

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM SB-2/A

AMENDMENT NOS. 2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EAT AT JOE'S, LTD
(Name of Small Business Issuer in its Charter)

DELAWARE (State or other jurisdiction of incorporation)	5812 (Primary standard industrial classification code number)	75-2636283 (I.R.S Employer Identification no.)
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670 WHITE PLAINS ROAD
SCARSDALE, NEW YORK 10583
(914) 725-2700
(Address and Telephone Number of Principal Executive Offices)

JOSEPH FIORE, CHIEF EXECUTIVE OFFICER
EAT AT JOE'S, LTD.

670 WHITE PLAINS ROAD
SCARSDALE, NEW YORK 10583
(914) 725-2700
(Name, Address, and Telephone Number of Agent For Service)

Copies to:

JAMES EISBERG, ESQ
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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

Title of Each Class of Securities to be registered	Amount to be registered(1)	Proposed Maximum Offering Price per Security	Proposed Max. Aggregate Offering Price (1)	Amount of Registration fee
Common Stock \$.0001 par value underlying Warrants	367,400 (2)	\$ 1.25	\$ 459,250	\$ 133
Common Stock \$.0001 par value issuable upon conversion of outstanding Convertible Preferred Stock and Debentures	7,500,000 (3)	\$ 1.25	\$9,375,000	\$ 2,719
Total			\$9,834,250	\$ 2,842

(ii)

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act of 1933, as amended.
- (2) Pursuant to Rule 415 under the Securities Act of 1933, as amended, this registration statement also covers such additional securities as may become issuable upon exercise of warrants issued to J. P. Carey Securities, Inc., and Sovereign Capital Advisers (and their designees) who served as agents for the placement of the Company's securities in 1998.
- (3) Includes (a) the estimated number of shares that may be issued upon conversion of the Series A, B, C and D Convertible Preferred Stock; (b) the estimated number of shares that may be issued upon conversion of the 8% Series 1 Secured Convertible Debenture, and (c) -----shares issuable upon the exercise of certain outstanding purchase warrants. In the event of a stock split, stock dividend or dilution, or in the event of an increase in the number of shares issuable upon the conversion of the Series A, B, C or D Convertible Preferred Stock or 8% Series 1 Secured Convertible Debenture by reason of a discounted conversion price or delay in the effective date of this Registration Statement, the number of shares registered shall be automatically increased to cover additional shares in an indeterminate amount in accordance with Rule 416(a) under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

(iii)

EAT AT JOE'S, LTD
CROSS REFERENCE SHEET
PURSUANT TO RULE 404

ITEM NUMBER IN
FORM SB-2 AND TITLE OF ITEM

LOCATION IN PROSPECTUS

PROSPECTUS

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Outside Front Cover of Prospectus..... Cover Page

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION; DATED October , 1998

EAT AT JOE'S, LTD

6,108,438 Shares of Common Stock

6,108,438 shares of Common Stock of Eat at Joe's, Ltd. ("Company") are being sold ("Offering") by certain shareholders of the Company (the "Selling Shareholders"). The Company will not receive any proceeds from the sale of the shares by the Selling Shareholders. See "Principal and Selling Shareholders."

The Prospectus covers all of the shares of Common Stock issuable upon conversion of shares of Series A, B, C and D Convertible preferred Stock and 8% Series 1 Secured Convertible Debenture which were sold in private placements during the period March through September, 1998 as well as shares issuable upon the exercise of certain outstanding purchase warrants which were issued in connection with the private placements. Based upon the trading prices of the Common Stock prior to September 21, 1998 the convertible securities would convert into 5,741,038 shares of Common Stock. The foregoing estimate is for illustrative purposes only. The actual number of shares of Common stock issuable upon conversion of the convertible securities is subject to adjustment and could be materially more or less than such estimated amount, depending upon factors that cannot be predicted by the Company at this time, including, among others, the future market price of the Common Stock. See "Risk Factors"- "Risk of Low Priced Stocks."

Shares may be offered by Selling Shareholders from time to time in transactions (which may include block transactions) in the over-the-counter market, in negotiated transactions, or a combination of such methods of sale, at fixed prices which may be changed, at market prices prevailing at a time of sale, or at negotiated prices. The Selling Shareholders may effect such transactions by selling shares directly to purchasers or through broker dealers who may act as agents or principals. Such broker dealers may receive compensation in the form of discounts, concessions or commission from the Selling Shareholders and/or the purchasers of the Selling Shareholder shares for whom they may sell as principals or both (which compensation as to a particular broker dealer might be in excess of customary commissions).

The Selling Shareholders may be deemed to be "underwriters" as defined in the Securities Act of 1933, as amended ("Securities Act"). If any broker-dealers are used by the Selling Shareholders, any commission paid to broker-dealers and, if broker-dealers purchase any Selling Shareholders Common Stock as principals, any profits received by such broker-dealers on the resale of the Selling Shareholders Common Stock may be deemed to be underwriting discounts or commissions under the Securities Act. In addition, any profits realized by the Selling Shareholders may be deemed to be underwriting commissions.

The Company's Common Stock is quoted on the OTC Bulletin Board under the symbol JOES. The closing bid price for the Common Stock on _____, 1998 as reported by the OTC Bulletin Board was \$_____ per share. See "Price Range of Common Stock."

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 6.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE ARE SPECULATIVE SECURITIES.

	Price to Public	Underwriting Discount	Proceeds to Selling Stockholders
Per Share	\$ _____	Not Applicable	\$ _____
Total	\$ _____	Not Applicable	\$ _____

The date of this Prospectus is _____, 1998.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes no exercise of the Warrants referred to herein. Investors should carefully consider the information set forth under the caption "Risk Factors."

THE COMPANY

The business of Eat at Joe's, Ltd. (the "Company") is to develop, own and operate theme restaurants called "Eat at Joe's(R)." The Company presently owns and operates eight restaurants; four restaurants located in Philadelphia, Pennsylvania; one each in Cherry Hill, Moorestown and Voorhees, New Jersey and one in Baltimore, Maryland ("Existing Units"). The Company is planning to open three additional restaurants before the end of 1998. All these restaurants will be located within two hours from the Company's operation's center in Cherry Hill, New Jersey. All restaurants will be located in high traffic locations. The restaurants will be modest priced restaurants catering to the local working and residential population rather than as a tourist destination.

The Company's operations have generated losses since its inception. Approximately \$2,600,000 will be required to open the additional restaurants. Management anticipates that sources of funds for the construction of the additional units will come from funds on hand (\$400,000); cash flow from operations (\$100,000); private placements of securities (\$1,500,000); and landlord contributions for build out alterations (\$600,000).

The restaurants will be decorated in a 1950's diner style. Each restaurant will offer three meals a day from an extensive 50's diner style menu including: eggs and hot cakes for breakfast; soup, sandwiches and salads for lunch; burgers, meat loaf and chicken entrees for dinner. All units will offer take out service.

The Company opened a 550 square foot Philadelphia location ("Shops at Penn") in November 1997, 600 square foot Cherry Hill location in December 1997; 470 square foot location in Voorhees, New Jersey in May, 1998; 845 square foot location at the Philadelphia Airport in May 1998; 4,000 square foot University City Diner location (Philadelphia) in July 1998; 2,000 square foot Market East

(Philadelphia) location in August 1998; 3,680 square foot Moorestown Mall (Moorestown, New Jersey) location in October, 1998; and 2,530 square foot Gallery at Harbor Place (Baltimore) location in September, 1998. Four of the restaurants are located in food courts in malls with common seating provided by the mall operator and four are sit down restaurants

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The Company's revenues are not yet sufficient to cover its expenses and it is compelled to issue securities convertible into common stock at a significant discount to market to finance itself. The Company projects it will be operating on a break-even basis at the end of 1998.

The Company was incorporated in January 1988 as a Delaware corporation. Through December 1992 it engaged in businesses unrelated to the present restaurant business. See Note 1 to Consolidated Financial Statements, page F-8. The Company was inactive from December 1992 through January 1997 when its shareholders adopted a plan of reorganization and merger with E.A.J. Holding Co., Inc. and subsequently began development of its present business. The Company's executive offices are located at 670 White Plains Road, Scarsdale, New York 10583 and its telephone number is 914 725 2700. The Company's operation's office is located at 1415 Route 70 East, Suite 412, Cherry Hill, New Jersey 08034.

THE OFFERING

Common Stock Offered by the Selling Stockholders..... 6,108,438 shares
 Common Stock to be outstanding after the Offering..... 19,181,480 shares
 OTC Bulletin Board Symbol..... JOES

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SUMMARY FINANCIAL INFORMATION

Fiscal Years Ended December 31					
	1993(1)	1994(1)	1995(1)	1996	1997
Income Statement Data:					
Net sales	\$ -	\$ -	\$ -	\$ -	\$ 84,781
Gross profit	-	-	-	-	27,926
Operating loss	-	-	-	(14,762)	(294,718)
Other expense, net	-	-	-	(3,938)	(4,304)
Loss before inc. taxes	-	-	-	(18,700)	(299,022)
Income taxes	-	-	-	-	-
Net Loss	\$ -	\$ -	\$ -	\$ (18,700)	\$ (299,022)
Per Share Data					
Net loss	\$ -	\$ -	\$ -	\$ -	\$ (0.02)
Weighted average					
shares outstanding	313,973	313,973	313,973	6,535,247	11,729,107

December 31, 1997
 Actual As Adjusted(2)

Balance Sheet Data:		
Working Capital	\$ (1,158,474)	\$ (1,158,474)
Total Assets	2,314,972	2,314,972

long-term debt	-	-
Shareholders' equity	872,315	872,315

(1) The Company was inactive during 1993, 1994 and 1995

(2) Reflects the consummation of the offering as if the offering had occurred at December 31, 1997.

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RISK FACTORS

An investment in the Common Stock of the Company offered hereby is highly speculative and involves a high degree of risk. Investors could lose their entire investment. Prospective investors should carefully consider the following factors, along with the other information set forth in this Prospectus, in evaluating the Company, its business and prospects before purchasing the Common Stock.

LACK OF PROFITABILITY; LACK OF OPERATING HISTORY

The Company opened its first restaurant in November 1997 and second in December 1997. The Company had a loss of \$211,522 for the year ended December 31, 1997. The Company had a working capital deficit of 1,070,974 and a retained earnings deficit of \$1,288,757 at December 31, 1997. Prior to the opening of its Philadelphia location ("Shoppes at Penn"), the Company had no operations or revenues. Accordingly, the Company's operations are subject to all of the risks inherent in the establishment of a new business enterprise, including the lack of operating history. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any company. There can be no assurance that future operations of such restaurants, or any future restaurants, will be profitable. Future revenues and profits, if any, will depend upon various factors, including the market acceptance of the Company's 50's diner decor concept, the quality of restaurant operations, and general economic conditions. Frequently, restaurants, particularly theme-oriented restaurants, experience a decline of revenue growth or of actual revenues as the restaurant's "initial honeymoon" period expires and consumers tire of the related theme. There is no assurance that the Company can operate profitably or that it will successfully implement its expansion plans, in which case the Company will continue to be dependent on the revenues of the Existing Units. Furthermore, to the extent that the Company's expansion strategy is successful, the Company must manage the transition to multiple site operations, higher volume operations, the control of overhead expenses and the addition of necessary personnel.

LIMITED MANAGEMENT EXPERIENCE/NEED FOR ADDITIONAL MANAGEMENT

The success of the Company will depend upon the Company's ability to attract and retain a highly qualified management team. Joseph Fiore and Andrew Cosenza, Jr., the Company's Chairman and President respectively, each have over 15 years experience in the multi-unit restaurant business. The Company will also need to hire other corporate level and management employees to help implement and operate its expansion plans, including a chief financial officer, retail leasing specialist and construction coordinator. The failure to obtain, or delays in obtaining, key employees could have a material adverse effect on the Company. See "Management."

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LIMITED BASE OF OPERATIONS

The Company currently operates only 8 restaurants and plans to open 3 additional restaurants in 1998. The combination of the relatively small number of locations and the significant investment associated with each new unit may cause the operating results of the Company to fluctuate significantly and adversely affect the profitability of the Company. Due to this relatively small number of current and planned locations for the current year, poor operating results at any one unit or a delay in the planned opening of a unit could materially affect the profitability of the entire Company. Future growth in revenues and profits will depend to a substantial extent on the Company's ability to increase the number of its restaurants. Additionally, the Company's

history does not provide any basis for prediction as to whether individual units will tend to show increases or decreases in comparable unit sales. The Company has not conducted extensive market surveys in determining restaurant locations but has relied on the expertise of its management. Management anticipates that sources of funds for the construction of the additional units will come from cash flow from operations (\$100,000); private placements of securities (\$1,500,000); and landlord contributions for build out alterations (\$600,000) and funds on hand (400,000). An investor, Zakeni Limited, unrelated to the Company or its affiliates has purchased \$1,500,000 principal amount of the Company's convertible debentures during 1998. While there is no assurance that the Company will be able to continue raising funds from private sources, it believes it will be able to continue to do so.

LIMITED FINANCIAL RESOURCES; NEED FOR ADDITIONAL FINANCING

The Company's ability to execute its business strategy depends to a significant degree on its ability to obtain substantial equity capital to finance the development of additional restaurants. During the remainder of this year, The Company will seek to raise expansion funds as needed by the sale of equity securities or by borrowing. There is no assurance that the Company will be successful in this financing effort. The proceeds ("New Financings"), if obtained will provide the Company with the financing required to develop and open 8 additional restaurants in 1999 and for working capital purposes. The total cost of developing the Shops at Penn unit was approximately \$195,000, which included \$125,000 for the design and construction, \$50,000 for equipment, furniture and fixtures, and \$20,000 for other costs. The total cost of developing the Cherry Hill unit was approximately \$215,000, which included \$140,000 for the design and construction, \$55,000 for equipment, furniture and fixtures, and \$20,000 for other costs. The Company estimates that the costs of developing 3 additional restaurants presently planned for the remainder of this calendar year will be approximately \$2,600,000. If the proceeds of the New Financings are not sufficient to develop such units, the expansion strategy of the Company will be adversely affected. If additional funds are required, there can be no assurance that any additional funds will be available on terms acceptable to the Company or its shareholders. New investors may seek and obtain substantially better terms than were granted its present investors and the issuance of such securities would result in dilution to the existing shareholders. Furthermore, as the Company prepares to open additional units, it will expend a relatively higher amount on administrative expenses than would a mature Company with such operations.

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SECURITY INTEREST

The Company's indebtedness to the holder of its convertible debenture in the principal amount of \$1,500,000 due July 2001, is collateralized by substantially all of the assets of the Company. If this debt is not paid, the secured party could foreclose on substantially all of the assets of the Company which would materially adversely affect the Company's business plans and financial condition.

EXPANSION STRATEGY

The Company's ability to open and successfully operate additional units will also depend upon the hiring and training of skilled restaurant management personnel and the general ability to successfully manage growth, including monitoring restaurants and controlling costs, food quality and customer service. While the Company's present senior management has experience developing and operating multi-unit facilities, the Company anticipates that the opening of additional units will give rise to additional expenses associated with managing operations located in multiple markets. Furthermore, the Company believes that competition for unit-level management has become increasingly intense as additional restaurant chains expand to new markets. Achieving consumer awareness and market acceptance will require substantial efforts and expenditures by the Company. An extraordinary amount of management's time may be drawn to such matters and negatively impact operating results. There can be no assurance that the Company will be able to enter into any other contracts for development of additional units on terms satisfactory to the Company. Accordingly, there can be no assurance that the Company will be able to open new units or that, if opened, those units can be operated profitably. See "Business -- Expansion Strategy."

THE RESTAURANT INDUSTRY AND COMPETITION

The restaurant industry is highly competitive with respect to price, service, quality and location and, as a result, has a high failure rate. There are numerous well-established competitors, including national, regional and local restaurant chains, possessing substantially greater financial, marketing, personnel and other resources than the Company. There can be no assurance that the Company will be able to respond to various competitive factors affecting the restaurant industry. The restaurant industry is also generally affected by: changes in consumer preferences, national, regional and local economic conditions, and demographic trends. The performance of restaurant facilities may also be affected by factors such as traffic patterns, demographic considerations, and the type, number and location of competing facilities. In addition, factors such as inflation, increased labor and employee benefit costs, and a lack of availability of experienced management and hourly employees may also adversely affect the restaurant industry in general and the Company's restaurants in particular. Restaurant operating costs are further affected by increases in the minimum hourly wage, unemployment tax rates and similar matters over which the Company has no control. Finally, by the nature of its business, the Company would be subject to potential liability from serving contaminated or improperly prepared food.

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CONCEPT EVOLUTION

The Company presently intends that most of its future restaurants will feature the 50's diner decor similar to that in the Existing Units. The restaurants will be positioned to offer an "every day" type of dining opportunity, i.e. a place where individuals who live and work nearby can comfortably enjoy a wide variety of high quality fresh food at affordable prices. However, this concept is evolving and a number of factors could change this theme as applied in different locations. These factors include demographic and regional differences, locations that have more or less traffic than the areas in which those units are located, type of available floor space, and the availability of specialty items such as antiques. Accordingly, future units could be larger or smaller than those units, could vary in the mix of retail/restaurant operations, and could have differences in the application of the 50's diner theme.

Management of the Company has a long relationship with owners of commercial real estate and brokers acting on their behalf. Properties have been offered to the Company on a regular basis and the Company usually has been able to obtain the locations it was seeking.

CENTRALIZED FOOD COMMISSARY.

Soups, sauces, toppings and certain entrees are prepared in a central commissary and delivered to individual restaurant units. The agreement with the commissary is on a month to month basis. Management believes the individual restaurant units can prepare all food in house without any material increase in costs and may in the future do so.

Food prepared at the central commissary is generally transported in air-tight cry-o-vac packaging and transported in refrigerated trucks. As the Company's units are located only several hours from the commissary, all foods are delivered on the same day as they are shipped. The foods prepared at the commissary lend themselves to being cooked at the individual units. For instance, meat loaf is prepared and put together at the commissary and shipped to the units for baking.

LONG-TERM, NON-CANCELABLE LEASES

In carrying out its plan to develop, own and operate theme restaurants, the Company will enter into leases which are non-cancelable and range in term from 8 to 15 years. Any right to sublet or assignment requires approval of the landlord. If a restaurant unit does not perform at a profitable level, and the decision is made to close the restaurant, the Company may nevertheless be committed to perform its obligations under the applicable lease, which would include, among other things, payment of the base rent for the balance of the respective lease term. If such a restaurant closing were to occur at one of these locations, and the Company was unable to sublet the premises, the Company

would lose a unit without necessarily receiving an adequate return on the its investment. See "Business -- Property and Unit Locations" and "Certain Transactions."

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TRANSACTIONS WITH MANAGEMENT; CONFLICTS OF INTEREST

Anthony Cosenza, Jr., the Company's President is the owner of Cozco Management Corp., a mall food court operating company in the Philadelphia area. Cozco operates 24 food court restaurant units, none which carry out the concept of the Company's operations. In the opinion of management, none of the Company's existing or planned locations compete with the Cozco locations. To date the Cozco locations, which do not carry out the 50s theme or offer a diner type menu have been located in food courts and offer a limited service menu dictated by the landlord. In the event of a conflict for a sit down location or a food court location featuring a diner type menu, the Company shall have a right of first refusal. The Company's operations office consists of 3,000 square feet and shares space with Cozco in Cherry Hill, New Jersey. The Company pays Cozco a monthly rent of \$3,786 on a month to month tenancy. See "Certain Transactions."

To obviate any conflicts of interest between the Company and Cozco, certain policies have been adopted by the Company. These policies include no vendor doing business with both companies; a verification statement to be signed by vendor and service provider and the requirement that the officer authorizing a major expenditure, not be the officer signing checks for the payment of the expenditure.

CONTROL OF THE COMPANY; DEPENDENCE ON KEY PERSONNEL

Following this Offering, Joseph Fiore and Andrew Cosenza Jr., will control approximately 29 % of the Company's Common Stock. Therefore, Messrs. Fiore and Cosenza will have the ability to direct its operations and financial affairs and to substantially influence the election of members of the Board of Directors of the Company. The loss of the services of Messrs. Fiore and/or Cosenza, who respectively devote 95% and 80% of their working time to the Company could have a substantial adverse effect on the Company's ability to achieve its objectives. The Company currently has no key man insurance on either Mr. Fiore or Mr. Cosenza.

CURRENT REGISTRATION STATEMENT

The Company is required to maintain the effectiveness of the Registration Statement until the earlier of September, 2000 or the date on which the holders of the Company's Preferred Stock or Debentures shall have sold the Common Shares into which said securities were convertible.

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GOVERNMENT REGULATION

The restaurant business is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. The failure to maintain food and liquor licenses would have a material adverse effect on the Company's operating results. In addition, restaurant operating costs are affected by increases in the minimum hourly wage, unemployment tax rates, sales taxes and similar costs over which the Company has no control. Many of the Company's restaurant personnel will be paid at rates based on the federal minimum wage. Recent increases in the minimum wage are not expected to materially impact the Company's labor costs. The Company will be subject to "dram shop" statutes in certain states, including New Jersey and Pennsylvania which generally allow a person injured by an intoxicated person to recover damages from an establishment that served alcoholic beverages to such intoxicated person. The Company has obtained liability insurance against such potential liability.

TRADEMARKS

The Company has been granted a servicemark registration for the name Eat at Joe's. There can be no assurance that the Company can protect such mark and

design against prior users in areas where the Company conducts operations. There is no assurance that the Company will be able to prevent competitors from using the same or similar marks, concepts or appearance.

ABSENCE OF DIVIDENDS

At the present time, the Company intends to use any earnings which may be generated to finance further growth of the Company's business. Accordingly, investors should not purchase the shares with a view towards receipt of cash dividends from any Shares.

