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PRESENTATION

Operator

(Operator Instructions) Please note this conference is being recorded. I will now turn the conference over to your host, Sonal Shah. You may begin.

Sonal Shah - *Ark Restaurants Corp. - In-House Counsel*

Thank you, operator. Good morning, and thank you for joining us on our conference call for the fourth fiscal quarter ended October 3, 2020. My name is Sonal Shah, and I'm General Counsel of Ark Restaurants. With me on the call today is Michael Weinstein, our Chairman and CEO; Vinny Pascal, our Chief Operating Officer; and Anthony Sirica, our Chief Financial Officer. For those of you who have not yet obtained a copy of our press release, it was issued over the newswires yesterday and is available on our website. To review the full text of that press release along with the associated financial tables, please go to our homepage at www.arkrestaurants.com.

Before we begin, however, I'd like to read the safe harbor statement. I need to remind everyone that part of our discussion this morning will include forward-looking statements and that these statements are not guarantees of future performance, and therefore, undue reliance should not be placed on them. We refer everyone to our filings with the Securities and Exchange Commission for a more detailed discussion of the risks that may have a direct bearing on our operating results, performance and financial condition. I'll now turn the call over to Michael.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Hi, everybody. So to discuss revenue by each part of the country. Florida has been pretty much consistently open from June when they allowed us to reopen. Some restrictions are in place. But revenue coming from Florida, even though the restrictions included avaricious times, shortened hours or -- and still include 50% occupancy, most of our restaurants are in Broward County. So it's 50% occupancy indoors; social spacing, outdoors. But we are experiencing pretty good volume levels given the pandemic, and I would take a guess that in any given week, if you took all the Florida properties together, we're probably down 20% as a whole from pre-COVID conditions.

So Florida has been quite good in generating cash flow. The only thing that we are a little disappointed in is the volumes at JB's, which is a spectacular beach location. But JB's tends to have a significant portion of its business to be an older clientele, and we think they've just abandoned the IP or beating out even if it's an outdoor cafes.

Alabama has been very good. Again, once they lifted restrictions, we're still operating under 50% guidelines for indoor dining, but both of our restaurants in Alabama have done curbside pickup, and they're busy. I would say to you that on -- during the summer when the Gulf Shores was in season, we were exceeding volumes that we had the prior year, somewhat because of curbside delivery, but just people are looking for things to do and restaurants in Alabama seem to be that alternative, which replaces any other social activity.

Las Vegas, we were doing well until recently. We're right now in the slowest part of our season in Vegas historically. But Vegas has put a 25% cap on indoor dining and on the number of rooms that casinos can have available. So our business has been hurt dramatically there. It's half of what it was, 3 or 4 weeks ago. But again, it's a slow season, I'm not so sure there's demand for more than -- very much more demand than 25% of room capacity right in this period. Once Christmas Day comes and volume picks up, we used to have $1 million weeks in that period. We're not going to achieve that again, especially with these restrictions. So Vegas, which went from some cash flow is now negative cash flow, a little bit, not terrible. I'm sure it will improve once we get out of this 3-week period, which is the slowest part of our year there.

Washington, D.C., we were doing well throughout the summer in Sequoia. We have 600 outdoor seats. They were doing well. We were generating some decent revenue. But as of a couple of days ago, indoor dining has been closed at Sequoia, will be fully closed at the end of this week. So we had some mile weather we tried to keep the outdoor open this week. But economically, it doesn't work. And we'll be closing the whole thing temporarily until the restrictions are lifted. The goal of the mayor is to lift the restrictions January 15.

New York. New York was losing money. Every single restaurant we had throughout the summer, even with Bryant Park outdoor cafe seats, we just can't get payroll and rent to a place that the equation makes sense. Volume at Bryant Park literally was 10% of what it used to be even throughout the summer. There is -- over this whole thing with our bigger restaurants, Sequoia, Bryant Park, Robert in New York, there are no events. Social distancing makes it impossible to load up on customers and revenue. So New York was especially hard hit. Bryant Park, again, the 10% of what it used to do. Robert, 10%, what it used to do. There are no outdoor seats at Robert, with 25% occupancy allowed throughout the period before outdoor dinning was closed last week. We were doing 10% of what we used to do.

