000 first quarter decreased to \$126,000 from \$262,000 in fiscal 1999, primarily due to higher chicken prices and one-time expenses necessary to prepare for the acquisition of 55 KFC and Taco Bell restaurant properties which is expected to be consummated in mid-July. Operating losses in the East Side Mario's restaurants decreased slightly due to the operation of five restaurants in the current year quarter compared to six restaurants in the prior year quarter. The net loss for the first quarter of fiscal 2000 was \$(238,000) or \$(.08) per share compared to \$(48,000) or \$(.02) per share for the fiscal 1999 first quarter.

During the current fiscal year, the Company has made capital expenditures of \$1,408,000. These capital expenditures included the building of one new KFC restaurant, relocation of an existing KFC restaurant and the image enhancement of several others. The company also has a binding agreement to purchase two KFC restaurants from another franchisee and expects to close the transaction in middle to late July.

Morgan's Foods, Inc. operates 49 KFC restaurants in five states, three of which also offer Taco Bell products, and five East Side Mario's restaurants in Cleveland/Akron and Columbus, Ohio.

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Table Attached.

MORGAN'S FOODS, INC.

SELECTED FINANCIAL INFORMATION

	<u>First Quarter Ended (unaudited)</u>	
	<u>May 23, 1999</u>	<u>May 24, 1998</u>
Revenues	\$9,859,000	\$ 9,060,000
Cost of sales:		
Food, paper and beverage	2,955,000	2,679,000
Labor and benefits	2,645,000	2,429,000
Restaurant operating expenses	2,871,000	2,568,000
Depreciation and amortization	438,000	457,000
General and administrative expenses	<u>824,000</u>	<u>665,000</u>
Operating income	126,000	262,000
Interest Expense:		
Bank debt and notes payable	(281,000)	(193,000)
Capital leases	(104,000)	(127,000)
Other income	<u>17,000</u>	<u>6,000</u>
Loss before income taxes	(242,000)	(48,000)
Provision for income taxes	<u>(4,000)</u>	<u>4,000</u>
Net loss	<u>\$ (238,000)</u>	<u>\$ (52,000)</u>
Net loss per common share	<u>\$ (.08)</u>	<u>\$ (.02)</u>
Weighted average shares outstanding	2,910,834	2,910,834
	<u>May 23, 1999</u>	<u>February 28, 1999</u>
ASSETS		
Current assets	\$ 2,725,000	\$ 3,243,000
Property and equipment, net	19,265,000	18,392,000
Other assets	<u>2,671,000</u>	<u>2,376,000</u>
Total assets	<u>\$24,661,000</u>	<u>\$24,011,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 5,995,000	\$ 5,425,000
Long-term debt	13,582,000	13,094,000
Long-term capital lease obligations	4,074,000	4,244,000
Shareholders' equity	<u>1,010,000</u>	<u>1,248,000</u>
Total liabilities and shareholders' equity	<u>\$24,661,000</u>	<u>\$24,011,000</u>