RISK OF LOW-PRICED STOCKS

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934 ("Exchange Act") impose sales practice and disclosure requirements on certain brokers and dealers who engage in certain transactions involving "a penny stock."

Currently the Company's Common Stock is considered a penny stock for purposes of the Exchange Act. The additional sales practice and disclosure requirements imposed on certain brokers and dealers could impede the sale of the Company's Common Stock in the secondary market. In addition, the market liquidity for the Company's securities may be severely adversely affected, with concomitant adverse effects on the price of the Company's securities.

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Under the penny stock regulations, a broker or dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker or dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the broker or dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission ("SEC") relating to the penny stock market, unless the broker or dealer or the transaction is otherwise exempt. A broker or dealer is also required to disclose commissions payable to the broker or dealer and the registered representative and current quotation for the securities. In addition, a broker or dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

SHARES ELIGIBLE FOR FUTURE SALE

The sale, or availability for sale, of substantial amounts of Common Stock in the public market subsequent to this offering may adversely affect the prevailing market price of Common Stock and may impair the Company's ability to raise additional capital by the sale of its equity securities. See "Description of Securities -- Shares Eligible for Future Sale."

POTENTIAL ANTI-TAKEOVER EFFECTS OF DELAWARE LAW

The Company is subject to Delaware statutes regulating business combinations, tender offers and proxy contests, which may hinder or delay a change in control of the Company. See "Description of Securities."

CAPITALIZATION

The following table sets forth the capitalization of the Company as of June 30, 1998, as further adjusted to give effect to the sale of the Common Stock offered hereby. See the Consolidated Financial Statements.

June 30, 1998
Actual As adjusted(1)

Short-term debt:		
Notes payable and shareholder loans	\$2,467,395	\$2,467,395
	-----	-----
Long-term debt		
	-	-
Shareholder's equity:		
Preferred Stock, \$.0001 par value, 10,000,000 shares authorized, 115 shares issued and outstanding	-	-
Common Stock, \$.0001 par value, 50,000,000 shares authorized, 12,754,305 issued and outstanding;	1,275	1,275
Additional paid-in capital	4,673,160	4,673,160
Retained deficit	(2,787,143)	(2,787,143)
	-----	-----
Total shareholders' equity	1,887,292	1,887,292
	-----	-----
Total capitalization	\$4,354,687	\$4,354,687
	=====	=====

(1) Does not include 1,100,000 shares of Common Stock issuable upon exercise of Warrants at an exercise price of \$1.00 per share; 102,000 shares issuable upon the exercise of Warrants at an exercise price of \$1.49 per share; 135,000 shares issuable upon the exercise of Warrants at an exercise price of \$1.79 per share and 130,400,000 shares issuable upon the exercise of Warrants at exercise prices of between \$1.01 and \$1.65 per share.

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SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statement of income data set forth below with respect to the year ended December 31, 1996 and 1997, and the consolidated balance sheet data at December 31, 1996 and 1997, are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this prospectus. The data presented below are qualified by reference to Consolidated Financial Statement included elsewhere in this prospectus and should be read in conjunction with such financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

=====					
Fiscal Years Ended December 31					
=====					
	1993 (1)	1994 (1)	1995 (1)	1996	1997

Income Statement Data:					
Net sales	\$ -	\$ -	\$ -	\$ -	\$ 84,781
Gross profit	-	-	-	-	27,926
Operating loss	-	-	-	(14,762)	(207,218)
Other expense, net	-	-	-	(3,938)	(4,304)
				-----	-----
Loss before inc. taxes	-	-	-	(18,700)	(211,522)
Income taxes	-	-	-	-	-
Net Loss	\$ -	\$ -	\$ -	\$ (18,700)	\$ (211,522)
Per Share Data					
Net loss	\$ -	\$ -	\$ -	\$ -	\$ (0.02)

Weighted average shares outstanding	313,973	313,973	313,973	6,535,247	11,729,107

=====					
Fiscal Years Ended December 31					
=====					
	1993 (1)	1994 (1)	1995 (1)	1996	1997

Balance Sheet Data:					
Working Capital	\$ -	\$ -	\$ -	\$100,247	\$ (1,070,974)
Total Assets	-	-	-	291,072	2,314,974

Long-term debt	-	-	-	-	-
Shareholders' equity	-	-	-	271,337	959,815

(1) The Company was inactive during 1993, 1994 and 1995.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

OVERVIEW

The Company was re-activated in January 1997 to develop, own and operate 1950's style diner style restaurants featuring popular dishes at affordable prices under the name "Eat at Joe's(R)." The Company opened its first restaurant in the Shoppes at Penn in November, 1997 and its second restaurant in the Cherry Hill Mall, Cherry Hill, New Jersey in December 1997, and through October 1998, 6 additional restaurants.. Prior to opening these restaurants the Company had no revenues and its activities were devoted solely to development. The Company is developing 3 additional restaurants to open during the current calendar year.

Future revenues and profits, if any, will depend upon various factors, including market acceptance of the 1950's diner style concept, the quality of the restaurant operations, the ability to expand to multi-unit locations and general economic conditions. The Company's present sources of revenue are limited to its Existing Units. There can be no assurances the Company will successfully implement its expansion plans, in which case it will continue to be dependent on the revenues from the Existing Units. The Company also faces all of the risks, expenses and difficulties frequently encountered in connection with the expansion and development of a new and expanding business. Furthermore, to the extent that the Company's expansion strategy is successful, it must manage the transition to multiple site operations, higher volume operations, the control of overhead expenses and the addition of necessary personnel.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND YEARS ENDED DECEMBER 31, 1997 AND 1996.

The Company had no revenues in 1996 except for receipt of \$70,000 received from the sale of securities and its activities were devoted solely to development. Revenues from operations commenced in November 1997 with the opening of the Shoppes at Penn restaurant. Accordingly, comparisons with periods prior to November 1997 are not meaningful.

Total Revenues -For the six months June 30, 1998 and the year ended December 31, 1997, the Company had total sales of approximately \$464,000 and \$85,000 respectively, compared with no sales for the previous year.

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Costs and Expenses - For the six months ended June 30, 1998 and the year ended December 31, 1997, the Company had a net loss of approximately \$822,000 and \$299,000 respectively compared with a net loss of approximately \$167,000 and \$19,000 for the prior periods respectively.. The net loss for the six months and the 1997 year is largely attributable to additional expenses incurred as the Company increases its Corporate overhead structure for the development of

additional locations supported by revenues from operating units two of which were open for business during November and December 1997 and two of which opened during May 1998.. Given the limited operations which took place in 1997, any discussion of operating expenses as a percentage of sales would not be meaningful and might be misleading.

LIQUIDITY AND CAPITAL RESOURCES

The Company has met its capital requirements through the sale of its Common Stock and borrowings. In May of 1996, the Company sold 14,455 shares of its Common Stock for \$10,000. In November 1996, the Company completed the sale of 6,000,000 shares of its Common Stock and 2,000,000 warrants for \$60,000 pursuant to a Reg. D-504 offering. In 1997, \$900,000 was raised through the exercise of 900,000 warrants. The warrants are exercisable at \$1 per share and expire in November, 1998. Also in 1997, \$995,000 was borrowed including \$690,000 from Messrs. Fiore and Cosenza. As of June 30, 1998, \$452,000 remained due to Mr. Fiore and none due Mr. Cosenza. The net proceeds to the Company were used for additional unit development and working capital.

For the six months ended June 30, 1997 the Company used \$156,000 in cash flow for operating activities and during the six months ended June 30, 1998, the Company used \$845,000 in cash flow for operating activities.

For the year ended December 31, 1996, the Company used \$35,000 in cash flow for operating activities and during the year ended December 31, 1997, the Company provided \$98,000 in cash flow for operating activities.

Since the Company's re-activation in January, 1997, the Company's principal capital requirements have been the funding of (i) the development of the Company and its 1950's diner style concept, (ii) the construction of its Existing Units and the acquisition of the furniture, fixtures and equipment therein and (iii) towards the development of additional units as described below. Total capital expenditures for the Cherry Hill and Philadelphia Units were approximately \$210,000 and \$195,000, respectively.

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The Company is developing additional restaurants in the Philadelphia/Cherry Hill area and other areas. The Company had incurred approximately \$1,000,000 in the development of these units as of April 30, 1998. When completed, the Company estimates that capital expenditures for these additional units will be approximately \$9,200,000. The units are expected to be opened by the end of 1998.

In addition to construction in progress, the Company has capitalized approximately \$104,000 of direct costs relating to the Cherry Hill and Philadelphia units and under construction. It is the Company's policy to amortize the direct costs of hiring and training the initial work force and other direct costs associated with opening a new unit over a twelve-month period, beginning when the facility is opened, if the recoverability of such costs can be reasonably assured.

Subsequent to December 31, 1997, the Company has raised approximately \$4,000,000 through the sale of preferred stock and later, debentures, both of which are convertible into Common Stock of the Company (See "Description of Securities", page 29). These securities were issued pursuant to an exemption under the Securities Act of 1933, as amended. To induce investors to make an equity investment in the Company, it was necessary to offer a security which paid a dividend and enjoyed a priority over common shareholders in the event of a liquidation of the Company. At the time of the sale of the preferred stock, officers were not prepared to lend additional sums to the Company nor were other lenders prepared to make loans to the Company.

After the completion of these expansion plans, future development and expansion will be financed through cash flow from operations and other forms of financing such as the sale of additional equity and debt securities, capital leases and other credit facilities. There are no assurances that such financing will be available on terms acceptable or favorable to the Company.

OVERVIEW

The business of Eat at Joe's, Ltd. (the "Company") is to develop, own and operate theme restaurants called "Eat at Joe's(R)". The Company presently owns and operates eight restaurants; four are located in Philadelphia and one each in Cherry Hill, Moorestown and Voorhees, New Jersey and one in Baltimore. The Company is planning to open 3 additional restaurants before the end of 1998. All these restaurants generally will be located within a two hour drive of the Company's operation's center in Cherry Hill, New Jersey. The approximate population of the target area is 5,000,000 people. In addition to the indigenous population, the Company expects to benefit from tourists and other travelers visiting the region. All restaurants will be located in high traffic locations such as shopping malls, airports and densely populated settings. The Company will utilize a cluster strategy- i.e. grouping sites geographically in order to maximize both the chain's exposure, as well as management and marketing efficiency. The restaurants will be modest priced restaurants catering to the local working and residential population rather than as a tourist destination.

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THE EAT AT JOE'S CONCEPT AND STRATEGY

Concept Development

The Company's theme is promoted with establishing restaurants which are decorated with a 1950's style diner concept featuring a variety of popular breakfast, lunch and dinner dishes. The restaurants will be three-meal a day operations, emphasize fresh ingredients, affordable prices, consistent quality and a fun and visually appealing atmosphere. The restaurants will seek to attract patrons who live and work nearby and on a repeat basis, can comfortably enjoy a wide variety of fresh foods at affordable prices.

Mr. Fiore previously established 9 restaurant locations (7 by franchise) featuring a traditional American menu of full breakfasts, hamburgers, fries and hot dogs and ice cream sundaes. In 1993 Mr. Fiore concluded that the Eat at Joe's concept had potential for a regional or national chain. To regain control of the name, concept and market territories, Mr. Fiore negotiated the closing of all franchise sites. At the time of the closings, all units were operating on a profitable basis. Mr. Fiore also determined that the appeal of the Eat at Joe's restaurants could be enhanced by expanding menu choices, refining the 50's design theme and adding retail merchandising. The Eat at Joe's chain of restaurants reflect the refinements to the concept inspired by the initial test marketing and franchising experience.

In identifying a potential market niche, Messrs. Fiore and Cosenza have studied the development of certain restaurants that have capitalized on the growing trend of home replacement meals taking the place of home cooked meals. Through Cozco, Mr. Cosenza has fifteen years experience in restaurant site selection, lease negotiation and management. The Company hopes to capitalize on this trend, both for dine-in and take-out meals. The Company believes that the comfortable, appealing decor of its restaurants and the universal appeal of home type cooking will be significant advantages in its attempts to penetrate this niche market.

Competitive Differentiation

The Company seeks to establish a niche in between a fast food restaurant and a traditional restaurant. The Company's restaurants provide a menu offering fresh cooked food with rapid meal service at affordable prices. The Company seeks to attract customers who are tired of standard fast food and desire a quick, quality, modest priced meal not being served by existing casual restaurants. While patrons will be served faster at a fast food franchise, Eat at Joe's restaurants will serve a meal in food court in approximately 3 minutes from the time of order. Further, the menu will not include items which requires complicated preparation or lengthy cooking time.

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Currently there is no chain of restaurants in the Philadelphia area offering the atmosphere and food selection at that of Eat at Joe's. On an individual basis, traditional diners do offer similar atmosphere. The Company

will seek to expand penetration by multiple restaurant openings in a certain area rather than on a one restaurant at a time expansion. Should competitors emerge, the Company's believes its proposed market penetration will provide it with a competitive advantage. Many of the Company's planned restaurants are to be located in malls and other venues where most of the competition are not theme restaurants.

The Menu

The restaurants' decor notwithstanding, the Company's primary focus is its food where it seeks to attract repeat business. Breakfasts will include eggs, waffles and cereal; lunches, soups, salads, burgers and sandwiches and dinner, entrees including turkey, meat loaf and chicken. Most of the baked goods offered for sale will have been baked on the premises. Generous portions will be provided to diners. Lunch entrees range from \$5.95 to \$8.95 and dinner entrees from \$7.95 to \$11.75. The average guest check for the Company's opened units is approximately \$6.00 at the present time. The breakfast meal generates approximately 20 % of the Company's revenues, the lunch meal 52% and the dinner meal 25 %. Approximately 3% of revenues are generated through the sale of snacks and beverages resulting in average checks of approximately \$3.00

The Company intends to obtain a beer and wine license for some of its restaurants, with the intention that such beverages will be served along with meals. The Company does not intend to emphasize sales of beer and wine apart from meals in most of its restaurants, primarily because the Company feels that it reduces the number of table turns and therefore profitability.

Food Preparation and Delivery

The Company believes that ease of food preparation and delivery will be one key to its success. While some restaurants require highly compensated and extensively trained chefs, the food served at each restaurant is prepared in a basic process that requires minimal training time and which allows each menu item to be served with minimal preparation. The Company views this efficient and effective process as critical for its planned expansion as a chain.

The Company's units are supplied by major food distributors. The Company has established a "national account" with these distributors which enables pricing to be consistent regardless where the Company's units are located. In the event the Company terminated a relationship with a distributor, other distributors are available at comparable costs. In addition, soups, sauces, toppings and certain entrees are prepared in a central commissary for delivery to the units. The Company's agreement with the commissary, which is unaffiliated with the Company, is on a month to month basis and could service up to 200 restaurant units. The units have the ability to prepare all food "in house" without any meaningful increase in costs.

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PROPERTY AND UNIT LOCATIONS

The Eat at Joe's restaurant concept has been adapted for three versions requiring difference space arrangements to allow flexibility in site selection and maximum market penetration. These versions include mall food court units requiring 350-500 square feet; sit down restaurant requiring 1,500-7,500 square feet and sit down restaurant with a bar and liquor license requiring 2,500-7,500 square feet.

The following table sets forth certain information about the Company's existing and planned restaurants:

Location	Approx. Sq. Footage	Approx. nos. of seats	Date Opened or Planned to Open
Shoppes at Penn Philadelphia, PA (2)	450	600 (1)	November 15, 1997
Cherry Hill Mall Cherry Hill, NJ (3)	600	800 (1)	December 6, 1997

Echelon Mall Vorhees, NJ	(4)	470	600(1)	May 9, 1997
Philadelphia Airport Philadelphia, PA	(5)	845	120(1)	May 23 1998
Eat at Joe's Univ. City Philadelphia, PA	(6)	4000	160	July 14, 1998
Gallery at Market East Philadelphia, PA	(8)	2000	100	August 14, 1998
Moorestown Mall Moorestown, NJ	(7)	3680	150	October 7, 1998
Gallery at Harbor Pl. Baltimore, MD	(9)	2530	160	September 24, 1998
Shoppingtown Mall DeWitt, NY	(10)	2450	600(1)	1st quarter, 1999
Neshaminy Mall Bensalom, PA	(11)	4500	150	4th quarter, 1998
Plymouth Meeting Mall Plymouth Meeting, PA	(12)	4540	160	4th quarter, 1998
Danbury Fair Mall Danbury, CT	(13)	3020	140	4th quarter, 1998

(1) Food Court

(2) Monthly rent \$ 1,710; lease expiration date-December, 2008 (3) Monthly rent \$ 4,400; lease expiration date-September, 2007 (4) Monthly rent \$ 1,950; lease expiration date-January, 2006 (5) Monthly rent \$ 7,100; lease expiration date-April, 2007 (6) Monthly rent \$ 6,667; lease expiration date-December, 2008 (7) Monthly rent \$ 6,250; lease expiration date-June, 2012 (8) Monthly rent \$ 4,166; lease expiration date-December, 2007 (9) Monthly rent \$ 8,333; lease expiration date-March, 2008 (10) Monthly rent \$ 4,166; lease expiration date-December, 2012 (11) Monthly rent \$ 7,500; lease expiration date-July 2013 (12) Monthly rent \$12,500; lease expiration date-March, 2008 (13) Monthly rent \$11,080; lease expiration date-December, 2013

The Company's leases are generally subject to periodic increases in base rent as well as a percentage of sales during the term of the lease.

The Company's executive offices are located at 670 White Plains Road, Scarsdale, New York in space leased by the Company's Chairman. The lease expires in April, 2003. The Company pays no rent for its space. The Company's operations office is located at 1415 Route 70, Cherry Hill, New Jersey in space provided by Cozco Management Corp.

EXPANSION STRATEGY

The Company intends to identify sites to locate its restaurants based on a variety of factors including local market demographics, site viability, competition and projected economics of each unit. In addition to site selection criteria, the Company has primarily focused on sites where management has operating experience through other entities as well as a previous relationship with the developer/management organization. Initial plans are to continue to identify and finalize future site opportunities in the Philadelphia/Cherry Hill area via leases. The Company believes the area can support up to approximately 12 units, and expects to open at least 2 additional units in the Philadelphia/Cherry Hill area in 1998.

The Company intends to target additional major metropolitan markets to

broaden and enhance the recognition value of the concept. Specific cities for expansion will be identified and analyzed as to potential compatibility with the concept. There is no assurance that the Company will be successful in targeting new areas.

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OPERATIONS, MANAGEMENT AND EMPLOYEES

The Company's ability to manage multi-location units will be central to its overall success. See "Risk Factors -- Limited Management Experience/Need for Additional Management." While the Company's Chairman and President have extensive restaurant and multi-unit restaurant experience, the Company acknowledges that its management must include skilled personnel at all levels. The Company also intends to hire other corporate level and management employees to help implement and operate its expansion plans, including a chief financial officer, retail leasing specialist and construction coordinator. At the unit level, the Company places specific emphasis on the position of general manager ("General Manager") and seeks employees with significant restaurant experience and management expertise. The General Manager of each restaurant reports directly to the President. The Company strives to maintain quality and consistency in each of its units through the careful training and supervision of personnel and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation, and maintenance of facilities. The Company believes that it will be able to attract high quality, experienced restaurant and retail management personnel by paying competitive compensation. Staffing levels vary according to the time of day and size of the restaurant. In general, each unit has between 8 and 25 employees.

All managers must complete a training program, during which they are instructed in areas such as food quality and preparation, customer service, and employee relations. An "Opening Team" spends between 4 and 6 weeks at a new location training personnel. Management strives to instill enthusiasm and dedication in its employees, regularly solicits employee suggestions concerning Company operations, and endeavors to be responsive to employees' concerns. In addition, the Company has extensive and varied programs designed to recognize and reward employees for superior performance. As of April 30, 1998, the Company had approximately 30 employees, 12 of which were full-time. The Company believes that its relationship with its employees is good.

PURCHASING

As of the date of this prospectus, only 8 of the Company's units are in operation. Currently, food is prepared a centralized food commissary. As more units are opened, each unit's management team will determine the daily quantities of food items needed and order such quantities from major suppliers at prices often negotiated directly with the Company's corporate office. Suppliers for the Eat at Joe's chain will generally be companies with which management has an ongoing relationship and which has been judged over time to be reliable. The Company strives to obtain consistent quality items at competitive prices from reliable sources. Any discontinuance of such favorable pricing could negatively impact the Company's purchasing abilities. In order to maximize operating efficiencies and to provide the freshest ingredients for its food products while obtaining the lowest possible prices for the required quality, food and supplies will be shipped directly to the restaurants. Perishable food products will be purchased locally.

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MARKETING AND PROMOTION; RETAIL MERCHANDISING

The Company may utilize a variety of marketing materials to inform the public about the Company's restaurants. These may include:

*radio advertisements describing the Eat at Joe's dining and take out experience;

*newspaper and local magazine advertisements which will emphasize Eat at Joe's restaurant openings or site-specific promotional programs;

*retail product catalog featuring a variety of merchandise bearing the Eat Joe's logo-which can be considered to be a "mobile advertising for the chain;

*direct mail promotional literature for mailing to households within driving or walking distance of an Eat at Joe's site;

*trade show booth for shows, conferences and seminars relating to the food service industry and shopping malls;

*Public relations to promote the Company's individual restaurant sites. In addition to press releases, management intends to initiate efforts to develop and have published articles showcasing Eat at Joe's and its theme, decor, menu and merchandise offerings.

