

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES FULL YEAR AND FOURTH QUARTER
FISCAL 2012 RESULTS**

Cleveland, Ohio (May 29, 2012) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces full year and fourth quarter fiscal 2012 results.

Revenue was \$82,237,000 in fiscal 2012, a decrease of \$7,654,000, or 8.5%, compared to fiscal 2011. This decrease in restaurant revenues during fiscal 2012 was primarily due to the permanent closing of 15 restaurants, partially offset by a comparable restaurant revenue increase of 2.3%, or \$1,788,000.

Revenues for the 16 weeks ended February 26, 2012, were \$23,884,000, a decrease of \$907,000, or 3.7%, compared to the 16 weeks ended February 27, 2011, primarily resulting from the permanent closing of 15 restaurants, offset by a 7.3% or \$1,617,000 increase in comparable restaurant revenues.

The Company recorded a net loss of \$(1,680,000) or \$(0.57) per share (\$0.57 diluted) for the fiscal year ended February 26, 2012 inclusive of a loss of \$(1,113,000), or \$(0.38) per share (\$0.38 diluted), in the fourth quarter (16 weeks) ended February 26, 2012. This compared to a net loss of \$(988,000), or \$(0.34) per share (\$0.34 diluted) for the fiscal year ended February 27, 2011 which includes a loss for the fiscal 2011 fourth quarter of \$(1,672,000), or \$(0.57) per share (\$0.57 diluted). Our results for fiscal 2012 included charges of \$766,000 for loss on restaurant assets, \$405,000 of costs related to the early extinguishment of debt and other costs totaling approximately \$415,000 relating to the refinancing of the Company's debt. The loss on restaurant assets relates to the closing of certain restaurants and the impairment of the carrying value of others. The prior year loss includes a charge of \$841,000 for loss on restaurant assets and \$138,000 of costs related to the early extinguishment of debt. The Company's operating margins in fiscal 2012 were slightly lower than the prior year mainly due to increases in food costs but partially offset by lower levels of labor and operating expenses. Capital expenditures in fiscal 2012 were \$2,019,000 compared to \$1,763,000 in fiscal 2011 as the Company completed the image enhancement of four restaurants during fiscal 2012 compared to three image enhancements during fiscal 2011. The refinancing during the fourth quarter of fiscal 2012 involved the sale and leaseback of 29 restaurant properties and the issuance of a term loan in the amount of \$8,250,000 which paid off substantially all of the Company's then outstanding debt. This transaction also required that the Company enter into a definitive remodel agreement with its primary franchisor, KFC Corp. Subsequent to the fiscal 2012 year end, the Company completed the remodeling of two additional restaurants and is in compliance with its remodel agreement.

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 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 1A. ("Risk Factors") of the Company's Form 10-K for the fiscal year ended February 26, 2012. 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 57 KFC restaurants, 5 Taco Bell restaurants, 9 KFC/Taco Bell "2n1's", 3 Taco Bell/Pizza Hut Express "2n1's" and 1 KFC/A&W "2n1".

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Table attached.

	Fourth Quarter Ended		Fiscal Year Ended	
	February 26, 2012	February 27, 2011	February 26, 2012	February 27, 2011
Revenues	\$ 23,884,000	\$ 24,791,000	\$ 82,237,000	\$ 89,891,000
Cost of sales:				
Food, paper and beverage	7,852,000	8,064,000	27,238,000	28,267,000
Labor and benefits	7,026,000	7,566,000	23,794,000	26,533,000
Restaurant operating expenses	6,315,000	6,626,000	21,298,000	23,748,000
Depreciation and amortization	810,000	965,000	2,598,000	2,831,000
G&A expenses	1,579,000	1,561,000	5,311,000	5,450,000
Loss on restaurant assets	140,000	703,000	766,000	841,000
Early Extinguishment of Debt	372,000	40,000	405,000	138,000
Operating income	(210,000)	(734,000)	827,000	2,083,000
Interest Expense:				
Bank debt and notes payable	(349,000)	(675,000)	(1,703,000)	(2,286,000)
Capital leases	(493,000)	(32,000)	(562,000)	(104,000)
Other income and expense, net	11,000	(35,000)	148,000	(44,000)
Income before income taxes	(1,041,000)	(1,476,000)	(1,290,000)	(351,000)
Income tax provision (benefit)	72,000	196,000	390,000	637,000
Net Income (loss)	\$ (1,113,000)	\$ (1,672,000)	\$ (1,680,000)	\$ (988,000)
Basic net income (loss) per common share	\$ (0.38)	\$ (0.57)	\$ (0.57)	\$ (0.34)
Diluted net income (loss) per common share	\$ (0.38)	\$ (0.57)	\$ (0.57)	\$ (0.34)
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	2,934,995	2,934,995	2,934,995

	February 26, 2012	February 27, 2011
ASSETS		
Current assets	\$ 8,172,000	\$ 5,796,000
Property and equipment, net	33,848,000	\$ 27,838,000
Other assets	513,000	\$ 410,000
Intangibles	9,893,000	10,044,000
Total assets	\$ 52,426,000	\$ 44,088,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 8,604,000	\$ 35,566,000
Long-term debt	8,220,000	-
Long-term capital lease obligations	22,505,000	1,013,000
Other long-term liabilities	11,280,000	4,362,000
Deferred tax liabilities	2,862,000	2,512,000
Total shareholder's equity	(1,045,000)	635,000
Total liabilities and shareholders' equity	\$ 52,426,000	\$ 44,088,000