Clyde's, same story, no outdoor seats, indoor seating restricted to 25%, 10% of what we used to do. El Rio Grande, we have outdoor seating. It did fairly well during the summer, didn't throw off any cash, but didn't really lose any money. Landlord there allowed us to expand their outdoor area onto certain plaza space, which the landlord had available for us. But the best we could do was breakeven. And now with indoor dining closed and inclement weather, we'll be closing El Rio Grande.

So essentially, with one exception in New York, which is Bryant Park, we're out of business right now. We're out of business in Washington, D.C. We're restricted dramatically in revenue at -- in Las Vegas. Florida and Alabama are okay. You may ask the question why are we opening at Bryant Park at all. Well, we have a landlord and a lease that requires us to be open. We're trying to renegotiate the rent. There was some abatement of rent during the period up until now through December 31. Obviously, January, February and March, we're going to need help, and we're going to go back to the landlord. We have the call schedule.

So the best I can say in terms of revenue and cash flow is that we had some -- our corporate overhead is down from $11 million to $7.5 million. What does cash flow mean at the restaurants? If we're positive cash flow, it's sort of on the backs of landlords who have given us breaks in rent and managers and staff that have taken less of the salary than they should. There was a period of time, not that we want pats on the back but it was necessary with the most anybody can make in the whole company, 2,300 people of which 40% is management salaried employees. The most anybody was allowed to make from the launch period when everything was closed down to June, when we started a stag at reopening the restaurants was $1,000 a week. So you have salaries that went down 95% in some cases. And in most cases, by far more than 50%.

As the restaurants open, we started to be more aggressive about giving people back part of what they used to earn, but most people are on 65%, 70%. I think that's well explained in the press release. So we've done everything we can do to limit expenses in payroll. We've reduced rents at the restaurants. We reduced our office rent. We abated all capital improvements with the exception of one at Rustic Inn in Florida, where we had a new barge that we were putting out on the canal that was mostly complete when this whole thing started. So we chose to finish it and replace the old barge.

So it's hard. That's all we can say, it's hard. Do we have optimism going forward? Yes. We feel that -- and we projected that we'd be positive cash flow in the June quarter. We think as the vaccine rolls out, as people begin to realize that they can start to slowly recover their lives, we think our restaurants are well positioned. They're good assets. The rents are reasonable, even when we're paying full rents in relation to the volume that these restaurants used to do. We'll work with landlords to try to phase in full rents as volumes pick up. We'll do the same with payrolls. But we're sort of optimistic about our future. Our balance sheet is good.

I'm going to turn the call over to Anthony for a few seconds to explain the new legislation that was just proposed by Congress with regard to what it means to us with our PPP money. So Anthony, why don't you go into that? And talk about, please, our balance sheet and where we think we are in terms of being able to sustain this effort.

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Sure. Okay. Does someone on the line has a lot of background noise? If they could mute their phone, it's a little difficult to hear on the phone. So a couple of things. As of year-end, we had $16.8 million of cash. We currently have about $13 million in change of cash. The reduction has to do with -- we acquired a restaurant in Florida called Blue Moon Fish Company. And purchase price there was about $1.7 million of cash with the balance for $1 million in notes payable over 4 years, 5% interest. We made principal payments on our debt facilities and our notes for another $700,000. We had some CapEx to get the barge installed and operational. And obviously, we had some losses. Our debt is $45 million, which includes $30 million to our lender, which consists of a revolving credit facility of $10 million and $20 million in term notes related to purchases of restaurants over the last 4 or 5 years. The other $15 million is the PPP loans, as we've discussed in prior filings, we had received approximately $15 million.

We expect to start the forgiveness process at the beginning of the new year on a bunch of the loans. We are looking at the current legislation that came out yesterday that was approved by Congress last night that's waiting for Trump's signature. It's 5,600 pages. I've managed to narrow it down to a couple of hundred pages that impact us. The biggest takeaway right now is the Congress has overwritten the IRS in its effort to make the forgiveness of the P2P loans taxable. So if I could just go back when the Cares Act was -- what came out as law in March, the PPP loan forgiveness was intended to not be taxable, meaning that the expenses will be deductible and when the loans are forgiven, you would not have to pick up that income. So it was essentially a double dip.