The Company's units are located in very high traffic locations, such as airports, college campuses and regional shopping centers. In regional shopping centers, the Company participates in co-op advertising in both print and radio campaigns. On college campuses, the Company participates in local print and media mediums, as well as paid radio advertising. In airports, co-op advertising is utilized by the Company as well as directory advertising. For 1998, the Company estimates that \$100,000 will be spent on marketing materials of which \$20,000 has been expended as of the date of this prospectus.

The Company may seek to capitalize on the nostalgia craze by offering 50s style merchandise at its restaurants and through a catalog. Apparel such as hats, jackets, T-shirts and sweatshirts bearing the Eat at Joe's logo; gifts and collectibles, such as 50's music; printed matter and toys and games could be offered for sale. As all retail merchandise to be sold by the Company would be out-sourced on an as-needed basis, the initial investment would no more than \$25,000. As of the date of this prospectus, the Company has been offering 50's style merchandise for sale at its 2 sit down restaurants. The contracts which the Company has entered into with purveyors for the purchase and manufacture of such merchandise are not material. The Company has no continuing obligation to order merchandise from the purveyors.

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TRADEMARKS

The Company's ability to successfully implement its Eat at Joe's concept will depend in part upon its ability to protect its servicemark. The Company has been granted a servicemark registration for the name Eat at Joe's. There is no assurance that the Company will be able to prevent competitors from using the same or similar marks, concepts or appearance.

LEGAL PROCEEDINGS

The Company is not a party to any material litigation and is not aware of any threatened litigation that would have a material adverse effect on its business.

COMPETITION

The food service industry is intensely competitive with respect to food quality, concept, location, service and price. In addition, there are many well-established food service competitors with substantially greater financial and other resources than the Company and with substantially longer operating histories. The Company believes that it competes with other full-service dine-in restaurants, take-out food service companies, fast-food restaurants, delicatessens, cafeteria-style buffets, and prepared food stores, as well as with supermarkets and convenience stores. Competitors include national, regional, and local restaurants, purveyors of carry-out food, and convenience dining establishments.

Competition in the food service business is often affected by changes in consumer tastes, national, regional, and local economic and real estate conditions, demographic trends, traffic patterns, the cost and availability of labor, purchasing power, availability of product, and local competitive factors.

The Company attempts to manage or adapt to these factors, but it should be recognized that some or all of these factors could cause the Company to be adversely affected.

The pricing policy of the Company is to canvas the area of other related diner-type operations and maintain a pricing structure that is competitive after factoring in labor, food and the Company's operating cost for that location. The Company believes that its distinctive diner concept, attractive price-value relationship and quality of food and service will enable it to differentiate itself for its competitors. While the Company believes that its restaurants are distinctive in design and operating concept, it is aware of restaurants that operate with similar concepts.

REGULATION

Restaurants are subject to licensing and regulation by state and local health, sanitation, safety, fire, and other authorities and are also subject to state and local licensing and regulation of the sale of alcoholic beverages and food. Difficulties in obtaining or failure to obtain required licenses and approvals will result in delays in, or cancellation of, the opening of restaurants. The food and alcoholic beverage licenses are also subject to suspension or non-renewal if the granting authority determines that the conduct of the holder does not meet the standards for initial grant or renewal. The Company believes that it is in compliance with all licensing and other regulations.

The federal Americans With Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. The Company could be required to expend funds to modify its restaurants in order to provide service to or make reasonable accommodations for disabled persons. The Company's restaurants are currently designed to be accessible to the disabled. The Company believes it is in substantial compliance with all current applicable regulations relating to accommodations for the disabled.

YEAR 2000 Compliance

The Company utilizes software and related technologies which have been programmed to recognize and properly process data fields containing a two digit year and commonly referred to as a the Year 2000 Compliance issue. Management has concluded that a material effect on the Company's financial condition is not reasonably likely to occur as a result of Year 2000 issues. While the Company has little communication with the systems of its vendors and suppliers, it cannot measure the impact that the Year 2000 issue will have on such parties with which it conducts business.

PRICE RANGE OF COMMON STOCK

Since October, 1996 the Common Stock of the Company has been traded on the OTC Bulletin Board under the symbol JOES. The following table sets forth the closing high and low sales prices, and trading volume for each of the periods indicated below for the Company's Common Stock:

Year	Quarter	High	Low	Volume (shares)
1996	Fourth (Oct. 7 to Dec. 31.)	\$2.53	\$2.00	7,400
1997	First	5.63	4.00	188,300
	Second	4.50	2.00	1,037,700
	Third	3.50	1.50	1,725,800
	Fourth	2.75	0.82	3,864,900
1998	First	2.04	1.06	6,459,000
	Second	3.38	1.40	6,777,200
	Third	1.78	.72	3,018,700

On ____ 1998, the closing bid price of the Common Stock on the OTC Bulletin Board was \$_____. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual

transactions. As of June 30, 1998, there were approximately 371 shareholders of record and 1,500 beneficial owners of the Common Stock. The Company has never paid or declared any dividends on its Common Stock and does not anticipate paying any cash dividends in the foreseeable future. The Company currently intends to retain future earnings to fund the development and growth of its business

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to each of the directors and executive officers of the Company.

NAME	AGE	POSITION(S) HELD
Joseph Fiore.....	37	Chairman of the Board and Chief Executive Officer, Secretary
Andrew Cosenza, Jr.....	29	President, Chief Operating Officer Director
James Mylock.....	31	Director
Tim Matula.....	38	Director
Joseph E. Wolf.....	56	President, Chief Operating Officer

Joseph Fiore has been Chairman and Chief Executive Officer since October, 1996. In 1982, Mr. Fiore formed East Coast Equipment and Supply Co., Inc., a restaurant supply company that he still owns. Between 1982 and 1993, Mr. Fiore established 9 restaurants (2 owned and 7 franchised) which featured a 1959's theme restaurant concept offering a traditional American menu. Also in 1993 Mr. Fiore acquired the Red Rooster Drive-In, a landmark 50's theme restaurant in Brewster, New York.

Andrew Cosenza, Jr. Has been the President and Chief Operating Officer since October, 1996. Since 1990 he has been the owner of Cozco Management Corp., an operator of 24 mall food court restaurants in the Philadelphia area.

James Mylock has worked with Joseph Fiore in marketing and business development since graduating from the State University of New York at Buffalo in 1990.

Tim Matula joined Shearson Lehman Brothers as a financial consultant in 1992. In 1994 he joined Prudential Securities and when he left Prudential in 1997, he was Associate Vice President, Investments, Quantum Portfolio Manager.

Joseph Wolf has been President and Chief Operating Officer since August, 1998. In 1997, he founded the Corned Beef Academy chain of deli restaurants which operated in the Philadelphia/Atlantic City area. In 1990, he sold his interest in the chain. In 1992 he co-founded the Striped Bass restaurant in Philadelphia, selling his interest in 1995. During 1996-98, he expanded the Tony's Clark restaurant in Philadelphia.

EXECUTIVE COMPENSATION

The following table sets forth all cash and non-cash compensation paid by the Company during the fiscal year ended December 31, 1997 to all officers and directors as a group.

Number in Group	Capacities in Which Served	Compensation
All officers and directors as a group (4 persons)		\$ 12,500

EMPLOYMENT AGREEMENTS

Effective January 1, 1997, both Joseph Fiore and Andrew Cosenza, Jr. entered into employment agreements with the Company calling for a salary of \$50,000 per year. Given the limited cash available to the Company in 1997, Mr. Fiore deferred his salary for the year. Mr. Fiore is to receive a salary of \$75,000 for 1998 which may be paid in restricted Common Stock of the Company.

In 1997, Mr. Cosenza deferred \$37,500 of his \$50,000 salary. Mr. Cosenza is to receive a salary of \$75,000 for 1998. In addition, the Company will provide Mr. Cosenza with the use of an automobile.

Messrs. Fiore and Cosenza were to receive family health insurance coverage until age 70 and life insurance coverage until age 70 with a death benefit of \$1,000,000 and the use of an automobile with all expenses associated with its maintenance and operation paid by the Company. Both gentlemen deferred these benefits until after 1997 except Mr. Cosenza did receive the use of an automobile for ten months of 1997 at a cost to the Company of \$16,000.

The employment agreements of Messrs. Fiore and Cosenza are performance based and are contingent on the opening of units and the profitability of the Company

The Company intends to retain other management employees pursuant to employment and consulting agreements. The Company has no current plans to pay cash compensation to its directors who are also officers of the Company.

For a one-year period following the Effective Date, the Company will not grant options to promoters, employees or affiliates of the Company which, together with options previously granted to such persons, would in the aggregate exceed 15% of the then outstanding shares of Common Stock.

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BOARD OF DIRECTORS

Each of the Company's directors has been elected to serve until the next annual meeting of shareholders. The Company's executive officers are appointed annually by the Company's directors. Each of the Company's directors continues to serve until his or her successor has been designated and qualified. Directors currently receive no fees.

PERSONAL LIABILITY AND INDEMNIFICATION OF DIRECTORS

The Company's By-laws contain provisions which reduce the potential personal liability of directors for certain monetary damages and provide for indemnity of directors and other persons. The Company is unaware of any pending or threatened litigation against the Company or its directors that would result in any liability for which such director would seek indemnification or similar protection.

The provisions regarding indemnification provide, in essence, that the Company will indemnify directors against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit, or proceeding arising out of the director's status as a director of the Company, including actions brought by or on behalf of the Company (stockholder derivative actions). The provisions do not provide indemnification for liability in proceedings arising out of personal benefit improperly received or where a person is found liable to the Company. The Company does not presently provide insurance to its directors although the Company will attempt to obtain such insurance in the future.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors and officers of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that such indemnification, in the opinion of the Securities and Exchange Commission, is against public policy as expressed in the Securities Act and is, therefore, unenforceable

CERTAIN TRANSACTIONS

During 1997, Cozco Management Corp., a corporation controlled by the Company's President, received \$546,574 as reimbursement of rent, telephone, equipment, travel, automotive salaries and other shared expenses. During 1997, Messrs. Fiore and Cosenza and/or companies controlled by them, paid expenses and made advances to the Company aggregating \$702,922. Repayment of these monies will be in the form of cash with interest at 6% per annum and/or restricted Common Stock valued at a 25% discount from market price at the time of the advance. These advances were made on short notice and the shares to be issued to the lenders do not require a commitment by the Company to register them for sale.

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On April 1, 1998, the Company entered into a 12 month agreement with The Wall Street Group, Inc. ("Wall Street") calling for Wall Street to act as financial public relations counsel to the Company. Mr. Donald Kirsch is the owner of Wall Street and has no affiliation with the Company or its officers and directors. The agreement calls for monthly payments of \$5,000 for services rendered and grants an five year option to Wall Street to acquire 61,350 restricted shares of the Company's Common Stock at the then market price of \$1.63 per share.

To obviate any conflicts of interest between the Company and Cozco, certain policies have been adopted by the Company. These policies include no vendor doing business with both companies; a verification statement to e signed by vendor and service provider and the requirement that the officer authorizing a major expenditure, not be the officer signing checks for the payment of the expenditure.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of September 21, 1998, by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company, (iv) by all executive officers and directors of the Company as a group and (v) the Selling Shareholders. See "Description of Securities". Unless otherwise indicated, each of the following persons has sole voting and investment power with respect to the shares of Common Stock set forth opposite their respective names.

Beneficial Owner	Shares Beneficially Owned Before the Offering (1)		Shares Being Offered	Shares Beneficially Owned After the Offering	
	number	percent		number	number
Joseph Fiore	2,879,384	15.0	0	2,879,384	15.0
Andrew Cosenza, Jr.	2,591,000 (2)	13.5	0	2,591,000	13.5
Sandro Grimaldi	384,113	2.0	384,113	0	0
Holden Holdings, Ltd.	407,518	2.1	407,518	0	0
UnionKredit Anstalt	156,738	less than 1	156,738	0	0
Arab Commerce Bank	156,738	less than 1	156,738	0	0
Bonetti Enrico	156,738	less than 1	156,738	0	0
Ailouros, Ltd.	156,738	less than 1	156,738	0	0
Zooley Services Ltd.	156,738	less than 1	156,738	0	0
Primecap Management Group Ltd.	156,738	less than 1	156,738	0	0
Fructose Ltd	256,188	1.3	256,188	0	0
GPS America Fund Ltd.	199,631	1.0	199,631	0	0
J.P. Carey Securities	130,000	less than 1	130,000	0	0
Jack Augsback & Assoc.	54,800	less than 1	54,800	0	0
LaRocque Trading Group L.L.C	420,744	2.2	420,744	0	0
Aldo Nenzi	133,333	less than 1	133,333	0	0
Oscar Brito	114,872	less than 1	114,872	0	0
Excalibur Ltd. P'ship.	953,931	4.9	953,931	0	0
Zakeni Limited	2,000,000	10.5	2,000,000	0	0
Sovereign Capital Adv.	75,600	less than 1	75,600	0	0

Executive Officers and Directors as a

group (5)persons) 5,970,384 28.7 0 5,970,384 28.7

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- (1) The figures represented by this table assume full conversion and exercise of Convertible Debentures, Convertible Preferred Stock and Warrants owned by each individual or entity.
- (2) including 50,000 shares held in trust for Anthony Cosenza, III.

The actual number of shares of Common Stock beneficially owned is subject to adjustment and could be materially less or more than the stated amount being offered for sale depending of factors which cannot be predicted by the Company at this time. These factors include the market price for the Common Stock prevailing at the actual date of conversion of Preferred Stock and/or Debentures and whether or to what extent dividends and/or interest due the holders of the securities are paid in Common Stock. The Selling Shareholders have advised the Company that sales of the Selling Shareholder shares may be effected from time to time in transactions (which may include block transactions) in the over-the-counter market, in negotiated transactions, or a combination of such methods of sale, at fixed prices which may be changed, at market prices prevailing at a time of sale, or at negotiated prices. The Selling Shareholders may effect such transactions by selling shares directly to purchasers or through broker dealers who may act as agents or principals. The Selling Shareholders have been advised that they may only effect sales of the Selling Shareholder shares in certain jurisdictions through broker-dealers registered in those states. Such broker-dealers may receive compensation in the form of discounts, concession or commission from the Selling Shareholders and/or the purchasers of Selling Shareholder shares for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). The Selling Shareholders and any broker-dealers that act in connection with the sale of the Selling Shareholder shares may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any commission received by them and any profit on the resale of the Selling Shareholder shares as principals might be deemed to be underwriting discounts and commissions under the Securities Act. The Selling Shareholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the Selling Shareholder shares against certain liabilities, including liabilities arising under the Securities Act.

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DESCRIPTION OF SECURITIES

CONVERTIBLE DEBENTURE

The material terms of the Company' convertible debentures provide for the payment of interest at 8% per annum payable quarterly, mandatory redemption after 3 years from the date of issuance at 130% of the principal amount. Subject to adjustment, the debentures are convertible into Common Stock at the lower of a fixed conversion price (\$1.82 per share for \$900,000 principal amount of debentures; \$1.61 per share for \$588,980 principal amount of debentures) or 75% of the average closing bid price for the Company's Common Stock for the 5 trading days preceding the date of the conversion notice. o. Repayment of the indebtedness is secured by a general lien on the assets of the Company and guarantee by 5 of the Company's operating subsidiaries.

CAPITAL STOCK

The Company's authorized capital stock consists of 10,000,000 shares of Preferred Stock, issuable in one or more series and 50,000,000 shares of Common Stock. The par value of each of said shares is \$.0001. As of September 30, 1998 13,073,416 shares of Common Stock and 51 shares of Series A Convertible Preferred Stock; 38 shares of Series B Convertible Preferred Stock; 14 shares of Series C Convertible Preferred Stock and 20 shares of Series D Convertible Preferred Stock are outstanding.

PREFERRED STOCK

The Board of Directors of the Company is authorized to issue, without

further stockholder approval, up to 10,000,000 shares of Preferred Stock from time to time in one or more series and to fix such designations, powers, preferences and relative voting, distribution, dividend, liquidation, transfer, redemption, conversion and other rights, preferences, qualifications, limitations or restrictions thereon..

The material terms of the Company's Series A, B, C and D Convertible Preferred Stock are identical except as to conversion price. The Preferred Stock pays a dividend of 3% per annum payable quarterly in cash or Common Stock. The Preferred Stock is convertible into Common Stock at the lower of a fixed conversion price or 75% (80% for the Series D Preferred Stock) of the average closing bid price for the Company's Common Stock for the 5 trading days preceding the date of the conversion notice. The fixed conversion prices for the Series A, B, C and D Preferred Stock are \$2.19, \$1.7928, \$1.55 and \$1.65 respectively. .

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Additional shares of Common Stock are to be issued to the holders of the Series A, B, C and D Preferred Stock and Convertible Debentures in the event the Registration Statement is not declared effective within 90 days from the issuance of the Preferred Stock or Convertible Debentures ("Scheduled Effective Date"). In the event of such late registration, the conversion percentage is reduced by 3% for each month (prorated) the Registration Statement is declared effective subsequent to the Scheduled Effective Date. Further, the Fixed Conversion Price for the Series A shares is reduced by an amount equal to the product of (a) \$.0657 and (b) the sum of (i) the number of months (prorated) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (ii) the number of months (prorated) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. The Fixed Conversion Price for the Series B shares is reduced by an amount equal to the product of (a) \$.054 and (b) the sum of (i) the number of months (prorated) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (ii) the number of months (prorated) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. The Fixed Conversion Price for the Series C shares is reduced by an amount equal to the product of (a) \$.062 and (b) the sum of (i) the number of months (prorated) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (ii) the number of months (prorated) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. The Fixed Conversion Price for the Series D shares is reduced by an amount equal to the product of (a) \$1.65 and (b) the sum of (i) the number of months (prorated) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (ii) the number of months (prorated) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. The Fixed Conversion Price for the Convertible Debentures is reduced by an amount equal to the product of (a) \$1,500,000 and (b) the sum of (i) the number of months (prorated) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (ii) the number of months (prorated) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective.

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COMMON STOCK

There are no preemptive, subscription, conversion or redemption rights pertaining to the Common Stock. The absence of preemptive rights could result in a dilution of the interest of existing shareholders should additional shares of Common Stock be issued. Holders of the Common Stock are entitled to receive such dividends as may be declared by the Board of Directors out of assets legally available therefor, and to share ratably in the assets of the Company available upon liquidation.

Each share of Common Stock is entitled to one vote for all purposes and cumulative voting is not permitted in the election of directors. Accordingly,

the holders of more than 50% of all of the outstanding shares of Common Stock can elect all of the directors. Significant corporate transactions such as amendments to the articles of incorporation, mergers, sales of assets and dissolution or liquidation require approval by the affirmative vote of the majority of the outstanding shares of Common Stock. Other matters to be voted upon by the holders of Common Stock normally require the affirmative vote of a majority of the shares present at the particular shareholders' meeting. The Company's directors and officers as a group beneficially own approximately 39% of the outstanding Common Stock of the Company. See "Principal and Selling Shareholders." Accordingly, such persons will continue to be able to substantially control the Company's affairs, including, without limitation, the sale of equity or debt securities of the Company, the appointment of officers, the determination of officers' compensation and the determination whether to cause a registration statement to be filed.

The rights of holders of the shares of Common Stock may become subject in the future to prior and superior rights and preferences in the event the Board of Directors establishes one or more additional classes of Common Stock, or one or more additional series of Preferred Stock.

WARRANTS

In connection with the private placement by J.P. Carey Securities, Inc. ("Carey") of 51 shares of the Company's Series A Convertible Preferred Stock on March 20, 1998, Carey received warrants to purchase 102,000 shares of the Company's Common Stock, subject to adjustment. The warrants are exercisable at \$1.49 per share and expire on March 20, 2003.

In connection with the private placements by Carey of 64 shares of the Company's Series B Convertible Preferred Stock in May, 1998, Carey received warrants to purchase 28,000 shares of the Company's Common Stock, and its designees, 126,000 warrants, subject to adjustment. The warrants are exercisable at \$1.79 per share; 120,000 warrants expire on May 5, 2003 and 34,000 on May 22, 2003. 19 shares of Series B Convertible Preferred Stock were subsequently redeemed and 19,000 Warrants expiring On May 22, 2003 will be canceled.

In connection with the private placements by Sovereign Capital Advisers ("Sovereign") of 14 shares of the Company's Series C Convertible Preferred Stock in September, 1998, Sovereign received warrants to purchase 19,600 shares of the Company's Common Stock, and its designees, 2,800 warrants, subject to adjustment. 16,000 of the warrants are exercisable at \$1.15 per share and 6,400 at \$1.01. The warrants expire 5 years after their issuance.

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In connection with the private placement by Sovereign of 20 shares of the Company's Series D Convertible Preferred Stock in September, 1998, Excalibur Limited Partnership received warrants to purchase 40,000 shares and Sovereign's designee warrants to purchase 4,000 shares of the Company's Common Stock subject to adjustment. 40,000 warrants are exercisable at \$1.45 per share and 4,000 at \$1.65 per share. The Warrants expire 5 years after their issuance.

In connection with the private placements by Sovereign of \$1,500,000 principal amount of the Company's convertible debentures on July 31 and September 2, 1998, Sovereign received warrants to purchase 56,000 shares of the Company's Common Stock, and its designees 8,000 warrants, subject to adjustment. 36,000 warrants are exercisable at \$1.38 per share and 28,000 warrants are exercisable at \$1.05 per share. The warrants expire 5 years after their issuance.

The Warrant Agreement provides for adjustment of the exercise price and the number of shares of Common Stock purchasable upon exercise of the Warrants to protect Warrant holders against dilution in certain events, including stock dividends, stock splits, reclassification, and any combination of Common Stock, or the merger, consolidation, or disposition of substantially all the assets of the Company.

The Company has agreed to "piggy-back" registration rights for the securities underlying the Warrants at the Company's expense during the during the five years following the issuance of the Warrants. In addition, at any time commencing 90 days after the issuance of the warrants, the Company has agreed to

register the securities underlying the Warrants at the Company's expense upon notice from the holders.

Wall Street Management Group, Inc. holds 5 year options to acquire 61,350 restricted shares of the Company's Common Stock at a price of \$1.63 per share. See "Certain Transactions."

In connection with a Regulation D 504 offering completed in November, 1996, the Company sold 6,000,000 shares of Common Stock and Warrants to purchase an additional 2,000,000 shares at \$1.00 per share. As of the date of this Prospectus 1,100,000 Warrants remain unexercised.

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SHARES ELIGIBLE FOR FUTURE SALE

As of September 30, 1998 (assuming no exercise of options or warrants after September 30, 1998 except for the underlying shares being registered on behalf of the Selling Shareholders), there will be 19,181,480 shares of Common Stock outstanding. Of these, including the shares sold in this Offering, 13,327,854 are freely tradable without restriction under the Securities Act. The remaining 5,853,626 shares of Common Stock will be "restricted securities" as that term is defined in Rule 144 ("Restricted Shares") of the Securities Act. Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 of the Securities Act. Beginning 90 days after the date of this Prospectus, approximately 275,000 shares will become eligible for sale in compliance with Rule 144. As of September 21, 1998, options to purchase 61,350 shares of Common Stock were outstanding. In addition, holders of warrants (expiring in November 1998) to purchase 1,100,000 shares, should they exercise the warrants, would receive shares which would be freely tradable without restriction. See "Warrants."

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated) including persons deemed to be affiliates, whose restricted securities have been fully paid for and held for at least one year from the later of the date of issuance by the Company or acquisition from an affiliate, may sell such securities in broker's transactions or directly to market makers, provided that the number of shares sold in any three month period may not exceed the greater of 1% of the then-outstanding shares of Common Stock or the average weekly trading volume of the shares of Common Stock in the over-the-counter market during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and the availability of current public information about the Company. After two years have elapsed from the later of the issuance of restricted securities by the Company or their acquisition from an affiliate, such securities may be sold without limitation by persons who are not affiliates under the rule.

Shares of substantial amount of Common Stock in the public amount, or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities.

DELAWARE ANTI-TAKEOVER LAW

The Delaware General Corporation Law contains certain anti-takeover provisions. Section 203 of the Delaware General Corporation Law provides, with certain exceptions, that a Delaware corporation may not engage in any broad range of business combinations with a person who owns 15% or more of the corporation's outstanding voting stock (an "interested stockholder") for a period of three years from the date that such person became an interested stockholder unless: (i) the transaction resulting in a person's becoming an interested stockholder, or the business combination is approved by the board of directors of the corporation before the person becomes an interested stockholder, (ii) the interested stockholder acquires 85% or more of the outstanding voting stock of the corporation (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or (iii) the business combination is approved by the corporation's board of directors of at least 66 2/3% of corporation's outstanding voting stock at an annual meeting or special meeting,

excluding shares owned by the interested stockholder.

TRANSFER AGENT AND REGISTRAR

Signature Transfer, Inc. Dallas, Texas, is the transfer agent and registrar for the Common Stock of the Company.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Company by Beckman, Millman and Sanders, L.L.P. a Professional Limited Liability Partnership, New York, New York. Members of the firm of Beckman, Millman & Sanders own 15,000 shares of the Common Stock of the Company.

EXPERTS

The financial statements for the periods ended December 31, 1996 and 1997 included herein have been audited by Robison, Hill & Co., Certified Public Accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

ADDITIONAL INFORMATION

The Company is a reporting company under the Securities Exchange Act of 1934, as amended. The Company has filed with the Washington, D.C. Office of the Securities and Exchange Commission (the "Commission") a Registration Statement on Form SB-2 under the Act with respect to the Common Stock offered hereby. This Prospectus filed as a part of the Registration Statement does not contain all of the information contained in the Registration Statement and the exhibits thereto, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the securities offered hereby, reference is made to such Registration Statement including the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents of any contract, agreement or other documents are not necessarily complete, and in each instance, reference is made to such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. The Registration Statement and exhibits may be inspected without charge and copied at the Washington office of the Commission, 450 Fifth Street, N.W., Washington, DC 20549, and copies of such material may be obtained at prescribed rates from the Commission's Public Reference Section at the same address.

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<i>Consolidated Statements of Operations, For the Years Ended December 31, 1997 and 1996</i>	<i>F-4</i>
<i>Consolidated Statement of Changes in Stockholders' Equity for The Years Ended December 31, 1997 and 1996</i>	<i>F-5</i>
<i>Consolidated Statements of Cash Flows, For the Years Ended December 31 1997 and 1996</i>	<i>F-6</i>
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To Eat At Joe's, Ltd.:

We have audited the accompanying consolidated balance sheet of East At Joe's, Ltd. and subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eat At Joe's, Ltd. and subsidiaries (formerly a development stage enterprise) as of December 31, 1997 and 1996 and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Respectfully submitted
ROBISON, HILL & Co.

/s/ Robison, Hill & Co.
Certified Public Accountants

Salt Lake City, Utah
March 23, 1998

EAT AT JOE'S LTD., AND SUBSIDIARIES
(Formerly a development stage enterprise)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 232,601	\$ 35,016
Receivables	--	70,000
Inventory	7,488	--
Other	400	--
Prepaid expense	30,993	3,975
Deposits	12,701	10,991
	-----	-----
Total Current Assets	284,183	119,982
	-----	-----
Property and equipment:		
Equipment	279,667	--
Office furniture	1,000	--
Leasehold improvements	1,527,099	12,495
	-----	-----
	1,807,766	12,495
Less accumulated depreciation	(11,546)	--
	-----	-----
	1,796,220	12,495
	-----	-----
Other Assets:		
Intangible and other assets net of \$2,150 amortization in 1997	234,569	158,595

Total Assets	\$ 2,314,972	\$291,072
	=====	=====

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EAT AT JOE'S LTD., AND SUBSIDIARIES
(Formerly a development stage enterprise)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
(Continued)

	1997	1996
	-----	-----
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts payable	\$ 347,295	\$ 7,235
Accrued Liabilities	127,500	--
Short-term notes payable	264,940	--
Shareholders loans	702,922	12,500
 Total Liabilities	 1,442,657	 19,735
	-----	-----
STOCKHOLDERS EQUITY		
Preferred stock - \$0.0001 par value		
10,000,000 shares authorized; none		
issued and outstanding	--	--
Common Stock - \$0.0001 par value		
50,000,000 shares Authorized		
12,733,805 and 11,833,805 issued		
and Outstanding, respectively	1,273	1,183
Additional paid-in capital	2,244,299	1,344,389
Retained deficit	(1,373,257)	(1,074,235)
	-----	-----
 Total Stockholders' Equity	 872,315	 271,337
	-----	-----
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ 2,314,972	 \$ 291,072
	=====	=====

The accompanying notes are an integral part of these financial statements.

EAT AT JOE'S LTD., AND SUBSIDIARIES
 (Formerly a development stage enterprise)
 CONSOLIDATED STATEMENTS OF OPERATIONS
 YEARS ENDED DECEMBER 31, 1997, AND 1996

	1997	1996
	-----	-----
Revenues	\$ 84,781	\$ --
Cost of revenues	56,855	--
	-----	-----
Gross Margin	27,926	--
<i>Expenses</i>		
General and administrative	322,644	14,762
	-----	-----
Net loss from continuing operations	(294,718)	(14,762)
	-----	-----
<i>Other Income (Expense)</i>		
Interest income	3,759	--
Interest expense	(7,311)	(3,938)
Loss on sale of assets	(752)	--
	-----	-----
Net Other Income (Expense)	(4,304)	(3,938)
	-----	-----
Net loss before income taxes	(299,022)	(18,700)
Income tax expense (benefit)	--	--
	-----	-----
Net Loss	\$ (299,022)	\$ (18,700)
	=====	=====
Basic Loss Per Common Share:	\$ (.02)	\$ --

The accompanying notes are an integral part of these financial statements.

<TABLE>

EAT AT JOE'S LTD. AND SUBSIDIARIES
 (Formerly a development stage company)
 CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 YEARS ENDED DECEMBER 31, 1997, AND 1996

<CAPTION>

Common Stock	Additional Paid-in	Retained
--------------	-----------------------	----------

<i><S></i>	<i><C></i>	<i>Shares</i>	<i>Amount</i>	<i>Capital</i>	<i>Deficit</i>
<i><S></i>	<i><C></i>	<i><C></i>	<i><C></i>	<i><C></i>	<i><C></i>
<i>Balances at January 1, 1996</i>		<i>314,350</i>	<i>\$ 31</i>	<i>\$ 1,055,504</i>	<i>\$(1,055,535)</i>
<i>Adjustment in connection with pooling of interests</i>		<i>5,505,000</i>	<i>550</i>	<i>219,037</i>	<i>--</i>
<i>Balances at January 1, 1996, as restated</i>		<i>5,819,350</i>	<i>581</i>	<i>1,274,991</i>	<i>(1,055,535)</i>
<i>May 1996, shares issued to Company for cash</i>		<i>14,455</i>	<i>2</i>	<i>9,998</i>	<i>--</i>
<i>November 1996, shares issued in Reg D-504 offering</i>		<i>6,000,000</i>	<i>600</i>	<i>59,400</i>	<i>--</i>
<i>Net loss for the year</i>		<i>--</i>	<i>--</i>	<i>--</i>	<i>(18,700)</i>
<i>Balances at December 31, 1996</i>		<i>11,833,805</i>	<i>1,183</i>	<i>1,344,389</i>	<i>(1,074,235)</i>
<i>March 1997, shares issued on exercise of warrants</i>		<i>400,000</i>	<i>40</i>	<i>399,960</i>	<i>--</i>
<i>April 1997, shares issued on exercise of warrants</i>		<i>300,000</i>	<i>30</i>	<i>299,970</i>	<i>--</i>
<i>November 1997 shares issued on exercise of warrants</i>		<i>200,000</i>	<i>20</i>	<i>199,980</i>	<i>--</i>
<i>Net loss for the year</i>		<i>--</i>	<i>--</i>	<i>--</i>	<i>(299,022)</i>
<i>Balance at December 31, 1997</i>		<i>\$12,733,805</i>	<i>\$ 1,273</i>	<i>\$ 2,244,295</i>	<i>\$(1,373,257)</i>

</TABLE>

The accompanying notes are an integral part of these financial statements.

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*EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, AND 1996*

	<i>1997</i>	<i>1996</i>
	<i>-----</i>	<i>-----</i>
<i>Cash Flows From Operating Activities</i>		
<i>Net loss for the period</i>	<i>\$ (299,022)</i>	<i>\$(18,700)</i>
<i>Adjustments to reconcile net loss to net cash</i>		
<i>Provided by operating activities</i>		
<i>Loss from sale of marketable securities</i>	<i>752</i>	<i>--</i>
<i>Depreciation</i>	<i>11,546</i>	<i>--</i>
<i>Payment of organization costs</i>	<i>(78,124)</i>	<i>(8,558)</i>
<i>Amortization of organization costs</i>	<i>2,150</i>	<i>--</i>
<i>Decrease (Increase) in Receivables</i>	<i>70,000</i>	<i>--</i>
<i>Increase in inventory</i>	<i>(7,488)</i>	<i>--</i>
<i>Increase in other assets</i>	<i>(400)</i>	<i>--</i>
<i>Increase in prepaid expense</i>	<i>(27,018)</i>	<i>(3,975)</i>
<i>Decrease (increase) in deposits</i>	<i>(1,710)</i>	<i>(10,991)</i>
<i>Increase in accounts payable and accrued liabilities</i>	<i>427,560</i>	<i>7,235</i>
<i>Increase in unearned revenue</i>	<i>40,000</i>	<i>--</i>
<i>Net Cash Provided by (Used in) Operating Activities ...</i>	<i>138,246</i>	<i>(34,989)</i>

<i>Cash Flows From Investing Activities</i>		
Purchase of property and equipment	(1,795,271)	(12,495)
Proceeds from sale of marketable securities	143,248	--
Purchase of marketable securities	(144,000)	--
	-----	-----
<i>Net Cash Provided by Investing Activities</i>	<i>(1,796,023)</i>	<i>(12,495)</i>
	-----	-----
<i>Cash Flows From Financing Activities</i>		
Issuance of common stock	900,000	70,000
Advances from majority stockholders	690,422	12,500
Proceeds from short-term notes payable	264,940	--
	-----	-----
<i>Net Cash Provided by Financing Activities</i>	<i>1,855,362</i>	<i>82,500</i>
	-----	-----
<i>Increase in Cash</i>	<i>197,585</i>	<i>35,016</i>
<i>Cash at beginning of period</i>	<i>35,016</i>	<i>--</i>
	-----	-----
<i>Cash at End of Period</i>	<i>\$ 232,601</i>	<i>\$ 35,016</i>
	=====	=====

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, AND 1996
(Continued)

	1997	1996
	-----	-----
<i>Supplemental Disclosure of Interest and</i>		
<i>Income Taxes Paid</i>		
Interest paid for the period	\$ --	\$ 3,938
	=====	=====
Income taxes paid for the period	\$ --	\$ --
	=====	=====
<i>Supplemental Disclosure of Non-cash Investing</i>		
<i>and Financing Activities</i>		
<i>Intangible Assets Acquired with Issuance of</i>		
Common stock	\$ 149,832	\$ --
	=====	=====
<i>Organization Costs Acquired with Issuance</i>		
Common stock	\$ 200	\$ --
	=====	=====

The accompanying notes are an integral part of these financial statements.

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, AND 1996

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of accounting policies for Eat At Joe's, Ltd. And subsidiaries is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Basis of Presentation

Eat At Joe's Ltd. (Company) was incorporated on January 6, 1988, under the laws of the State of Delaware, as a wholly-owned subsidiary of Debbie Reynolds Hotel and Casino, Inc. (DRHC) (formerly Halter Venture Corporation or Halter Racing Stables, Inc.) a publicly-owned corporation. DRHC caused the Company to register 1,777,000 shares of its initial 12,450,000 issued and outstanding shares of common stock with the Securities and Exchange Commission on Form S-18. DRHC then distributed the registered shares to DRHC stockholders.

During the period September 30, 1988 to December 31, 1992, the Company remained in the development stage while attempting to enter the mining industry. The Company acquired certain unpatented mining claims and related equipment necessary to mine, extract, process and otherwise explore for kaolin clay, silica, feldspar, precious metals, antimony and other commercial minerals from its majority stockholder and other unrelated third-parties. The Company was unsuccessful in these start-up efforts and all activity was ceased during 1992 as a result of foreclosure on various loans in default and/or the abandonment of all assets.

From 1992 until 1996 the Company has had no operations, assets or liabilities.

Principles of Consolidation

The consolidated financial statements include the accounts of Eat At Joe's, LTD. And its wholly-owned subsidiary, E.A.J. Holding Corporation, a Delaware corporation ("Holding"). Holding includes the accounts of its wholly-owned subsidiaries, E.A.J. PHL Airport, Inc. a Pennsylvania corporation, Eat At Joe's U. of P., Inc. a Pennsylvania corporation, E.A.J. Cherry Hill, Inc., a New Jersey corporation, Eat At Joe's Harborplace, Inc., a Maryland corporation, Eat At Joe's Neshaminy, Inc. a Pennsylvania corporation, Eat At Joe's Plymouth, Inc., a Pennsylvania corporation, E.A.J. Echelon Mall, Inc., a New Jersey corporation, E.A.J. Gallery, Inc., a Pennsylvania corporation, E.A.J. Moorestown, Inc., a New Jersey corporation, and E.A.J. Shoppingtown, Inc., a New York corporation. All significant intercompany accounts and transactions have been eliminated.

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, AND 1996

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Nature of Business

The Company is developing, owns and operates theme restaurants styled in an "American Diner" atmosphere.

Inventories

Inventories consist of food, paper items and related materials and are stated at the lower of cost (first-in, first-out method) or market.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No.109 requires recognition of deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and tax bases of assets and liabilities.

Depreciation

Office furniture, equipment and leasehold improvements, are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated economic useful lives of the related assets as follows:

Office furniture	5-10 years
Equipment	5-7 years
Leasehold improvements	8-15 years

Maintenance and repairs are charged to operations; betterments are capitalized. The cost of property sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any resulting gain or loss is credited or charged to income.

Amortization

Organization costs are amortized over a sixty month period. Intangible assets are amortized over useful life of 10 years.

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, AND 1996
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company has adopted the Financial Accounting Standards Board SFAS No., 121, "Accounting for the Impairment of Long-lived Assets." SFAS No. 121 addresses the accounting for (i) impairment of long-lived assets, certain identified intangibles and goodwill related to assets to be held and used, and (ii) long-lived assets and certain identifiable intangibles to be disposed of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future cash flows from the used of the asset and its eventual disposition (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The Company maintains the majority of its cash balances with one financial institution, in the form of demand deposits.

Reverse Stock Split

Effective May 3, 1997 the Stockholders approved a 50 to 1 reverse split of the common stock and effective October 7, 1997 the Stockholders approved a 4 to 1 reverse split. The financial statements have been retroactively restated to reflect the reverse stock split as if it had been effective prior to the earliest date presented.

EAT AT JOE'S LTD. AND SUBSIDIARIES
 (Formerly a development stage company)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 1997, AND 1996
 (Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Earnings (Loss) Per Share

In 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share" (EPS). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. The application of SFAS No. 128 had no effect of the earnings per share for 1996 as previously reported.

Diluted net income per common share was calculated based on an increased number of shares that would be outstanding assuming that the 1,100,000 warrants are converted to 1,100,000 common shares. The effect of outstanding common stock equivalents are antidilutive for 1997 and 1996 and are thus not considered.

The reconciliations of the numerators and denominators of the basic earnings per share computations are as follows:

<TABLE>

For the Year Ended 1997			For the Year Ended 1996		
Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
-----	-----	-----	-----	-----	-----

<CAPTION>

<S> <C> <C> <C> <C> <C> <C>

Basic EPS

Income available to

common shareholders	\$ (299,022)	11,729,107	\$ (.02)	\$ (18,700)	6,535,247	\$	-
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

EAT AT JOE'S LTD. AND SUBSIDIARIES
 (Formerly a development stage company)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 1997, AND 1996
 (Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Reclassifications

Certain reclassifications have been made in the 1996 financial statements to conform with the 1997 presentation.

NOTE 2 - SHORT-TERM NOTES PAYABLE

Short-Term Notes Payable consist of loans from unrelated entities as of December 31, 1997. The notes are payable one year from the date of issuance together with interest at 6.50% A.P.R.

NOTE 3 - INCOME TAXES

Deferred taxes result from temporary differences in the recognition of income and expenses for income tax reporting and financial statement reporting purposes. Deferred benefits of \$71,000 and \$4,000 for the years ended December 31, 1997 and 1996 respectively, are the result of net operating losses and the gaming license rights reserve.

The Company has recorded net deferred income taxes in the accompany consolidated balance sheets as follows:

	As at December 31,	
	1997	1996
	-----	-----
Future deductible temporary differences related to		
Reserves, accruals, and net operating losses	\$ 387,000	\$ 341,000
Valuation allowance	(387,000)	(341,000)
	-----	-----
Net Deferred Income Tax	\$ --	\$ --
	=====	=====

As of December 31, 1997, the Company had a net operating loss ("NOL") carry forward for income tax reporting purposes of approximately \$1,141,000 available to offset future taxable income. This net operating loss carry forward expires at various dates between December 31, 2003 and 2012. A loss generated in a particular year will expire for federal tax purposes if not utilized within 15 years. Additionally, the Internal Revenue Code contains provisions which could reduce or limit the availability and utilization of these NOLs if certain ownership changes have taken place or will take place. In accordance with SFAS No. 109, a valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized. Due to the uncertainty with respect to the ultimate realization of the NOLs, the Company established a valuation allowance for the entire net deferred income tax asset of \$387,000 as of December 31, 1997. Also consistent with SFAS No. 109, an allocation of the income (provision) benefit

EAT AT JOE'S LTD. AND SUBSIDIARIES
 (Formerly a development stage company)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 1997, AND 1996
 (Continued)

NOTE 3 - INCOME TAXES (Continued)

has been made to the loss from continuing operations.

The difference between the effective income tax rate and the federal statutory income tax rate on the loss from continuing operations are presented below:

	As at December 31,	
	1997	1996
	-----	-----
Benefit at the federal statutory rate of 34%	\$ 71,000	\$ 4,000
Nondeductible expenses	(1,000)	--
Utilization of net operating loss carryforward	(70,000)	(4,000)
	-----	-----
	\$ --	\$ --
	=====	=====

NOTE 4 - PURCHASE OF SUBSIDIARIES

On January 1, 1997 the shareholders of the Company approved an agreement whereby 5,505,000 shares of the Company's common stock was exchanged for a 100% interest in E.A.J. Holding Corporation, Inc. ("Holding"), a Delaware corporation. Holding, which was organized on February 14, 1997, had total assets with a historical cost value of \$150,037, consisting of the Eat at Joe's trade mark, business plan, graphics, illustrations/renderings, corporate brochure and website with a historical value of \$149,837, organization costs of \$200 and no liabilities on the date of the exchange.

During March, 1997 Holding acquired 100% of the issued and outstanding stock of E.A.J.: PHL, Airport Inc. ("PHL Airport"), a Pennsylvania corporation organized August 19, 1996 for \$25,000. At the time of the acquisition PHL Airport had assets with a historical cost value of \$37,500, consisting of developmental costs and organizational costs and liabilities of \$12,500.