The IRS came out with a ruling in November on doing that and saying that the company could not deduct the DPP expenses that were paid with loans that were forgiven. We took the position that, at that point in our year-end financial statements that we were still going to record deferred tax assets for the amounts of the losses related to these expenses. And then last night, Congress approved the bill, which, again, overturns this. So long story short, the expenses that the money was paid with are deductible and the forgiveness of the loans, will not be income, which, in our case, creates a -- will have an operating loss on our tax returns for the September year-end, which we will then -- you carry back to prior years and recapture taxes that we paid at 35% rates. We're currently paying 21%. So we expect to have an NOL carryback claim of approximately $2.5 million to $3.5 million that we'll file in the next 3 or 4 months.

A couple of other things in the new legislation that appears -- and again, we haven't finished reviewing it, but it appears that there are other expenses that are going to be eligible to use PPP funds for things like cost of goods sold purchases and items of that nature. And we're also looking into any of the stimulus will be available to a company like Ark to apply for additional loans. But that we're still trying to determine what the legislation means. It's voluminous, and we only had a couple of hours to look at it. Michael, back to you.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

All right. Thank you, Anthony, I think that's a good explanation. So we think our balance sheet is in good shape now with the NOL carryback and that $3 million, which is our expectation putting back on a balance sheet to granting of the PPP money. What Anthony said, there are other things in there. We're not sure of this, but it seems to be something that could be tangible for us. The original PPP loans were meant for payroll and rent. This bill seems to expand it to include cost of goods sold. So to the extent that we had cost of goods sold, that can be included as part of the grant, our expectation of some $10 million in grants may go up by a few million dollars, which means the $5 million -- we took in $15 million or total in PPP money. We were very comfortable...

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Yes. Could I jump in, Michael?

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Yes. Sure.

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Yes. So the point there is that the way the law was disrupted, you had to spend the PPP money within 24 weeks of the money hitting your bank account. For the New York restaurants and DC the majority of the money came in, in early May. So we essentially had until mid-October to spend the money on payroll and rents and utilities. That was very difficult considering number one, the restaurant didn't open until the end of June or the end of July, they opened initially in New York just with outdoor dining. Indoor dining was limited to 25%. So we could not -- we didn't have the volumes in order to have the payroll to use all of the money by the end of the comment period. I think what this legislation is saying that -- so we were -- so we were saying, okay, if we were able to use 30%, 40% of the money on payroll and rent, the other 70% or 60%, we either will return the money or we'll keep it as a loan. What Michael is saying is that percentage may go up based on our current reading of the new legislation. And it appears that it was old inventory, perishable inventory purchases are now included in the eligible expenses that had to be expended during the COVID period.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Thank you for the better explanation, Anthony. So all that being said, I'm happy to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Milan Mehta with Evaluate Investment Principles.

Milan Mehta - *Evaluate Research Limited - Former Research Analyst*

I would just like to know if the acquisition that was announced in December, will it be EPS accretive and FF positive?

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

All right. So we bought a restaurant that historically has strewed off 15% to 20% of its revenues in positive cash flow. Revenues used to be $6 million. So the $2.7 million purchase price of $1.7 million down and $1 million over 4 years in equal installments. If you were buying that $1 million in cash flow, you would think that was a very cheap purchase. The restaurant is in Fort Lauderdale on one of the canals. We validated what the sales of other similar restaurants are in the area who are situated also on the canals. And this was, by the way, churn now $6 million a year for some 20 years, pre pandemic. For whatever reason, we were able to reach this price with the sellers, 2 good guys, Fisherman, who has established a resonant 26 years ago. They didn't want to do it anymore. The revenues are obviously down for no other reason and the restrictions that are imposed on the restaurant, it has the capacity to do much more volume. We think we can improve the cost of goods sold and improve the quality at the same time.

We've been operating in about 2 weeks. Its volume is sort of in line right now with the volumes that was seen in other restaurants in Fort Lauderdale in that area. So I would tell you, until we get in there and really take a look at payroll and what influence we can have on cost of goods sold. We don't know that we're, as of yet, thrown off any cash, positive cash flow, I think we are, but it's not empirical yet. And this work to be done. But I can tell you that we're very happy with the sales at this point. In 2 weeks they're like probably down 20%, 22% from their historic sales. So that's in line with everything else we're doing. So we think we made a very good purchase that as the pandemic lifts and people restore to their old habits. I think we've got something that could be significantly beneficial to us.

Operator

Our next question is from Roger Lipton with Lipton Financial Services.

Roger Lipton - *Lipton Financial Services*

Just dealing with it still day-to-day as we all are. The good summary, the PPP loans, so the cost of goods possibility, will that -- is the hope that, that would allow you to use up the entire $15 million?