These transactions have been accounted for as a reorganization of ownership interests between related parties as if it were a "Pooling of Interest." Accordingly, assets and liabilities are reflected at their historical values. The accompanying financial statements for 1997 are based on the assumption that the companies were combined for the full year, and the financial statements of 1996 have been restated to give effect to the combination.

Following is a reconciliation of the amounts of net sales and net income previously reported for 1996 with restated amounts:

EAT AT JOE'S LTD. AND SUBSIDIARIES
 (Formerly a development stage company)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 1997, AND 1996
 (Continued)

NOTE 4 - PURCHASE OF SUBSIDIARIES (continued)

Year Ended
 December 31, 1996

Revenues:	
As previously reported	\$ --
Acquired companies	--

As restated	\$ --
	=====
Net Loss:	
As previously reported	\$13,288
Acquired companies	5,412

As restated	\$18,700
	=====

NOTE 5 - RENT AND LEASE EXPENSE

The Company occupies various retail restaurant space under operating leases beginning October 1997 and expiring at various dates through 2012.

The minimum future lease payments under these leases for the next five years are:

Year Ended December 31, -----	Real Property -----	Equipment -----
1998	\$ 298,320	\$ -
1999	298,320	-
2000	298,320	-
2001	298,320	-
2002	298,320	-
	-----	-----
Total minimum future lease payments	\$1,491,600	\$ -
	=====	=====

The leases generally provides that insurance, maintenance and tax expenses are obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, AND 1996
(Continued)

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company utilized office space that is shared with companies controlled by two officers of the Company. During 1997 Cozco Management received \$546,574 as reimbursement for rent, telephone, equipment, travel, automotive salaries and other shared expenses. During 1997 the two officers and/or companies controlled by the two officers paid expenses and made advances to the Company totaling \$702,922.

NOTE 7 - PRIVATE PLACEMENT OF COMMON STOCK

On November 11, 1996 the Company completed a Regulation D section 504 private placement whereby the Company issued 600,000 common shares for \$60,000. Each share included detachable warrants to purchase one common share at \$1.00 per share.

NOTE 8 - SELECTED FINANCIAL DATA (Unaudited)

The following table set forth certain unaudited quarterly financial information:

	1997 Quarters Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
<i>Income statement data:</i>				
Net sales	\$ --	\$ --	\$ --	\$ 84,781
Gross profit	--	--	--	27,926
Income (loss) from operations ..	(60,733)	(152,046)	(68,971)	(12,968)
Other income	6	1,926	1,075	(7,311)
Income (loss) before tax	(60,727)	(150,120)	(67,896)	(20,279)
Income tax (provision) benefit	--	--	--	--
Net Income (Loss)	\$ (60,727)	\$ (150,120)	\$ (67,896)	\$ (20,279)

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EAT AT JOE'S LTD. AND SUBSIDIARIES
(Formerly a development stage company)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, AND 1996
(Continued)

NOTE 8 - SELECTED FINANCIAL DATA (Unaudited) (continued)

	1996 Quarters Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
<i>Income statement data:</i>				
Net sales	\$ --	\$ --	\$ --	\$ --
Gross profit	--	--	--	--
Income (loss) from operations	(10,000)	--	--	(4,762)
Other income	--	--	--	(3,938)
Income (loss) before tax	(10,000)	--	--	(8,700)
Income tax (provision) benefit .	--	--	--	--
Net Income (Loss)	\$ (10,000)	\$ --	\$ --	\$ (8,700)

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Interim Financial Reporting

The following unaudited financial statements have been prepared in accordance with generally accepted accounting principles and with Form 10-QSB requirements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1998, are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. For further information, refer to the financial statements and footnotes thereto included in

the Company's annual report on Form 10-KSB for the year ended December 31, 1997.

EAT AT JOE'S LTD., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 1998	December 31, 1997
	-----	-----
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 429,538	\$ 232,601
Inventory	8,757	7,488
Other	400	400
Prepaid Expense	--	30,993
Deposits	39,284	12,701
	-----	-----
Total Current Assets	477,979	284,183
	-----	-----
Property and Equipment:		
Equipment	942,929	279,667
Office Furniture	8,626	1,000
Leasehold Improvements	3,129,368	1,527,099
	-----	-----
	4,080,923	1,807,766
Less Accumulated Depreciation	(65,556)	(11,546)
	-----	-----
	4,015,367	1,796,220
	-----	-----
Other Assets:		
Intangible and Other Assets, Net	142,337	234,569
	-----	-----
Total Assets	\$ 4,635,683	\$ 2,314,972
	=====	=====

EAT AT JOE'S LTD., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Continued)

	(Unaudited) June 30, 1998	December 31, 1997
	-----	-----
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 280,996	\$ 474,795
Short-Term Notes Payable	2,014,940	264,940
Shareholder Loans	452,455	702,922
	-----	-----
Total Liabilities	2,748,391	1,442,657

Stockholders' Equity:

Preferred Stock - \$.0001 par value, 10,000,000 shares authorized; Series A Convertible, 51 issued and outstanding June 30, 1998, Series B Convertible, 64 shares issued and outstanding June 30, 1998, none issued and outstanding December 31, 1997	--	--
Common Stock - \$.0001 par value, 50,000,000 shares authorized, 12,754,305 issued and outstanding	1,275	1,273
Additional Paid-In Capital	4,673,160	2,244,299
Retained Deficit	(2,787,143)	(1,373,257)
	-----	-----
Total Stockholders' Equity	1,887,292	872,315
	-----	-----
Total Liabilities and Stockholders' Equity ...	\$ 4,635,683	\$ 2,314,972
	=====	=====

The accompanying notes are an integral part of these financial statements.

<TABLE>

EAT AT JOE'S LTD., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 316,397	\$ --	\$ 463,744	\$ --
Cost of Revenues	210,355	--	331,102	--
	-----	-----	-----	-----
Gross Margin	106,042	--	132,642	--
Expenses				
General and Administrative	435,080	130,171	856,269	169,029
	-----	-----	-----	-----
Net loss from Continuing Operations	(329,038)	(130,171)	(723,627)	(169,029)
Other Income (Expense) Net	(4,941)	1,926	(13,872)	1,932
	-----	-----	-----	-----
Net Loss Before Income Taxes	(333,979)	(128,245)	(737,499)	(167,097)
Income Tax Expense (Benefit)	--	--	--	--
	-----	-----	-----	-----
Net Loss Before Cumulative effects of Accounting Change	(333,979)	(128,245)	(737,499)	(167,097)
Cumulative effect of Accounting				

Change on Years Prior to 1998, Net of Taxes	--	--	(84,732)	--
Net Loss	\$ (333,979)	\$ 128,245	\$ (822,231)	\$ (167,097)
Basic Net Loss Per Common Share:				
Net Loss Before Cumulative effects of Accounting Change	(0.07)	--	(0.11)	(0.02)
Cumulative effect of Accounting Change	--	--	--	--
Net Loss Per Common Share- Basic and Diluted	\$ (0.07)	\$ --	\$ (0.11)	\$ (0.02)
Weighted Average Number of Common Shares	12,747,656	12,478,977	12,740,769	9,466,549

</TABLE>

The accompanying notes are an integral part of these financial statements.

<TABLE>

EAT AT JOE'S LTD., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Cash Flows from Operating Activities:				
Net loss for the period before cumulative effects of accounting change	\$ (333,979)	\$ (128,245)	\$ (737,499)	\$ (167,097)
Adjustments to Reconcile net loss to net cash provided by operating activities				
Depreciation and amortization	39,559	--	61,510	--
Stock issued for services	21,750	--	21,750	--
Payment of organization costs	--	--	--	(8,657)
(Increase) decrease in:				
Inventory	(2,127)	--	(1,269)	--
Prepaid expense	8,333	(12,750)	30,993	(11,825)
Deposits	(8,683)	--	(26,583)	14,009
Increase (decrease) in:				
Accounts payable	(132,167)	4,734	(257,281)	16,399
Accrued expenses	29,440	(7,235)	63,482	1,210
	-----	-----	-----	-----
Net Cash Used in Operating Activities:	(377,874)	(143,496)	(844,897)	(155,961)
	-----	-----	-----	-----
Cash Flows From Investing Activities:				
Payment of deferred development costs	--	(54,892)	--	(101,269)
Purchase of property and equipment	(1,867,265)	--	(2,264,076)	(13,495)
	-----	-----	-----	-----
Net Cash Used by Investing Activities:	(1,867,265)	(54,892)	(2,264,076)	(114,764)
	-----	-----	-----	-----
Cash Flows From Financing Activities:				
Issuance of convertible preferred stock	1,008,747	--	1,806,377	--
Issuance of common stock	--	300,000	--	700,000

Proceeds from short-term notes payable	795,000	--	1,750,000	--
Advances to (from) majority stockholder	43,825	--	(250,467)	14,000
	-----	-----	-----	-----
Net Cash Provided by Financing Activities	1,847,572	300,000	3,305,910	714,000
	-----	-----	-----	-----
Increase in Cash	(397,567)	101,612	196,937	443,275
Cash at Beginning of Period	827,105	376,635	232,601	34,972
	-----	-----	-----	-----
Cash at End of Period	\$ 429,538	\$ 478,247	\$ 429,538	\$ 478,247
	=====	=====	=====	=====

</TABLE>

<TABLE>

EAT AT JOE'S LTD., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Continued)

<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Supplemental Disclosure of				
Interest and Income Taxes Paid				
Interest paid for the period	\$ (4,459)	\$ --	\$ --	\$ --
Income taxes paid for the period ...	\$ 1,271	\$ --	\$ 3,871	\$ --
Supplemental Disclosure of				
Non-cash Investing and				
Financing Activities				
Intangible Assets				
acquired with issuance of				
common stock	\$ --	\$ --	\$ --	\$ 149,837
Leasehold Improvements				
acquired with issuance of				
common stock	\$ 9,081	\$ --	\$ 9,081	\$ 149,837
Organization costs acquired				
with issuance of common				
Stock	\$ --	\$ --	\$ --	\$ 200

</TABLE>

The accompanying notes are an integral part of these financial statements.

1. Interim Reporting

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles and with Form 10-QSB requirements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1998, are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 1997.

2. Adoption of New Accounting Principle

During 1998, the Company changed its method of accounting for costs of start up activities to conform with new requirements of Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities" (SOP 98-5). The effect of this change was to increase net loss for the three months ended March 31, 1998 by \$84,732 (\$0.01 per share). Financial Statements for 1997 have not been restated in accordance with the provisions of SOP 98-5.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITER. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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UNTIL , 1998 (25 DAYS AFTER THE DATE OF THE PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS.

EAT AT JOE'S, LTD.

_____ SHARES

PROSPECTUS

, 1998

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

See "Management - Personal Liability and Indemnification of Directors."

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses in connection with the distribution of the shares registered hereby, are set forth in the following table:

SEC registration fee.....	\$ 2,500
Legal fees and expenses.....	50,000
Accounting fees and expenses.....	17,500
Blue Sky fees and expenses.....	7,500
Transfer agent fees and expenses.....	1,000
Printing and engraving expenses.....	2,000
Miscellaneous.....	2,000
Total.....	\$82,500

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

In November 1996, the Company raised \$60,000 through the issuance 600,000

shares of its Common Stock and warrants to acquire 2,000,000 shares at an excise price of \$1.00 per share. The offering was exempt from registration pursuant to Regulation D Section 504. In 1997, 900,000 warrants were exercised against payment of \$900,000.

In January, 1997 the shareholders of the Company adopted an agreement whereby 5,505,000 shares of the Company's Common Stock was exchanged for a 100% interest in E.A.J. Holding Corporation, Inc. Messrs. Joseph Fiore and Andrew Cosenza, Jr., the Company's Chairman and President, were the owners of all the outstanding shares of E.A.J. Holding Corporation, Inc. The Company issued its shares upon an exemption from registration under Section 4(2) of the Securities Act.

In March, 1998, the Company sold 51 shares of its Series A Convertible Preferred Stock to a total of 8 accredited investors pursuant to an exemption from registration under the Section 4(2) and/or Regulation D or as an alternative, Regulation S of the Act. The Company received proceeds of approximately \$797,000 from the sale of the securities. As of the date of this prospectus the shares are convertible and warrants (issued in connection with the offering) exercisable into 1,700,725 shares of Common Stock of the Company.

On May 5 1998, the Company sold 30 shares of its Series B Convertible Preferred Stock to a total of 3 accredited investors pursuant to an exemption from registration under the Section 4(2) and/or Regulation D. The Company received proceeds of approximately \$484,000 from the sale of the securities. As of the date of this prospectus the shares are convertible and warrants (issued in connection with the offering) exercisable into 990,064 shares of Common Stock of the Company.

On May 21, 1998, the Company sold 34 shares of its Series B Convertible Preferred Stock to a total of 2 accredited investors pursuant to an exemption from registration under the Section 4(2) and/or Regulation D. The Company received proceeds of approximately \$549,000 from the sale of the securities. As of the date of this prospectus the shares are convertible and warrants (issued in connection with the offering) exercisable into 433,916 shares of Common Stock of the Company.

In September, 1998, the Company sold 14 shares of its Series C. Convertible Preferred Stock to 2 accredited investors pursuant to an exemption from registration under the Section 4(2) and/or Regulation D. The Company received proceeds of approximately \$239,000 from the sale of the securities. As of the date of this prospectus the shares are convertible and warrants (issued in connection with the offering) into 395,733 shares of Common Stock of the Company.

On July 31, and September 2, 1998, the Company sold its 8% convertible debenture in the aggregate principal amount of \$1,500,000 to an accredited investor pursuant to an exemption from registration under Section 4(2) and/or Regulation D. The Company retained proceeds of approximately \$933,000 from the sale of the securities and \$450,000 was applied to the repurchase of 19 shares of Series B Convertible Preferred Stock sold to an investor on May 21, 1998. As of the date of this prospectus, the debentures are convertible and warrants (issued in connection with the offering) exercisable into 2,064,000 shares of Common Stock of the Company.

In September, 1998, the Company sold 20 shares of its Series D. Convertible Preferred Stock to an accredited investors pursuant to an exemption from registration under the Section 4(2) and/or Regulation D. The Company received proceeds of approximately \$350,000 from the sale of the securities. As of the date of this prospectus the shares are convertible and warrants (issued in connection with the issuance of the shares) into 539,000 shares of Common Stock of the Company.

INDEX TO EXHIBITS

ITEM 27. EXHIBITS.

PAGE

EXHIBIT NO.

DESCRIPTION OF EXHIBIT

- 3.1 Articles of Incorporation(1)
- 3.2 By-laws(1)
- 4.1 Certificate of Designations-Series A Convertible Preferred Stock
- 4.2 Certificate of Designations-Series B Convertible Preferred Stock
- 4.3 Form of Warrant Agreement

- 4.4 Certificate of Designations-Series C Convertible Preferred Stock
- 4.5 Certificate of Designations-Series D Convertible Preferred Stock

- 5.1 Opinion of Beckman, Millman & Sanders, L.L.P. 10.1 Consulting Agreement-Wall Street Group, Ltd.
- 10.2 Indenture of Lease between University of Pennsylvania and Eat at Joe's U. of P., Inc.
- 10.3 Lease Abstract between Cherry Hill Center, Inc. and Eat at Joe's Cherry Hill, Inc.
- 10.4 Lease Abstract between Echelon Mall, Inc. and E.A.J. Echelon Mall, Inc.
- 10.5 Lease Information Form between E.A.J. PHL, Airport, Inc. and Marketplace Redwood Limited Partnership
- 10.6 Lease Abstract between Eat at Joe's U. of P., Inc. and UCA Realty Group, Inc.
- 10.7 Lease Abstract between Rouse Philadelphia, Inc. and Eat at Joe's Gallery, Inc.
- 10.8 Lease Information Form between E.A.J. Enterprises, Inc. and First Fidelity Bank, N.A
- 10.9 Lease Abstract between Eat at Joe's Harbor Place, Inc. and Baltimore Center, Inc.
- 10.10 Lease Abstract between E.A.J. Shoppington, Inc. and Wilmorite, Inc.
- 10.11 Lease Abstract between Eat at Joe's Neshaminy, Inc. and General Growth Properties, Inc.
- 10.12 Lease Abstract between Eat at Joe's Plymouth Incorporate and Plymouth Meeting, Inc.
- 10.13 Lease Abstract between E.A.J. Danbury, Inc. and Wilmorite, Inc.*
- 10.14 Registration of trade name for Eat at Joe's

- 10.15 Registration Rights Agreement

- 21 Subsidiaries of the Company.
- 23.1 Consent of Robison, Hill & Co.
- 24.2 Consent of Beckman, Millman & Sanders, L.L.P. (included in Exhibit 5).
- 27.1 Financial Data Schedule

(1) Previously filed.

* To be filed by Amendment

ITEM 28. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned small business issuer hereby undertakes that it will:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to (i) include any prospectus required by Section 10(a) (3) of the Securities Act; (ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and (iii) include any additional or changed material information on the plan of distribution.

(2) For determining any liability under the Securities Act, treat the

information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the small business issuer under Rule 424(b)(1) or (4) or Rule 497(h) under the Securities Act as part of this registration statement as of the time the Commission declared it effective.

(3) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has authorized this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the Town of Scarsdale, State of New York, on October 14, 1998.

EAT AT JOE'S, LTD

By /s/ Joseph Fiore

Joseph Fiore
Chairman of the Board and
Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates stated.

SIGNATURE	TITLE	DATE
/s/ JOSEPH FIORE	Chairman of the Board, Chief Executive Officer and Principal Financial Officer	October 14, 1998
----- Joseph Fiore		
/s/ JAMES MYLOCK	Director	October 14, 1998
----- James Mylock		
/s/ TIM MATULA	Director	October 14, 1998
----- Tim Matula		

CERTIFICATE OF DESIGNATIONS, PREFERENCES
AND RIGHTS
OF
SERIES D CONVERTIBLE PREFERRED STOCK
OF
EAT AT JOE'S LTD.

Eat At Joe's Ltd. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the Board of Directors of the Company by the Certificate of Incorporation of the Company, and pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company at a meeting duly held, adopted resolutions (i) authorizing a series of the Company's authorized preferred stock, \$.0001 par value per share, and (ii) providing for the designations, preferences, and relative, participating, optional, or other rights, and the qualifications, limitations, or restrictions of twenty (20) shares of Series D Convertible Preferred Stock of the Company, as follows: RESOLVED, that the Company is authorized to issue twenty (20) shares of Series D Convertible Preferred Stock (the "Series D Preferred Shares"), \$.0001 par value per share, which shall have the following powers, designations, preferences, and other special rights:

Section Dividends. The Series D Preferred Shares shall not bear any dividends.

Section Holder's Conversion of Series D Preferred Shares. A holder of Series D Preferred Shares shall have the right, at such holder's option, to convert the Series D Preferred Shares into shares of the Company's common stock, \$.0001 par value per share (the "Common Stock"), on the following terms and conditions:

- (a) Conversion Right. Subject to the provisions of Sections 2(g) and 3(a) below, at any time or times on or after the earlier of: (i) 30 days after the Issuance Date (as defined herein), (ii) 5 days after receiving a "no-review" status from the U.S. Securities and Exchange Commission in connection with a registration statement ("Registration Statement") covering the resale of Common Stock issued upon conversion of the Series D Preferred Shares and required to be filed and amended by the Company pursuant to the Registration Rights Agreement between the Company and its initial holders of Series D Preferred Shares (the "Registration Rights Agreement"), or (iii) the date that the Registration Statement is declared effective by the U.S. Securities and Exchange Commission (the "SEC"), any holder of Series D Preferred Shares shall be entitled to convert any Series D Preferred Shares into fully paid and nonassessable shares (rounded to the nearest whole share in accordance with Section 2(h) below) of Common Stock, at the Conversion Rate (as defined below); provided however, that in no event other than upon a Mandatory Conversion pursuant to Section 2(g) hereto, shall any holder be entitled to convert Series D Preferred Shares in excess of that number of Series D Preferred Shares which, upon giving effect to such conversion, would cause the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates to exceed 4.9% of the outstanding shares of the Common Stock following such conversion. For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series D Preferred Shares with respect to which the determination of such proviso is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) conversion of the remaining, nonconverted Series D Preferred Shares beneficially owned by the holder and its affiliates beneficially owned by the holder and its affiliates. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended.
- (b) Conversion Rate. The number of shares of Common Stock issuable upon

conversion of each of the Series D Preferred Shares pursuant to Section (2) (a) shall be determined according to the following formula (the "Conversion Rate");

$$(.03 (N/365) (\$20,000) + \$20,000 \text{ Conversion Price})$$

For purposes of this Certificate of Designations, the following terms shall have the following meanings:

- (i) "Conversion Price" means as of any Conversion Date (as defined below), the lower of the Fixed Conversion Price and the Floating Conversion Price, each in effect as of such date, if applicable, and subject to adjustment as provided herein;
 - (ii) "Fixed Conversion Price" means \$ 1.65, subject to adjustment, as provided herein;
 - (iii) "Floating Conversion Price" means, as of any date of determination, the amount obtained by multiplying the Conversion Percentage in effect as of such date by the Average Market Price for the Common Stock for the five (5) consecutive trading days immediately preceding such date;
 - (iv) "Conversion Percentage" means 80% and shall be reduced by an additional two percentage points for every 30 days (pro-rated for partial months) beyond 20 days from the Issuance Date (the "Scheduled Filing Date") that the Registration Statement No. 333-55679 filed by the Company is not amended to include the Series D Preferred Shares;
 - (v) "Average Market Price" means, with respect to any security for any period, that price which shall be computed as the arithmetic average of the Closing Bid Prices (as defined below) for such security for each trading day in such period;
 - (vi) "Closing Bid Price" means, for any security as of any date, the last closing bid price on the NASDAQ National Market (the "NASDAQ-NM") as reported by Bloomberg Financial Markets ("Bloomberg"), or, if the NASDAQ-NM is not the principal trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the pink sheets or bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as reasonably determined in good faith by the Board of Directors of the Company (all as appropriately adjusted for any stock dividend, stock split, or other similar transaction during such period);
 - (vii) "N" means the number of days between, but excluding, the Issuance Date through and including the Conversion Date for the Series D Preferred Shares for which conversion is being elected; and
 - (viii) "Issuance Date" means the date of issuance of the Series D Preferred Shares.
- (c) Adjustment to Conversion Price - Registration Statement. If the Registration Statement which identifies the Series D Preferred Shares is not declared effective by the SEC on or before the thirtieth (30th) day following the Issuance Date (the "Scheduled Effective Date"), or if after the Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to the Registration Statement (whether because of a failure to keep the registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to the Registration Statement, to register sufficient shares of Common Stock or otherwise), then, as partial relief for the

damages to any holder by reason of any such delay in or reduction of its ability to sell the underlying shares of Common Stock (which remedy shall not be exclusive of any other remedies at law or in equity), the Conversion Percentage and the Fixed Conversion Price shall be adjusted as follows:

- (i) **Conversion Percentage.** The Conversion Percentage in effect, at such time for each time period set forth in Section 2(b)(iv) with respect to the Series D Preferred Shares which may be converted as permitted by Section 2(a) hereof during the period that sales cannot be made pursuant to the Registration Statement, shall be reduced by a number of percentage points equal to the product of (A) three (3) and (B) the sum of (I) the number of months pro-rated for partial months) after the Scheduled Effective Date and prior to the date that the relevant Registration Statement is declared effective by the SEC and (II) the number of months pro-rated for partial months) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. For example, if the Registration Statement becomes effective one and one-half (1 1/2) months after the Scheduled Effective Date, the Conversion Percentage with respect to the Series D Preferred Shares would decrease by four and one-half percentage points (80% to 76.5%) until any subsequent adjustment; if thereafter sales could not be made pursuant to the Registration Statement for a period of two (2) additional months, the Conversion Percentage with respect to the Series D Preferred Shares would decrease by an additional six percent (6%), for an aggregate decrease of ten and one-half percentage points (80% to 69.5%); and
 - (ii) **Fixed Conversion Price.** The Fixed Conversion Price in effect from time to time with respect to the Series D Preferred Shares shall be reduced by an amount equal to the product of (A) \$.066 multiplied by (B) the sum of (I) the number of months (pro-rated for partial months) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (II) the number of months pro-rated for partial months) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. For example, if the Registration Statement becomes effective one and one-half (1 1/2) months after the Scheduled Effective Date, the Fixed Conversion Price with respect to the Series D Preferred Shares would be \$1.55 until any subsequent adjustment; if thereafter sales could not be made pursuant to the Registration Statement for a period of two (2) additional months, the Fixed Conversion Price with respect to the Series D Preferred Shares would then be \$1.42.
- (d) **Adjustment to Conversion Price - Dilution and Other Events.** In order to prevent dilution of the rights granted under this Certificate of Designations, the Conversion Price will be subject to adjustment from time to time as provided in this Section 2(d).
- (i) **Adjustment of Fixed Conversion Price upon Subdivision or Combination of Common Stock.** If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Fixed Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by combination, reverse stock split, or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Fixed Conversion Price in effect immediately prior to such combination will be proportionately increased.
 - (ii) **Reorganization, Reclassification, Consolidation, Merger, or Sale.** Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined below), or other similar transaction which is effected in such a way that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities, or assets with respect

to or in exchange for Common Stock is referred to herein as in "Organic Change." Prior to the consummation of any Organic Change, the Company will make appropriate provision (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding) to insure that each of the holders of the Series D Preferred Shares will thereafter have the right to acquire and receive in lieu of, or in addition to, (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series D Preferred Shares, such shares of stock, securities, or assets as may be issued or payable with respect to, or in exchange for, the number of shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series D Preferred Shares had such Organic Change not taken place. In any such case, the Company will make appropriate provision (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding) with respect to such holders' rights and interests to insure that the provisions of this Section 2(d) and Section 2(e) below will thereafter be applicable to the Series D Preferred Shares. The Company will not effect any such consolidation, merger, or sale, unless prior to the consummation thereof the successor entity (if other than the Company) resulting from consolidation or merger or the entity purchasing such assets assumes, by written instrument (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding), the obligation to deliver to each holder of Series D Preferred Shares such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire. For purposes of this Agreement, "Person" shall mean an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, and a government or any department or agency thereof.

(iii) Notices.

- (A) Immediately upon any adjustment of the Conversion Price, the Company will give written notice thereof to each holder of Series D Preferred Shares, setting forth in reasonable detail and certifying the calculation of such adjustment.
 - (B) The Company will give written notice to each holder of Series D Preferred Shares at least twenty (20) days prior to the date on which the Company closes its books or takes a record (I) with respect to any dividend or distribution upon the Common Stock, (II) with respect to any pro rata subscription offer to holders of Common Stock or (III) for determining rights to vote with respect to any Organic Change, dissolution, or liquidation.
 - (C) The Company will also give written notice to each holder of Series D Preferred Shares at least twenty (20) days prior to the date on which any Organic Change, Major Transaction (as defined below), dissolution, or liquidation will take place.
- (e) **Purchase Rights.** If at any time the Company grants, issues, or sells any Options, Convertible Securities, or rights to purchase stock, warrants, securities, or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the holders of Series D Preferred Shares will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series D Preferred Shares immediately before the date on which a record is taken for the grant issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue, or sale of such Purchase Rights.
- (f) **Mechanics of Conversion.** Subject to the Company's inability to fully satisfy its obligations under a Conversion Notice (as defined below) as provided for in Section 5 below:

- (i) *Holder's Delivery Requirements.* To convert Series D Preferred Shares into full shares of Common Stock on any date (the "Conversion Date"), the holder thereof shall (A) deliver or transmit by facsimile, for receipt on or prior to 11:59 P.M., Eastern Standard Time, on such date, a copy of a fully executed notice of conversion in the form attached hereto as Exhibit 1 (the "Conversion Notice") to the Company or its designated transfer agent (the "Transfer Agent"), and (B) surrender to a common carrier for delivery to the Company or the Transfer Agent as soon as practicable following such date, the original certificates representing the Series D Preferred Shares being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft, or destruction) (the "Preferred Stock Certificates") and the originally executed Conversion Notice.
- (ii) *Company's Response.* Upon receipt by the Company of a facsimile copy of a Conversion Notice, the Company shall immediately send, via Facsimile, a confirmation of receipt of such Conversion Notice to such holder. Upon receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to a Conversion Notice, together with the originally executed Conversion Notice, the Company or the Transfer Agent (as applicable) shall, within five (5) business days following the date of receipt, (A) issue and surrender to a common carrier for overnight delivery to the address as specified in the Conversion Notice, a certificate, registered in the name of the holder or its designee, for the number of shares of Common Stock to which the holder shall be entitled or (B) credit the aggregate number of shares of Common Stock to which the holder shall be entitled to the holder's or its designee's balance account at The Depository Trust Company.
- (iii) *Dispute Resolution.* In the case of a dispute as to the determination of the Average Market Price or the arithmetic calculation of the Conversion Rate, the Company shall promptly issue to the holder the number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the holder via facsimile within three (3) business days of receipt of such holder's Conversion Notice. If such holder and the Company are unable to agree upon the determination of the Average Market Price or arithmetic calculation of the Conversion Rate within two (2) business days of such disputed determination or arithmetic calculation being submitted to the holder, then the Company shall within one (1) business day submit via facsimile (A) the disputed determination of the Average Market Price to an independent, reputable investment bank or (B) the disputed arithmetic calculation of the Conversion Rate to its independent, outside accountant. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the holder of the results no later than forty-eight (48) hours from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.
- (iv) *Record Holder.* The person or persons entitled to receive the shares of Common Stock issuable upon a conversion of Series D Preferred Shares shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.
- (v) *Company's Failure to Timely Convert.* If the Company shall fail to issue to a holder within five (5) business days following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to a Conversion Notice, a certificate for the number of shares of Common Stock to which such holder is entitled upon such holder's conversion of Series D Preferred Shares, in addition to all other available remedies which such holder may pursue hereunder and under the Series D Convertible Preferred Stock Purchase Agreement

between the Company and the initial holders of the Series D Preferred Shares (the "Securities Purchase Agreement") (including indemnification pursuant to Section 8 thereto, the Company shall pay additional damages to such holder on each day after the fifth (5th) business day following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to the Conversion Notice, for which such conversion is not timely effected, an amount equal to 1.0% of the product of (A) the number of shares of Common Stock not issued to the holder and to which such holder is entitled and (B) the Closing Bid Price of the Common Stock on the business day following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to the Conversion Notice.

- (g) **Mandatory Conversion.** If any Series D Preferred Shares remain outstanding on the second (2nd) anniversary of the Issuance Date, then all such Series D Preferred Shares shall be converted as of such date in accordance with this Section 2 as if the holders of such Series D Preferred Shares had given the Conversion Notice on the second (2nd) anniversary of the Issuance Date, and the Conversion Date had been fixed as of the second (2nd) anniversary of the Issuance Date, for all purposes of this Section 2, and all holders of Series D Preferred Shares shall thereupon and with two (2) business days thereafter surrender all Preferred Stock Certificates, duly endorsed for cancellation, to the Company or the Transfer Agent. No person shall thereafter have any rights in respect of Series D Preferred Shares, except the right to receive shares of Common Stock on conversion thereof as provided in this Section 2.
- (h) **Fractional Shares.** The Company shall not issue any fraction of a share of Common Stock upon any conversion. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of the Series D Preferred Shares by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of a fraction of a share of Common Stock. If, after the aforementioned aggregation, the issuance would result in the issuance of a fraction of it share of Common Stock, the Company shall round such fraction of a share of Common Stock up or down to the nearest whole share.
- (i) **Taxes.** The Company shall pay any and all taxes which may be imposed upon it with respect to the issuance and delivery of Common Stock upon the conversion of the Series D Preferred Shares.

Section Company's Right to Redeem at its Election.

- (a) At any time, commencing One Hundred Ten (110) days after the Issuance Date, as long as the Company has not breached any of the representations, warrants, and covenants contained herein or in any related agreements, the Company shall have the right, in its sole discretion, to redeem ("Redemption at Company's Election"), from time to time, any or all of the Series D Preferred Stock: provided (i) Company shall first provide thirty (30) days advance written notice as provided in subparagraph 3(a)(ii) below (which can be given any time on or after 80 days after the Issuance Date, and (ii) that the Company shall only be entitled to redeem Series D Preferred Stock having an aggregate Stated Value (as defined below) of at least Five Hundred Thousand Dollars (\$500,000). If the Company elects to redeem some, but not all, of the Series D Preferred Stock, the Company shall redeem a pro-rata amount from each Holder of the Series D Preferred Stock.
 - (i) **Redemption Price At Company's Election.** The "Redemption Price at Company's Election" shall be calculated as 125% of Stated Value, as that term is defined below, of the Series D Preferred Stock. For purposes hereto, "Stated Value" shall mean the original consideration paid by a Holder for the number of shares of Preferred Stock being redeemed, plus a premium of 3% per annum from the original Issue Date through and including the redemption date.
 - (ii) **Mechanics of Redemption at Company's Election.** The Company shall effect each such redemption by giving at least thirty (30) days

prior written notice ("Notice of Redemption at Company's Election") to (A) the Holders of the Series D Preferred Stock selected for redemption at the address and facsimile number of such Holder appearing in the Company's Series D Preferred Stock register and (B) the Transfer Agent, which Notice of Redemption At Company's Election shall be deemed to have been delivered three (3) business days after the Company's mailing (by overnight or two (2) day courier, with a copy by facsimile) of such Notice of Redemption at Company's Election. Such Notice of Redemption At Company's Election shall indicate (i) the number of shares of Series D Preferred Stock that have been selected for redemption, (ii) the date which such redemption is to become effective (the "Date of Redemption At Company's Election"), and (iii) the applicable Redemption Price At Company's Election, as defined in subsection (a)(i) above. Notwithstanding the above, Holder may convert into Common Stock, prior to the close of business on the Date of Redemption at Company's Election, any Series D Preferred Stock which it is otherwise entitled to convert, including Series D Preferred Stock that has been selected for redemption at Company's election pursuant to this subsection 3(b).

- (b) **Company Must Have Immediately Available Funds or Credit Facilities.** The Company shall not be entitled to send any Redemption Notice and begin the redemption procedure under Sections 3(a) unless it has:
- (i) the full amount of the redemption price to cash, available in a demand or other immediately available account in a bank or similar financial institution; or
 - (ii) immediately available credit facilities, in the full amount of the redemption price with a bank or similar financial institution, or
 - (iii) an agreement with a standby underwriter willing to purchase from the Company a sufficient number of shares of stock to provide proceeds necessary to redeem any stock that is not converted prior to redemption; or
 - (iv) a combination of the items set forth in (i), (ii), and (iii) above, aggregating the full amount of the redemption price.
- (c) **Payment of Redemption Price.** Each Holder submitting Preferred Stock being redeemed under this Section 3 shall send the Series D Preferred Stock Certificates to be redeemed to the Company or its Transfer Agent, and the Company shall pay the applicable redemption price to that Holder within five (5) business days of the Date of Redemption at Company's Election.

Section Redemption at Option of Holders.

- (a) **Redemption Option Upon Major Transaction.** In addition to all other rights of the holders of Series D Preferred Shares contained herein, after a Major Transaction (as defined below), the holders of Series D Preferred Shares shall have the right in accordance with Section 4(f), at the option of the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, to require the Company to redeem all of the Series D Preferred Shares then outstanding at a price per Series D Preferred Share equal to the greater of (i) 100% of the Liquidation Value (as defined below) of such share and (ii) the price calculated in accordance with the Redemption Rate (as defined below) calculated as of the date of the public announcement of such Major Transaction or the next date on which the exchange or market on which the Common Stock is traded in open if such public announcement is made (A) after 1:00 P.M. Eastern Standard Time on such date or (B) on a date on which the exchange or market on which the Common Stock is traded is closed.
- (b) **Redemption Option Upon Triggering Event.** In addition to all other rights of the holders of Series D Preferred Shares contained herein, after a Triggering Event (as defined below), the holders of Series D Preferred Shares shall have the right in accordance with Section 4(g), at the option of the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, to require the Company to

redeem all of the Series D Preferred Shares then outstanding at a price per Series D Preferred Shares equal to the greater of (i) 120% of the Liquidation Value of such share, and (ii) the price calculated in accordance with the Redemption Rate as of the date immediately preceding such Triggering Event on which the exchange or market on which the Common Stock is traded is open.

- (c) **Redemption Rate.** The "Redemption Rate" shall, as of any date of determination, be equal to (i) the Conversion Rate in effect as of such date as calculated pursuant to Section 2(b) multiplied by (ii) the Closing Bid Price of the Common Stock on such date.
- (d) **Major Transaction.** A "Major Transaction" shall be deemed to have occurred at such time as any of the following events:
 - (i) the consummation of any merger, reorganization, restructuring, consolidation, or similar transaction by or involving the Company except (A) a merger or consolidation in which the Company is the survivor or (B) pursuant to a migratory (change of domicile) merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company;
 - (ii) sale of all or substantially all of the assets of the Company or all of its material subsidiaries or any similar transaction or related transactions which effectively results in a sale of all or substantially all of the assets of the Company and/or its subsidiaries;
 - (iii) the occurrence, after the date hereof, of the acquisition, by any person (including any entity or association) or persons (other than any existing stockholder of the Company or two or more existing stockholders of the Company, acting in concert, of securities of the Company (or the power to vote such securities) representing 50% or more of the total voting power of all outstanding Common Stock or other voting securities of the Company; or
 - (iv) the failure of the Company to continue to own, directly or indirectly, all of the capital stock of all of its material subsidiaries (other than due to a merger or consolidation of any subsidiary into the Company or a wholly-owned subsidiary of the Company).
- (e) **Triggering Event.** A "Triggering Event" shall be deemed to have occurred at such time as any of the following events:
 - (i) either (A) the failure of the Registration Statement to be effective or to cover the resale of all of the shares of Common Stock issued or issuable upon conversion of the Series D Preferred Shares at any time after sixty (60) days after the Scheduled Effective Date (provided that for purposes of determining the Closing Bid Price under Section 4(c) above, the Triggering Event shall be deemed to have occurred on the first day of such 60-day period) or (B) for any period of sixty (60) consecutive days after the date that is sixty (60) days after the Scheduled Effective Date that Common Stock issued or issuable upon conversion of the Series D Preferred Shares cannot be sold under the Registration Statement for any reason provided that for purposes of determining the Closing Bid Price under Section 4(c) above, the Triggering Event shall be deemed to have occurred on the first day of such 60-day period);
 - (ii) if for any reason the Company fails to perform or observe any covenant, agreement, or other provision contained in Section 9 or 10 hereof or in Section 4(g) of the Securities Purchase Agreement;
 - (iii) Joe Fiore ceases to be the Chief Executive Officer of the Company prior to the second (2nd) anniversary of the Issuance Date, other than in connection with a Major Transaction;
 - (iii) the Company's notice to any holder of Series D Preferred Shares, including by way of public announcement, at any time, of its

intention for any reason not to comply with requests for conversion of any Series D Preferred Shares into shares of Common Stock;

- (iv) if for any reason the Company fails to perform or observe any covenant, agreement, or other provision contained herein or in the Securities Purchase Agreement or the Registration Rights Agreement, and such failure is not cured within 30 days after the Company knows, or should have known with the exercise of reasonable diligence, of the occurrence thereof, and such failure has had, or could reasonably be expected to have, a material adverse effect on (A) the financial condition, operating results, business, properties, or operations of the Company and its subsidiaries taken as a whole taking into account any proceeds reasonably expected to be received by the Company or its subsidiaries in the foreseeable future from insurance policies or rights of indemnification or (B) the Series D Preferred Shares; or
 - (v) any representation or warranty contained in the Securities Purchase Agreement or the Registration Rights Agreement is false or misleading on or as of the date made and which either reflects or has had a material adverse effect on (A) the financial condition, operating results, business, properties, or operations of the Company and its subsidiaries taken as a whole taking into account any proceeds reasonably expected to be received by the Company or its subsidiaries in the foreseeable future from insurance policies or rights of indemnification or (B) the Series D Preferred Shares.
- (f) **Mechanics of Redemption at Option of Buyer Upon Major Transaction.** No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Major Transaction, but not prior to the public announcement of such Major Transaction, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Major Transaction") to each holder of Series D Preferred Shares. At any time after receipt of a Notice of Major Transaction, the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding may require the Company to redeem all of the holders' Series D Preferred Shares then outstanding in accordance with Section 4(a) hereof by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Major Transaction") to the Company, which Notice of Redemption at Option of Buyer Upon Major Transaction shall indicate (i) the number of Series D Preferred Shares that such holders are voting in favor of redemption and (ii) the applicable redemption price, as calculated pursuant to Section 4(a) above.
- (g) **Mechanics of Redemption at Option of Buyer Upon Triggering Event.** Within one (1) day after the occurrence of a Triggering Event, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Triggering Event") to each holder of Series D Preferred Shares. At any time after receipt of a Notice of Triggering Event, the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding may require the Company to redeem all of the Series D Preferred Shares then outstanding in accordance with Section 4(b) hereof by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Triggering Event") to the Company, which Notice of Redemption at Option of Buyer Upon Triggering Event shall indicate (i) the number of Series D Preferred Shares that such holders are voting in favor of redemption and (ii) the applicable redemption price, as calculated pursuant to Section 4(b) above.
- (h) **Payment of Redemption Price.** Upon the Company's receipt of a Notice(s) of Redemption at Option of Buyer Upon Major Transaction or a Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, from the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, the Company shall immediately notify each holder by facsimile of the Company's receipt of such requisite notices necessary to affect a redemption and each holder of Series D Preferred Shares shall thereafter promptly send such holder's Preferred Stock Certificates to be redeemed to the Company or its

Transfer Agent. The Company shall pay the applicable redemption price, as calculated pursuant to Section 4(a) or 4(b) above, in cash to such holder within thirty (30) days after the Company's receipt of the requisite notices required to affect a redemption; provided that a holder's Series D Preferred Stock Certificates shall have been so delivered to the Company or its Transfer Agent; provided further, that if the Company is unable to redeem all of the Series D Preferred Shares, the Company shall redeem an amount from each holder of Series D Preferred Shares equal to such holder's pro-rata amount (based on the number of Series D Preferred Shares held by such holder relative to the number of Series D Preferred Shares outstanding) of all Series D Preferred Shares being redeemed. If the Company shall fail to redeem all of the Series D Preferred Shares submitted for redemption (other than pursuant to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate), the applicable redemption price payable in respect of such unredeemed Series D Preferred Shares shall bear interest at the rate of 2.5% per month pro-rated for partial months but in no event more than the maximum rate permitted by applicable law) until paid in full. Until the Company pays such unpaid applicable redemption price in full to each holder, holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, including shares of Series D Preferred Shares submitted for redemption pursuant to this Section 4 and for which the applicable redemption price has not been paid, shall have the option (the "Void Optional Redemption Option") to, in lieu of redemption, require the Company to promptly return to each holder all of the Series D Preferred Shares that were submitted for redemption by such holder under this Section 4 and for which the applicable redemption price has not been paid, by sending written notice thereof to the Company via facsimile (the "Void Optional Redemption Notice"). Upon the Company's receipt of such Void Optional Redemption Notice(s) and prior to payment of the full applicable redemption price to each holder, (i) the Notice(s) of Redemption at Option of Buyer Upon Triggering Event or the Notice(s) of Redemption at Option of Buyer Upon Major Transaction, as the case may be, shall be null and void with respect to those Series D Preferred Shares submitted for redemption and for which the applicable redemption price has not been paid, (ii) the Company shall immediately return any Series D Preferred Shares submitted to the Company by each holder for redemption under this Section 4(i) and for which the applicable redemption price had not been paid, (iii) the Fixed Conversion Price of such returned Series D Preferred Shares shall be adjusted to the lesser of (A) the Fixed Conversion Price as in effect on the date on which the Void Option Redemption Notice(s) is delivered to the Company and (B) the lowest Closing Bid Price during the period beginning on the date on which the Notice(s) of Redemption at Option of Buyer Upon Major Transaction or the Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, is delivered to the Company and ending on the date on which the Void Optional Redemption Notice(s) is delivered to the Company; provided that no adjustment shall be made if such adjustment would result in an increase of the Fixed Conversion Price then in effect, and (iv) the Conversion Percentage in effect at such time and thereafter shall be reduced by a number of percentage points equal to the product of (A) two and one-half (2.5) and (B) the number of months pro-rated for partial months) in the period beginning on the date on which the Notice(s) of Redemption at Option of Buyer Upon Major Transaction or the Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, is delivered to the Company and ending on the date on which the Void Optional Redemption Notice(s) is delivered to the Company. Notwithstanding the foregoing, in the event of a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate, such dispute shall be resolved pursuant to Section 2(f)(iii) above with the term "Closing Bid Price" being substituted for the term "Average Market Price" and the term "Redemption Rate" being substituted for the term "Conversion Rate."