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Yes. I don't know if it will be the entire $15 million, but it will definitely be higher than what we were estimating. We were figuring about $10, $11 million would be forgiven. That will go up if I'm reading this right. Again, I want to go through it a couple more times and consult with our external auditors and a couple of other firms that are probably studying this as we speak. But yes, I mean, we'll get -- we will definitely get closer to the $15 million.

Roger Lipton - *Lipton Financial Services*

And going forward, again, it's early, and you're studying it. So what's your hope? I was a little confused, but with the old bill versus the new billing changes. So the hope in terms of the new bill is what?

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Well, the new bill adds in the food purchases. It adds it in. It appears it adds it in retroactively back to when the Cares Act was -- that's what I meant by that. And then there are additional loan opportunities, there's another 300 and -- I don't know, $300 billion of loans available. And I want to see -- I haven't gotten to the part in the law yet, who's eligible for those loans if Ark is eligible and then how you determine the amounts if you have prior PPP loans, I would assume there's caps and calculations and things of that nature. So I haven't gotten to all that yet. But we will figure that out over the next couple of weeks.

Roger Lipton - *Lipton Financial Services*

Right. So you don't know yet to what extent, if at all, you'll be able to access the new money?

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

No, we don't know. We don't know yet.

Roger Lipton - *Lipton Financial Services*

Okay. That's helpful. And obviously, $15 million reduction of your balance -- of debt of your balance sheet, $11 million to $15 million is okay, right? So...

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Yes. Yes. It's basically...

Roger Lipton - *Lipton Financial Services*

What about -- Michael, you didn't refer to the online betting situation. Anything at all? I mean the state's...

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

I was going to talk about that afterwards, but I can just say it now without a problem. So we're on an on-diluted basis, somewhere around the 10%, 11% holder of a limited partnership interest in the new Meadowlands Racetrack in Northern New Jersey. We took that position almost 5 years ago, I guess, we have about $5.5 million, $6 million involved in that, Anthony, between equity and loans.

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Yes. Yes.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

We took that position because we thought the situation in Atlantic City was eroding dramatically and that the state would have to, at some point, issue a casino license in the northern part of New Jersey, the density being significant. And what we were looking at was New York state saying at that time, 5 years ago, that in 7 years, they were going to have downstate gaming, which caused MGM to buy Yonkers and Aqueduct as active as a partial casino right now, mostly slots. So we thought Jersey would have to respond. The partners in Meadowlands were annually fulfilling a cash call because the thing was losing money. We were operating the food, pro bono. We weren't making money on it. We weren't losing money on it. That still exists. And then came sports betting. And Jersey was the first one to approve sports betting and went to the Supreme Court and the Supreme Court allowed it. And live changed dramatically, and it's, I think, the largest grossing sports betting venue in the United States right now.

There are days where we do $10 million in handle and so it's throwing off cash, significant cash, pre pandemic and even during the pandemic. The -- we don't see that cash. It's not distributed. So Anthony, am I right on the accounting? We don't show any revenue or K1 income from that, correct?

Anthony J. Sirica - *Ark Restaurants Corp. - CFO & Director*

Correct. This is a cost method investment. We show -- to the extent we get cash, we would show it as a dividend.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Right. So that's been -- we've had some interest paid on our notes, but not significant. So what we're hoping is that New York accelerates because of New York's budget deficit with the pandemic. We're hoping that New York accelerates downstate gaming from 2023 to 2021. There's some indication for one may do that. We believe the minute he does that, New Jersey will have to respond. And the Meadowlands is actually closer from Downtown, New York than either Aqueduct or Yonkers in terms of the time it takes to get there. So we're very hopeful.

Hard Rock is one of our partners. And they would be the operator over the casino. Initially, it was thought that we would have to have a partner that operated in Atlantic City Casino, somebody that was licensed as our partner at the Meadowlands. Hard Rock has since in sort of defense of their ability to be the operator, bought the old Taj Mahal and operates it as a Hard Rock in Atlantic City and investment, I'm sure they're not happy with right now. But it did put them in a position to be the operator of the casino in the Meadowlands if that should recur. So that's basically what's going on there. There is -- the New Meadowlands LLC is operating at a positive cash flow right now, so there are no cash calls on us. And to some degree, we're getting interest on our outstanding loan to the facility.

Roger Lipton - *Lipton Financial Services*

Okay. So we just hope we're just waiting on Cuomo, and then presumably, that would -- I mean, everybody is desperate for money. So could you...