Section Inability to Fully Convert.

- (a) *Holder's Option if Company Cannot Fully Convert.* If at any time after the earlier to occur of (i) effectiveness of the Registration Statement or (ii) sixty (60) days after the Scheduled Effective Date, upon the Company's receipt of a Conversion Notice, the Company does

not issue shares of Common Stock which are registered for resale under the Registration Statement within five (5) business days of the time required in accordance with Section 2(f) hereof, for any reason or for no reason, including, without limitation, because the Company (A) does not have a sufficient number of shares of Common Stock authorized and available, (B) is otherwise prohibited by applicable law or by the rules or regulations of any stock exchange, interdealer quotation system, or other self-regulatory organization with jurisdiction over the Company or its Securities, including without limitation the NASDAQ-Small Cap, from issuing all of the Common Stock which is to be issued to a holder of Series D Preferred Shares pursuant to a Conversion Notice, or (C) fails to have a sufficient number of shares of Common Stock registered and eligible for resale under the Registration Statement, then the Company shall issue as many shares of Common Stock as it is able to issue in accordance with such holder's Conversion Notice and pursuant to Section 2(f) above and, with respect to the unconverted Series D Preferred Shares, the holder, solely at such holder's option, can, in addition to any other remedies such holder may have hereunder, under the Securities Purchase Agreement (including indemnification under Section 8 thereof), under the Registration Rights Agreement, or at law or in equity, elect to: (i) require the Company to redeem from such holder those Series D Preferred Shares for which the Company is unable to issue Common Stock in accordance with such holder's Conversion Notice ("Mandatory Redemption") at a price per Series D Preferred Share (the "Mandatory Redemption Price") equal to the greater of (x) 120% of the Liquidation Value of such share and (y) the Redemption Rate as of such Conversion Date; (ii) if the Company's inability to fully convert Series D Preferred Shares is pursuant to Section 5(a)(z) above, require the Company to issue restricted shares of Common Stock in accordance with such holder's Conversion Notice and pursuant to Section 2(f) above; or (iii) void its Conversion Notice and retain or have returned, as the case may be, the nonconverted Series D Preferred Shares that were to be converted pursuant to such holder's Conversion Notice.

- (b) **Mechanics of Fulfilling Holder's Election.** The Company shall immediately send via facsimile to a holder of Series D Preferred Shares, upon receipt of a facsimile copy of a Conversion Notice from such holder which cannot be fully satisfied as described in Section 5(a) above, a notice of the Company's inability to fully satisfy such holder's Conversion Notice (the "Inability to Fully Convert Notice"). Such Inability to Fully Convert Notice shall indicate (i) the reason why the Company is unable to fully satisfy such holder's Conversion Notice, (ii) the number of Series D Preferred Shares which cannot be converted, and (iii) the applicable Mandatory Redemption Price. Such holder must within five (5) business days of receipt of such Inability to Fully Convert Notice deliver written notice via facsimile to the Company ("Notice in Response to Inability to Convert") of its election pursuant to Section 5(a) above.
- (c) **Payment of Redemption Price.** If such holder shall elect to have its shares redeemed pursuant to Section 5(a) above, the Company shall pay the Mandatory Redemption Price in cash to such holder within thirty (30) days of the Company's receipt of the holder's Notice in Response to Inability to Convert. If the Company shall fail to pay the applicable Mandatory Redemption Price to such holder on a timely basis as described in this Section 5(c) (other than pursuant to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate), such unpaid amount shall bear interest at the rate of 2.5% per month pro-rated for partial months (but not more than the maximum interest rate permitted by law) until paid in full. Until the full Mandatory Redemption Price is paid in full to such holder, such holder may void the Mandatory Redemption with respect to those Series D Preferred Shares for which the full Mandatory Redemption Price has not been paid and receive back such Series D Preferred Shares. Notwithstanding the foregoing, if the Company fails to pay the applicable Mandatory Redemption Price within such thirty (30) days time period due to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate, such dispute shall be resolved pursuant to Section 2(f)(iii) above with the term "Closing Bid Price" being substituted for the term "Average Market Price" and the term, "Redemption Rate" being substituted for the term "Conversion Rate."

- (d) *Pro-rata Conversion and Redemption.* In the event the Company receives a Conversion Notice from more than one holder of Series D Preferred Shares on the same day and the Company can convert and redeem some, but not all, of the Series D Preferred Shares pursuant to this Section 5, the Company shall convert and redeem from each holder of Series D Preferred Shares electing to have Series D Preferred Shares converted and redeemed at such time an amount equal to such holder's pro-rata amount (based on the number of Series D Preferred Shares held by such holder relative to the number of Series D Preferred Shares outstanding) of all Series D Preferred Shares being converted and redeemed at such time.

Section Reissuance of Certificates. In the event of a conversion or redemption pursuant to this Certificate of Designations of less than all of the Series D Preferred Shares represented by a particular Preferred Stock Certificate, the Company shall promptly cause to be issued and delivered to the holder of such Series D Preferred Shares a Preferred stock certificate representing the remaining Series D Preferred Shares which have not been so converted or redeemed.

Section Reservation of Shares. The Company shall, so long as any of the Series D Preferred Shares are outstanding reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Series D Preferred Shares, such number of shares of Common Stock as shall from time to time be sufficient to affect the conversion of all of the Series D Preferred Shares then outstanding; provided that the number of shares of Common Stock so reserved shall at no time be less than 200% of the number of shares of Common Stock for which the Series D Preferred Shares are at any time convertible.

Section Voting Rights. Holders of Series D Preferred Shares shall have no voting rights, except as required by law, including but not limited to the General Corporation Law of the State of Delaware and as expressly provided in this Certificate of Designations.

Section Liquidation, Dissolution, or Winding-Up. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of the Series D Preferred Shares shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the "Preferred Funds"), before any amount shall be paid to the holders of any of the capital stock of the Company of any class junior in rank to the Series D Preferred Shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up of the Company, an amount per Series D Preferred Share equal to the sum of (i) per share consideration paid to the Company by a Holder on the Issuance Date in respect of one Series D Preferred Share (the "Original Purchase Price") and (ii) an amount equal to the product of (.03) multiplied by $(N/365)$ multiplied by the Original Purchase Price (such sum being referred to as the "Liquidation Value"); provided that, if the Preferred Funds are insufficient to pay the full amount due to the holders of Series D Preferred Shares and holders of shares of other classes or series of preferred stock of the Company that are of equal rank with the Series D Preferred Shares as to payments of Preferred Funds (the "Pari Passu Shares"), then each holder of Series D Preferred Shares and Pari Passu Shares shall receive a percentage of the Preferred Funds equal to the full amount of Preferred Funds payable to such holder as a liquidation preference, in accordance with their respective Certificate of Designations, Preferences and Rights as a percentage or the full amount of Preferred Funds payable to all holders of Series D Preferred Shares and Pari Passu Shares. The purchase or redemption by the Company of stock of any class in any manner permitted by law, shall not for the purposes hereof be regarded as a liquidation, dissolution, or winding up of the Company. Neither the consolidation or merger of the Company with or into any other Person, nor the sale or transfer by the Company of less than substantially all of its assets, shall, for the purposes hereof be deemed to be a liquidation, dissolution, or winding up of the Company. No holder of Series D Preferred Shares shall be entitled to receive any amounts with respect thereto upon any liquidation, dissolution, or winding up of the Company other than the amounts provided for herein.

Section Preferred Rate. All shares of Common Stock shall be of junior rank to all Series D Preferred Shares in respect to the preferences as to distributions and payments upon the liquidation, dissolution, and winding up of

the Company. The rights of the shares of Common Stock shall be subject to the Preferences and relative rights of the Series D Preferred Shares. The Series D Preferred Shares shall be of greater than any Series of Common or Preferred Stock hereinafter issued by the Company. Without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not hereafter authorize or issue additional or other capital stock that is of senior or equal rank to the Series D Preferred Shares in respect of the preferences as to distributions and payments upon the liquidation, dissolution and winding up of the Company. Without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not hereafter authorize or make any amendment to the Company's Certificate of Incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions, which would adversely affect or otherwise impair the rights or relative priority of the holders of the Series D Preferred Shares relative to the holders of the Common Stock or the holders of any other class of capital stock. In the event of the merger or consolidation of the Company with or into another corporation, the Series D Preferred Shares shall maintain their relative powers, designations, and preferences provided for herein and no merger shall result inconsistent therewith.

Section Restriction on Redemption and Dividends.

- (a) Restriction on Dividend. If any Series D Preferred Shares are outstanding, without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not directly or indirectly declare, pay or make any dividends or other distributions upon any of the Common Stock so long as written notice thereof has been given to holders of the Series D Preferred Shares at least 30 days prior to the earlier of (a) the record date taken for or (b) the payment of any such dividend or other distribution. Notwithstanding the foregoing, this Section 11(a) shall not prohibit the Company from declaring and paying a dividend in cash with respect to the Common Stock so long as the Company: (i) pays simultaneously to each holder of Series D Preferred Shares an amount in cash equal to the amount such holder would have received had all of such holder's Series D Preferred Shares been converted to Common Stock pursuant to Section 2 hereof one business day prior to the record date for any such dividend, and (ii) after giving effect to the payment of any dividend and any other payments required in connection therewith including to the holders of the Series D Preferred Shares under Section 11 (a)(i) hereof, the Company has in cash or cash equivalents an amount equal to the aggregate of: (A) all of its liabilities reflected on its most recently available balance sheet, (B) the amount of any indebtedness incurred by the Company or any of its subsidiaries since its most recent balance sheet, and (C) 125% of the amount payable to all holders of any shares of any class of preferred stock of the Company assuming a liquidation of the Company as the date of its most recently available balance sheet.
- (b) Restriction on Redemption. If any Series D Preferred Shares are outstanding, without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not directly or indirectly redeem, purchase, or otherwise acquire from any person or entity other than from a direct or indirect wholly-owned subsidiary of the Company, or permit any subsidiary of the Company to redeem, purchase, or otherwise acquire from any person or entity other than from the Company or another direct or indirect wholly-owned subsidiary of the Company, any of the Company's or any subsidiary's capital stock or other equity securities (including, without limitation, warrants, options, and other rights to acquire such capital stock or other equity securities).

Section Vote to Change the Terms of Series D Preferred Shares. The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting, of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, shall be required for any change to this Certificate of Designations or the Company's Certificate of Incorporation which would amend, alter, change, or repeal any of the powers, designations, preferences, and rights of the Series D Preferred Shares.

Section Lost or Stolen Certificates. Upon receipt by the Company of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of any Preferred Stock Certificates representing the Series D Preferred Shares, and, in the case of loss, theft, or destruction, of any indemnification undertaking by the holder to the Company and, in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided however, the Company shall not be obligated to re-issue preferred stock certificates if the holder contemporaneously requests the Company to convert such Series D Preferred Shares into Common Stock.

Section Withholding Tax Obligations. Notwithstanding anything herein to the contrary, to the extent that the Company receives advice in writing from its counsel that there is a reasonable basis to believe that the Company is required by applicable federal laws or regulations and delivers a copy of such written advice to the holders of the Series D Preferred Shares so effected, the Company may reasonably condition the making of any distribution (as such term is defined under applicable federal tax law and regulations) in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares depositing with the Company an amount of cash sufficient to enable the Company to satisfy its withholding tax obligations (the "Withholding Tax") with respect to such distribution. Notwithstanding the foregoing or anything to the contrary, if any holder of the Series D Preferred Shares so effected receives advice in writing from its counsel that there is a reasonable basis to believe that the Company is not so required by applicable federal laws or regulations and delivers a copy of such written advice to the Company, the Company shall not be permitted to condition the making of any such distribution in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares depositing with the Company any Withholding Tax with respect to such distribution, provided however, the Company may reasonably condition the making of any such distribution in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares executing and delivering to the Company, at the election of the holder, either: (a) if applicable, a property completed Internal Revenue Service Form 4224, or (b) an indemnification agreement in reasonably acceptable form, with respect to any federal tax liability, penalties, and interest that may be imposed upon the Company by the Internal Revenue Service as a result of the Company's failure to withhold in connection with such distribution to such holder. If the conditions in the preceding two sentences are fully satisfied, the Company shall not be required to pay any additional damages set forth in Section 2(f)(v) of this Certificate of Designations if its failure to timely deliver any Conversion Shares results solely from the holder's failure to deposit any withholding tax hereunder or provide to the Company an executed indemnification agreement in the form reasonably satisfactory to the Company.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be signed by Joseph Fiore, its Chief Executive Officer, as of the ___ day of September, 1998.

EAT AT JOE'S LTD.

By:
Joseph Fiore, Chief Executive Officer

EXHIBIT 1

EAT AT JOE'S LTD.
CONVERSION NOTICE

Reference is made to the Certificate of Designations, Preferences, and Rights of Eat At Joe's Ltd. (the "Certificate of Designations"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series D Convertible Preferred Stock, \$.0001 par value per share (the "Series D Preferred Shares"), of Eat At Joe's Ltd., a Delaware corporation (the "Company"), indicated below into shares of

Common Stock, \$.0001 par value per share (the "Common Stock"), of the Company, by tendering the stock certificate(s) representing the share(s) of Series D Preferred Shares specified below as of the date specified below.

The undersigned acknowledges that any sales by the undersigned of the securities issuable to the undersigned upon conversion of the Series D Preferred Shares shall be made only pursuant to (i) a registration statement effective under the Securities Act of 1933, as amended (the "Act"), or (ii) advice of counsel that such sale is exempt from registration required by Section 5 of the Act.

Date of Conversion:

Number of Series D Preferred Shares to be converted

Stock certificate no(s) of Series D Preferred Shares to be converted:

Please confirm the following information:

Conversion Price:

Number of shares of Common Stock to be issued:

Please issue the Common Stock into which the Series D Preferred Shares are being converted in the following name and to the following address:

Issue to:

Facsimile Number:

Authorization:

By:

Title:

Dated:

ACKNOWLEDGED AND AGREED:

EAT AT JOE'S LTD.

By:

Title:

Dated:

CERTIFICATE OF DESIGNATIONS, PREFERENCES
AND RIGHTS
OF
SERIES D CONVERTIBLE PREFERRED STOCK
OF
EAT AT JOE'S LTD.

Eat At Joe's Ltd. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the Board of Directors of the Company by the Certificate of Incorporation of the Company, and pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company at a meeting duly held, adopted resolutions (i) authorizing a series of the Company's authorized preferred stock, \$.0001 par value per share, and (ii) providing for the designations, preferences, and relative, participating, optional, or other rights, and the qualifications, limitations, or restrictions of twenty (20) shares of Series D Convertible Preferred Stock of the Company, as follows: RESOLVED, that the Company is authorized to issue twenty (20) shares of Series D Convertible Preferred Stock (the "Series D Preferred Shares"), \$.0001 par value per share, which shall have the following powers, designations, preferences, and other special rights:

Section Dividends. The Series D Preferred Shares shall not bear any dividends.

Section Holder's Conversion of Series D Preferred Shares. A holder of Series D Preferred Shares shall have the right, at such holder's option, to convert the Series D Preferred Shares into shares of the Company's common stock, \$.0001 par value per share (the "Common Stock"), on the following terms and conditions:

- (a) Conversion Right. Subject to the provisions of Sections 2(g) and 3(a) below, at any time or times on or after the earlier of: (i) 30 days after the Issuance Date (as defined herein), (ii) 5 days after receiving a "no-review" status from the U.S. Securities and Exchange Commission in connection with a registration statement ("Registration Statement") covering the resale of Common Stock issued upon conversion of the Series D Preferred Shares and required to be filed and amended by the Company pursuant to the Registration Rights Agreement between the Company and its initial holders of Series D Preferred Shares (the "Registration Rights Agreement"), or (iii) the date that the Registration Statement is declared effective by the U.S. Securities and Exchange Commission (the "SEC"), any holder of Series D Preferred Shares shall be entitled to convert any Series D Preferred Shares into fully paid and nonassessable shares (rounded to the nearest whole share in accordance with Section 2(h) below) of Common Stock, at the Conversion Rate (as defined below); provided however, that in no event other than upon a Mandatory Conversion pursuant to Section 2(g) hereto, shall any holder be entitled to convert Series D Preferred Shares in excess of that number of Series D Preferred Shares which, upon giving effect to such conversion, would cause the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates to exceed 4.9% of the outstanding shares of the Common Stock following such conversion. For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series D Preferred Shares with respect to which the determination of such proviso is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) conversion of the remaining, nonconverted Series D Preferred Shares beneficially owned by the holder and its affiliates beneficially owned by the holder and its affiliates. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended.
- (b) Conversion Rate. The number of shares of Common Stock issuable upon

conversion of each of the Series D Preferred Shares pursuant to Section (2) (a) shall be determined according to the following formula (the "Conversion Rate");

$$(.03 (N/365) (\$20,000) + \$20,000 \text{ Conversion Price})$$

For purposes of this Certificate of Designations, the following terms shall have the following meanings:

- (i) "Conversion Price" means as of any Conversion Date (as defined below), the lower of the Fixed Conversion Price and the Floating Conversion Price, each in effect as of such date, if applicable, and subject to adjustment as provided herein;
 - (ii) "Fixed Conversion Price" means \$ 1.65, subject to adjustment, as provided herein;
 - (iii) "Floating Conversion Price" means, as of any date of determination, the amount obtained by multiplying the Conversion Percentage in effect as of such date by the Average Market Price for the Common Stock for the five (5) consecutive trading days immediately preceding such date;
 - (iv) "Conversion Percentage" means 80% and shall be reduced by an additional two percentage points for every 30 days (pro-rated for partial months) beyond 20 days from the Issuance Date (the "Scheduled Filing Date") that the Registration Statement No. 333-55679 filed by the Company is not amended to include the Series D Preferred Shares;
 - (v) "Average Market Price" means, with respect to any security for any period, that price which shall be computed as the arithmetic average of the Closing Bid Prices (as defined below) for such security for each trading day in such period;
 - (vi) "Closing Bid Price" means, for any security as of any date, the last closing bid price on the NASDAQ National Market (the "NASDAQ-NM") as reported by Bloomberg Financial Markets ("Bloomberg"), or, if the NASDAQ-NM is not the principal trading market for such security, the last closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the pink sheets or bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as reasonably determined in good faith by the Board of Directors of the Company (all as appropriately adjusted for any stock dividend, stock split, or other similar transaction during such period);
 - (vii) "N" means the number of days between, but excluding, the Issuance Date through and including the Conversion Date for the Series D Preferred Shares for which conversion is being elected; and
 - (viii) "Issuance Date" means the date of issuance of the Series D Preferred Shares.
- (c) Adjustment to Conversion Price - Registration Statement. If the Registration Statement which identifies the Series D Preferred Shares is not declared effective by the SEC on or before the thirtieth (30th) day following the Issuance Date (the "Scheduled Effective Date"), or if after the Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to the Registration Statement (whether because of a failure to keep the registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to the Registration Statement, to register sufficient shares of Common Stock or otherwise), then, as partial relief for the

damages to any holder by reason of any such delay in or reduction of its ability to sell the underlying shares of Common Stock (which remedy shall not be exclusive of any other remedies at law or in equity), the Conversion Percentage and the Fixed Conversion Price shall be adjusted as follows:

- (i) **Conversion Percentage.** The Conversion Percentage in effect, at such time for each time period set forth in Section 2(b)(iv) with respect to the Series D Preferred Shares which may be converted as permitted by Section 2(a) hereof during the period that sales cannot be made pursuant to the Registration Statement, shall be reduced by a number of percentage points equal to the product of (A) three (3) and (B) the sum of (I) the number of months pro-rated for partial months) after the Scheduled Effective Date and prior to the date that the relevant Registration Statement is declared effective by the SEC and (II) the number of months pro-rated for partial months) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. For example, if the Registration Statement becomes effective one and one-half (1 1/2) months after the Scheduled Effective Date, the Conversion Percentage with respect to the Series D Preferred Shares would decrease by four and one-half percentage points (80% to 76.5%) until any subsequent adjustment; if thereafter sales could not be made pursuant to the Registration Statement for a period of two (2) additional months, the Conversion Percentage with respect to the Series D Preferred Shares would decrease by an additional six percent (6%), for an aggregate decrease of ten and one-half percentage points (80% to 69.5%); and
 - (ii) **Fixed Conversion Price.** The Fixed Conversion Price in effect from time to time with respect to the Series D Preferred Shares shall be reduced by an amount equal to the product of (A) \$.066 multiplied by (B) the sum of (I) the number of months (pro-rated for partial months) after the Scheduled Effective Date and prior to the date that the Registration Statement is declared effective by the SEC and (II) the number of months pro-rated for partial months) that sales cannot be made pursuant to the Registration Statement after the Registration Statement has been declared effective. For example, if the Registration Statement becomes effective one and one-half (1 1/2) months after the Scheduled Effective Date, the Fixed Conversion Price with respect to the Series D Preferred Shares would be \$1.55 until any subsequent adjustment; if thereafter sales could not be made pursuant to the Registration Statement for a period of two (2) additional months, the Fixed Conversion Price with respect to the Series D Preferred Shares would then be \$1.42.
- (d) **Adjustment to Conversion Price - Dilution and Other Events.** In order to prevent dilution of the rights granted under this Certificate of Designations, the Conversion Price will be subject to adjustment from time to time as provided in this Section 2(d).
- (i) **Adjustment of Fixed Conversion Price upon Subdivision or Combination of Common Stock.** If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Fixed Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by combination, reverse stock split, or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Fixed Conversion Price in effect immediately prior to such combination will be proportionately increased.
 - (ii) **Reorganization, Reclassification, Consolidation, Merger, or Sale.** Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined below), or other similar transaction which is effected in such a way that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities, or assets with respect

to or in exchange for Common Stock is referred to herein as in "Organic Change." Prior to the consummation of any Organic Change, the Company will make appropriate provision (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding) to insure that each of the holders of the Series D Preferred Shares will thereafter have the right to acquire and receive in lieu of, or in addition to, (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series D Preferred Shares, such shares of stock, securities, or assets as may be issued or payable with respect to, or in exchange for, the number of shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series D Preferred Shares had such Organic Change not taken place. In any such case, the Company will make appropriate provision (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding) with respect to such holders' rights and interests to insure that the provisions of this Section 2(d) and Section 2(e) below will thereafter be applicable to the Series D Preferred Shares. The Company will not effect any such consolidation, merger, or sale, unless prior to the consummation thereof the successor entity (if other than the Company) resulting from consolidation or merger or the entity purchasing such assets assumes, by written instrument (in form and substance satisfactory to the holders of a majority of the Series D Preferred Shares then outstanding), the obligation to deliver to each holder of Series D Preferred Shares such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire. For purposes of this Agreement, "Person" shall mean an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, and a government or any department or agency thereof.