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Yes, we think it triggers it. And we also think we're by far the best site available in Northern New Jersey for a casino.

Operator

(Operator Instructions) And our next question is from Bruce Geller from Geller Ventures.

Bruce Howard Geller - *Dalton, Greiner, Hartman, Maher & Co., LLC - Portfolio Manager & Member of the Board of Directors*

Thank you for your efforts through this unprecedented difficult period. I'd like to go back to the deal that you announced, the economics of that sound quite attractive, particularly as the world gets back to normal. Do you see other opportunities like this right now? I know there's so many restaurants that are just barely hanging on. I would -- while this probably isn't the best time to go out and spend a lot of money at the same time, there's probably some opportunities that are priced at levels that you may never see again.

So I'm just curious if there's other opportunities like that, that you could take advantage of right now, if you wanted to. And if so, what are your plans in terms of how aggressive you get in doing that? And then how do you address the capital needs of doing that? Because again, while it's a tough time to make big bets, it does seem like this -- there could be a positive stair-step function for the company here to take advantage of some of these situations and betting on the world, getting back to normal next year.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

So Bruce, let me take it from the micro, this one deal. As you know, our preference has become to buy restaurants that own the property on which they sit. We did that in Alabama. We did it with Rustic. We did it with Shuckers. JB's, we didn't -- we were -- we have an option on the property. I don't know that we'll ever be able to get it at the price that we think we would pay. But it did come with a very cheap 25-year lease. So for intensive purposes, we feel like we own that.

Blue Moon also comes with a very strong 26-year lease. The first 15 years are basically a 6% rent. And that it sort of accelerates in the last 11 years. But the first 15 years are more than a reasonable rent. And it's a property we can never own. And truth is a restaurant that none of the principles of Ark has seen. We were showing this by a broker who we knew. We have management down in Rustic and JB's, who are nearby, who we relied on. We also have friends that live there that go to that restaurant, Blue Moon. And everybody appraised it as it's really a great location, great spot, great decor, great food. That's all we kept hearing. And the problem was how to buy it. Because the price we felt was a bargain.

We were able to extend this one time with our bank to allow us to use existing credit line to make this kind of purchase. But that's gone. We have a conservative bank, and I think you would agree that most banks aren't lending to restaurant companies, period. It's impossible to figure out how -- or it was impossible to figure out how to go forward. And make other acquisitions for like type of situations, and in the last 2 weeks, I've gotten 2 calls. And I'm not going to devolve through the front, but they're extremely wealthy groups who want a family office with some $4 billion. And another one, a corporate, I guess, group, not involved in the restaurant business but cease the opportunity, as you just described. And both of them has said that they would like to partner up with us if we saw anything that was attractive. I didn't go into the details of partnering up what that meant. I know one of the group has gaming interest and sort of would like to buy our stock. Either a convertible preferred or something that converts into our stock because they're not only looking at the capability of us to acquire other restaurants, but they really got their eye on the Meadowlands to own a piece of that through us.

So I think there's ways to do joint ventures with others. We did that once before in Florida at the Hard Rocks when we did the food markets in the Hard Rocks, some 11, 12 years ago. I think that possibility exists. We're not seeing deals, the flow is not that attractive. We are seeing deals, but we're seeing them at 6, 7x EBITDA. We are -- we buy as a 3x EBITDA, 3.5x EBITDA. We may be too conservative and therefore, we'll not see anything other than Blue Moon. But with sitting here with a lot still unknown of how this recovery is going to take place and why my inclination is pent-up demand and things will go back to normal, I can't be sure of that. And what we're trying to do is protect our balance sheet and not leverage ourselves up with that, if we find something, we got to find an equity partner. And I'm not going to -- just because I have an equity partner, it doesn't mean I'm going to overpay or pay what everybody else is going to pay.

So I don't think you can -- the expectation should not be that you're going to see a rash of deals sort of 2 or 3 or 4 deals, whatever rash or less than that it is from us, I think we're going to stay here. We've got 3 or 4 months to try to see how the vaccine impacts the country and restaurant sales. I'd rather pay a little bit more and knowing things are all right and take a shot right now even with somebody else's money. The attractiveness with Blue Moon is we were paying less than 3x historical earnings for it. Well, it's hard to say no to that. And I think we're going to be proven very right. Those deals aren't going to come frequently.

Bruce Howard Geller - *Dalton, Greiner, Hartman, Maher & Co., LLC - Portfolio Manager & Member of the Board of Directors*

Sure. That all makes sense. I read somewhere recently. I don't know if this is true, what your view is, but something like 17% of all restaurants in the U.S. have closed during the pandemic. If that's a true number, is there the potential that even if the world doesn't fully come back to normal, that business could actually be better, really better than expectations just because supply has gone down so much.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

Well, it depends upon the venue. I would tell you that in New York City, which we know pretty well, the number of highly recognizable names that have gone out of business permanently is astounding to me. But when you think about it logically, a lot of those names were one-off for an owner, an independent restaurant owner who own one or two restaurants. And their business has been decimated. Nobody understands, other than people in our business, I believe, what this has done to the employees. Being out of business for 3 months coming back, now having to go back on unemployment again.

A lot of the base that we draw from has moved back to other areas of the country where they came from. They came to New York for particular reason and school, culture, the arts, whatever it is, and they were employed by us as waiters, waitresses, barbacks, bar tenders, whatever. Well, now they're living in an expensive city. The reasons for coming are gone. They went back home. We have -- even with our outdoor cafés, we had difficulty finding waiters and waitresses to work. We have a lot of Hispanic population in our kitchens. A lot of them had gone into construction. Construction industry has been very strong in New York. And we had 2 sous chefs at Robert, who left, and they are working in construction, they ain't coming back. The restaurant industry doesn't provide them with consistent salary.

So everybody is sort of on edge. And so there are 2 things I could tell you about New York. The Controller's office in Manhattan fully expects 50% of all restaurants to go permanently out of business in New York City. That's what they're saying. So I think it's that bad? No. But if you said to me, 30%, I would say, "Jesus, thank God, it's only 30%." If you're a single restaurant owner owning one location, you're screwed. And what has happened just prior to this, I mean, the industry economically wasn't doing well before the pandemic because of increase in minimum wage to tipped employees. Our tipped employees went from -- because we -- it used to be a $10 minimum wage, where we were allowed a $5 credit toward minimum wage, then it became a $15 minimum wage, but they didn't increase the tip credit, it stayed at $5. So over a 3-year period, all our tipped employees, which 60% of our employees went from a $5 net pay to a $15 -- to a $10 net pay. So 60% of our employees over 3 years got 100% raise. Who can live with that?

Rents, which are now negotiable, were completely out of joint in terms of any economic equation for restaurants. But we also have the problems with insurance premiums, which are skyrocketing in terms of our health care, major medical premiums, insurance premiums in every area going up dramatically. So the equation was bad before the pandemic. So if you own a restaurant and now you close the 3 months, and you got to put in -- in order to open, you have to put in new ventilation, germ killing systems. I mean, at Bryant Park, that cost us $50,000. I have not -- I forgot the exact number. Our restaurants are, I mean, pumping out the pure stare you can pump out, given technology. We were able to make that investment, but go talk to a guy who owns a 60, 70 seat restaurant. Go talk to the woman who ran prune in the East Village, which is a notable restaurant and she can make a living before the pandemic, and there's no decision for her at closing. So I fully expect 30% of the restaurants in New York City to close.

Now is that beneficial to the restaurants that remain open? I would imagine it is. Unfortunately, I've said this for 40 years. I said when a restaurant closes in New York, it doesn't become a furniture store. Eventually, it becomes another restaurant. So once this is -- confidence is back, those empty spaces will not be repurposed to other retail, they'll become restaurants again because there's a passion that people have for owning a restaurant. They can, in the past, pick up investors to help them out. So it will be a short-term benefit to have all these restaurants closed. But I think in the long term, it will go back to the same number of seats we've always had.

Operator

And we have reached the end of the question-and-answer session. And I'll now turn the call over to Michael Weinstein for closing remarks.

Michael Weinstein - *Ark Restaurants Corp. - Founder, Chairman & CEO*

All right. Thank you, everybody. Obviously, we're out of the office. So we have somebody there every day for mail, but nobody is taking up the phones. If anybody has a question, and I'm happy to take answer -- try to answer it. My cell number is 646-322-9197. So feel free to call during business hours on that number, I'm happy to take calls. I wish you all well for the holiday season and stay wealth physically and emotionally, it's been a tough grind for everybody. I hope your families are all well, and we'll speak to you in the next quarter. Thanks again for attending this.

Operator

And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.