(iii) Notices.

- (A) Immediately upon any adjustment of the Conversion Price, the Company will give written notice thereof to each holder of Series D Preferred Shares, setting forth in reasonable detail and certifying the calculation of such adjustment.
 - (B) The Company will give written notice to each holder of Series D Preferred Shares at least twenty (20) days prior to the date on which the Company closes its books or takes a record (I) with respect to any dividend or distribution upon the Common Stock, (II) with respect to any pro rata subscription offer to holders of Common Stock or (III) for determining rights to vote with respect to any Organic Change, dissolution, or liquidation.
 - (C) The Company will also give written notice to each holder of Series D Preferred Shares at least twenty (20) days prior to the date on which any Organic Change, Major Transaction (as defined below), dissolution, or liquidation will take place.
- (e) **Purchase Rights.** If at any time the Company grants, issues, or sells any Options, Convertible Securities, or rights to purchase stock, warrants, securities, or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the holders of Series D Preferred Shares will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series D Preferred Shares immediately before the date on which a record is taken for the grant issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue, or sale of such Purchase Rights.
- (f) **Mechanics of Conversion.** Subject to the Company's inability to fully satisfy its obligations under a Conversion Notice (as defined below) as provided for in Section 5 below:

- (i) *Holder's Delivery Requirements.* To convert Series D Preferred Shares into full shares of Common Stock on any date (the "Conversion Date"), the holder thereof shall (A) deliver or transmit by facsimile, for receipt on or prior to 11:59 P.M., Eastern Standard Time, on such date, a copy of a fully executed notice of conversion in the form attached hereto as Exhibit 1 (the "Conversion Notice") to the Company or its designated transfer agent (the "Transfer Agent"), and (B) surrender to a common carrier for delivery to the Company or the Transfer Agent as soon as practicable following such date, the original certificates representing the Series D Preferred Shares being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft, or destruction) (the "Preferred Stock Certificates") and the originally executed Conversion Notice.
- (ii) *Company's Response.* Upon receipt by the Company of a facsimile copy of a Conversion Notice, the Company shall immediately send, via Facsimile, a confirmation of receipt of such Conversion Notice to such holder. Upon receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to a Conversion Notice, together with the originally executed Conversion Notice, the Company or the Transfer Agent (as applicable) shall, within five (5) business days following the date of receipt, (A) issue and surrender to a common carrier for overnight delivery to the address as specified in the Conversion Notice, a certificate, registered in the name of the holder or its designee, for the number of shares of Common Stock to which the holder shall be entitled or (B) credit the aggregate number of shares of Common Stock to which the holder shall be entitled to the holder's or its designee's balance account at The Depository Trust Company.
- (iii) *Dispute Resolution.* In the case of a dispute as to the determination of the Average Market Price or the arithmetic calculation of the Conversion Rate, the Company shall promptly issue to the holder the number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the holder via facsimile within three (3) business days of receipt of such holder's Conversion Notice. If such holder and the Company are unable to agree upon the determination of the Average Market Price or arithmetic calculation of the Conversion Rate within two (2) business days of such disputed determination or arithmetic calculation being submitted to the holder, then the Company shall within one (1) business day submit via facsimile (A) the disputed determination of the Average Market Price to an independent, reputable investment bank or (B) the disputed arithmetic calculation of the Conversion Rate to its independent, outside accountant. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the holder of the results no later than forty-eight (48) hours from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.
- (iv) *Record Holder.* The person or persons entitled to receive the shares of Common Stock issuable upon a conversion of Series D Preferred Shares shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.
- (v) *Company's Failure to Timely Convert.* If the Company shall fail to issue to a holder within five (5) business days following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to a Conversion Notice, a certificate for the number of shares of Common Stock to which such holder is entitled upon such holder's conversion of Series D Preferred Shares, in addition to all other available remedies which such holder may pursue hereunder and under the Series D Convertible Preferred Stock Purchase Agreement

between the Company and the initial holders of the Series D Preferred Shares (the "Securities Purchase Agreement") (including indemnification pursuant to Section 8 thereto, the Company shall pay additional damages to such holder on each day after the fifth (5th) business day following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to the Conversion Notice, for which such conversion is not timely effected, an amount equal to 1.0% of the product of (A) the number of shares of Common Stock not issued to the holder and to which such holder is entitled and (B) the Closing Bid Price of the Common Stock on the business day following the date of receipt by the Company or the Transfer Agent of the Preferred Stock Certificates to be converted pursuant to the Conversion Notice.

- (g) **Mandatory Conversion.** If any Series D Preferred Shares remain outstanding on the second (2nd) anniversary of the Issuance Date, then all such Series D Preferred Shares shall be converted as of such date in accordance with this Section 2 as if the holders of such Series D Preferred Shares had given the Conversion Notice on the second (2nd) anniversary of the Issuance Date, and the Conversion Date had been fixed as of the second (2nd) anniversary of the Issuance Date, for all purposes of this Section 2, and all holders of Series D Preferred Shares shall thereupon and with two (2) business days thereafter surrender all Preferred Stock Certificates, duly endorsed for cancellation, to the Company or the Transfer Agent. No person shall thereafter have any rights in respect of Series D Preferred Shares, except the right to receive shares of Common Stock on conversion thereof as provided in this Section 2.
- (h) **Fractional Shares.** The Company shall not issue any fraction of a share of Common Stock upon any conversion. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of the Series D Preferred Shares by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of a fraction of a share of Common Stock. If, after the aforementioned aggregation, the issuance would result in the issuance of a fraction of it share of Common Stock, the Company shall round such fraction of a share of Common Stock up or down to the nearest whole share.
- (i) **Taxes.** The Company shall pay any and all taxes which may be imposed upon it with respect to the issuance and delivery of Common Stock upon the conversion of the Series D Preferred Shares.

Section Company's Right to Redeem at its Election.

- (a) At any time, commencing One Hundred Ten (110) days after the Issuance Date, as long as the Company has not breached any of the representations, warrants, and covenants contained herein or in any related agreements, the Company shall have the right, in its sole discretion, to redeem ("Redemption at Company's Election"), from time to time, any or all of the Series D Preferred Stock: provided (i) Company shall first provide thirty (30) days advance written notice as provided in subparagraph 3(a)(ii) below (which can be given any time on or after 80 days after the Issuance Date, and (ii) that the Company shall only be entitled to redeem Series D Preferred Stock having an aggregate Stated Value (as defined below) of at least Five Hundred Thousand Dollars (\$500,000). If the Company elects to redeem some, but not all, of the Series D Preferred Stock, the Company shall redeem a pro-rata amount from each Holder of the Series D Preferred Stock.
 - (i) **Redemption Price At Company's Election.** The "Redemption Price at Company's Election" shall be calculated as 125% of Stated Value, as that term is defined below, of the Series D Preferred Stock. For purposes hereto, "Stated Value" shall mean the original consideration paid by a Holder for the number of shares of Preferred Stock being redeemed, plus a premium of 3% per annum from the original Issue Date through and including the redemption date.
 - (ii) **Mechanics of Redemption at Company's Election.** The Company shall effect each such redemption by giving at least thirty (30) days

prior written notice ("Notice of Redemption at Company's Election") to (A) the Holders of the Series D Preferred Stock selected for redemption at the address and facsimile number of such Holder appearing in the Company's Series D Preferred Stock register and (B) the Transfer Agent, which Notice of Redemption At Company's Election shall be deemed to have been delivered three (3) business days after the Company's mailing (by overnight or two (2) day courier, with a copy by facsimile) of such Notice of Redemption at Company's Election. Such Notice of Redemption At Company's Election shall indicate (i) the number of shares of Series D Preferred Stock that have been selected for redemption, (ii) the date which such redemption is to become effective (the "Date of Redemption At Company's Election"), and (iii) the applicable Redemption Price At Company's Election, as defined in subsection (a)(i) above. Notwithstanding the above, Holder may convert into Common Stock, prior to the close of business on the Date of Redemption at Company's Election, any Series D Preferred Stock which it is otherwise entitled to convert, including Series D Preferred Stock that has been selected for redemption at Company's election pursuant to this subsection 3(b).

- (b) *Company Must Have Immediately Available Funds or Credit Facilities.* The Company shall not be entitled to send any Redemption Notice and begin the redemption procedure under Sections 3(a) unless it has:
- (i) the full amount of the redemption price to cash, available in a demand or other immediately available account in a bank or similar financial institution; or
 - (ii) immediately available credit facilities, in the full amount of the redemption price with a bank or similar financial institution, or
 - (iii) an agreement with a standby underwriter willing to purchase from the Company a sufficient number of shares of stock to provide proceeds necessary to redeem any stock that is not converted prior to redemption; or
 - (iv) a combination of the items set forth in (i), (ii), and (iii) above, aggregating the full amount of the redemption price.
- (c) *Payment of Redemption Price.* Each Holder submitting Preferred Stock being redeemed under this Section 3 shall send the Series D Preferred Stock Certificates to be redeemed to the Company or its Transfer Agent, and the Company shall pay the applicable redemption price to that Holder within five (5) business days of the Date of Redemption at Company's Election.

Section Redemption at Option of Holders.

- (a) *Redemption Option Upon Major Transaction.* In addition to all other rights of the holders of Series D Preferred Shares contained herein, after a Major Transaction (as defined below), the holders of Series D Preferred Shares shall have the right in accordance with Section 4(f), at the option of the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, to require the Company to redeem all of the Series D Preferred Shares then outstanding at a price per Series D Preferred Share equal to the greater of (i) 100% of the Liquidation Value (as defined below) of such share and (ii) the price calculated in accordance with the Redemption Rate (as defined below) calculated as of the date of the public announcement of such Major Transaction or the next date on which the exchange or market on which the Common Stock is traded in open if such public announcement is made (A) after 1:00 P.M. Eastern Standard Time on such date or (B) on a date on which the exchange or market on which the Common Stock is traded is closed.
- (b) *Redemption Option Upon Triggering Event.* In addition to all other rights of the holders of Series D Preferred Shares contained herein, after a Triggering Event (as defined below), the holders of Series D Preferred Shares shall have the right in accordance with Section 4(g), at the option of the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, to require the Company to

redeem all of the Series D Preferred Shares then outstanding at a price per Series D Preferred Shares equal to the greater of (i) 120% of the Liquidation Value of such share, and (ii) the price calculated in accordance with the Redemption Rate as of the date immediately preceding such Triggering Event on which the exchange or market on which the Common Stock is traded is open.

- (c) **Redemption Rate.** The "Redemption Rate" shall, as of any date of determination, be equal to (i) the Conversion Rate in effect as of such date as calculated pursuant to Section 2(b) multiplied by (ii) the Closing Bid Price of the Common Stock on such date.
- (d) **Major Transaction.** A "Major Transaction" shall be deemed to have occurred at such time as any of the following events:
- (i) the consummation of any merger, reorganization, restructuring, consolidation, or similar transaction by or involving the Company except (A) a merger or consolidation in which the Company is the survivor or (B) pursuant to a migratory (change of domicile) merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company;
 - (ii) sale of all or substantially all of the assets of the Company or all of its material subsidiaries or any similar transaction or related transactions which effectively results in a sale of all or substantially all of the assets of the Company and/or its subsidiaries;
 - (iii) the occurrence, after the date hereof, of the acquisition, by any person (including any entity or association) or persons (other than any existing stockholder of the Company or two or more existing stockholders of the Company, acting in concert, of securities of the Company (or the power to vote such securities) representing 50% or more of the total voting power of all outstanding Common Stock or other voting securities of the Company; or
 - (iv) the failure of the Company to continue to own, directly or indirectly, all of the capital stock of all of its material subsidiaries (other than due to a merger or consolidation of any subsidiary into the Company or a wholly-owned subsidiary of the Company).
- (e) **Triggering Event.** A "Triggering Event" shall be deemed to have occurred at such time as any of the following events:
- (i) either (A) the failure of the Registration Statement to be effective or to cover the resale of all of the shares of Common Stock issued or issuable upon conversion of the Series D Preferred Shares at any time after sixty (60) days after the Scheduled Effective Date (provided that for purposes of determining the Closing Bid Price under Section 4(c) above, the Triggering Event shall be deemed to have occurred on the first day of such 60-day period) or (B) for any period of sixty (60) consecutive days after the date that is sixty (60) days after the Scheduled Effective Date that Common Stock issued or issuable upon conversion of the Series D Preferred Shares cannot be sold under the Registration Statement for any reason provided that for purposes of determining the Closing Bid Price under Section 4(c) above, the Triggering Event shall be deemed to have occurred on the first day of such 60-day period);
 - (ii) if for any reason the Company fails to perform or observe any covenant, agreement, or other provision contained in Section 9 or 10 hereof or in Section 4(g) of the Securities Purchase Agreement;
 - (iii) Joe Fiore ceases to be the Chief Executive Officer of the Company prior to the second (2nd) anniversary of the Issuance Date, other than in connection with a Major Transaction;
 - (iii) the Company's notice to any holder of Series D Preferred Shares, including by way of public announcement, at any time, of its

intention for any reason not to comply with requests for conversion of any Series D Preferred Shares into shares of Common Stock;

- (iv) if for any reason the Company fails to perform or observe any covenant, agreement, or other provision contained herein or in the Securities Purchase Agreement or the Registration Rights Agreement, and such failure is not cured within 30 days after the Company knows, or should have known with the exercise of reasonable diligence, of the occurrence thereof, and such failure has had, or could reasonably be expected to have, a material adverse effect on (A) the financial condition, operating results, business, properties, or operations of the Company and its subsidiaries taken as a whole taking into account any proceeds reasonably expected to be received by the Company or its subsidiaries in the foreseeable future from insurance policies or rights of indemnification or (B) the Series D Preferred Shares; or
 - (v) any representation or warranty contained in the Securities Purchase Agreement or the Registration Rights Agreement is false or misleading on or as of the date made and which either reflects or has had a material adverse effect on (A) the financial condition, operating results, business, properties, or operations of the Company and its subsidiaries taken as a whole taking into account any proceeds reasonably expected to be received by the Company or its subsidiaries in the foreseeable future from insurance policies or rights of indemnification or (B) the Series D Preferred Shares.
- (f) **Mechanics of Redemption at Option of Buyer Upon Major Transaction.** No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Major Transaction, but not prior to the public announcement of such Major Transaction, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Major Transaction") to each holder of Series D Preferred Shares. At any time after receipt of a Notice of Major Transaction, the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding may require the Company to redeem all of the holders' Series D Preferred Shares then outstanding in accordance with Section 4(a) hereof by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Major Transaction") to the Company, which Notice of Redemption at Option of Buyer Upon Major Transaction shall indicate (i) the number of Series D Preferred Shares that such holders are voting in favor of redemption and (ii) the applicable redemption price, as calculated pursuant to Section 4(a) above.
- (g) **Mechanics of Redemption at Option of Buyer Upon Triggering Event.** Within one (1) day after the occurrence of a Triggering Event, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Triggering Event") to each holder of Series D Preferred Shares. At any time after receipt of a Notice of Triggering Event, the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding may require the Company to redeem all of the Series D Preferred Shares then outstanding in accordance with Section 4(b) hereof by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Triggering Event") to the Company, which Notice of Redemption at Option of Buyer Upon Triggering Event shall indicate (i) the number of Series D Preferred Shares that such holders are voting in favor of redemption and (ii) the applicable redemption price, as calculated pursuant to Section 4(b) above.
- (h) **Payment of Redemption Price.** Upon the Company's receipt of a Notice(s) of Redemption at Option of Buyer Upon Major Transaction or a Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, from the holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, the Company shall immediately notify each holder by facsimile of the Company's receipt of such requisite notices necessary to affect a redemption and each holder of Series D Preferred Shares shall thereafter promptly send such holder's Preferred Stock Certificates to be redeemed to the Company or its

Transfer Agent. The Company shall pay the applicable redemption price, as calculated pursuant to Section 4(a) or 4(b) above, in cash to such holder within thirty (30) days after the Company's receipt of the requisite notices required to affect a redemption; provided that a holder's Series D Preferred Stock Certificates shall have been so delivered to the Company or its Transfer Agent; provided further, that if the Company is unable to redeem all of the Series D Preferred Shares, the Company shall redeem an amount from each holder of Series D Preferred Shares equal to such holder's pro-rata amount (based on the number of Series D Preferred Shares held by such holder relative to the number of Series D Preferred Shares outstanding) of all Series D Preferred Shares being redeemed. If the Company shall fail to redeem all of the Series D Preferred Shares submitted for redemption (other than pursuant to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate), the applicable redemption price payable in respect of such unredeemed Series D Preferred Shares shall bear interest at the rate of 2.5% per month pro-rated for partial months but in no event more than the maximum rate permitted by applicable law) until paid in full. Until the Company pays such unpaid applicable redemption price in full to each holder, holders of at least two-thirds (2/3) of the Series D Preferred Shares then outstanding, including shares of Series D Preferred Shares submitted for redemption pursuant to this Section 4 and for which the applicable redemption price has not been paid, shall have the option (the "Void Optional Redemption Option") to, in lieu of redemption, require the Company to promptly return to each holder all of the Series D Preferred Shares that were submitted for redemption by such holder under this Section 4 and for which the applicable redemption price has not been paid, by sending written notice thereof to the Company via facsimile (the "Void Optional Redemption Notice"). Upon the Company's receipt of such Void Optional Redemption Notice(s) and prior to payment of the full applicable redemption price to each holder, (i) the Notice(s) of Redemption at Option of Buyer Upon Triggering Event or the Notice(s) of Redemption at Option of Buyer Upon Major Transaction, as the case may be, shall be null and void with respect to those Series D Preferred Shares submitted for redemption and for which the applicable redemption price has not been paid, (ii) the Company shall immediately return any Series D Preferred Shares submitted to the Company by each holder for redemption under this Section 4(i) and for which the applicable redemption price had not been paid, (iii) the Fixed Conversion Price of such returned Series D Preferred Shares shall be adjusted to the lesser of (A) the Fixed Conversion Price as in effect on the date on which the Void Option Redemption Notice(s) is delivered to the Company and (B) the lowest Closing Bid Price during the period beginning on the date on which the Notice(s) of Redemption at Option of Buyer Upon Major Transaction or the Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, is delivered to the Company and ending on the date on which the Void Optional Redemption Notice(s) is delivered to the Company; provided that no adjustment shall be made if such adjustment would result in an increase of the Fixed Conversion Price then in effect, and (iv) the Conversion Percentage in effect at such time and thereafter shall be reduced by a number of percentage points equal to the product of (A) two and one-half (2.5) and (B) the number of months pro-rated for partial months) in the period beginning on the date on which the Notice(s) of Redemption at Option of Buyer Upon Major Transaction or the Notice(s) of Redemption at Option of Buyer Upon Triggering Event, as the case may be, is delivered to the Company and ending on the date on which the Void Optional Redemption Notice(s) is delivered to the Company. Notwithstanding the foregoing, in the event of a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate, such dispute shall be resolved pursuant to Section 2(f)(iii) above with the term "Closing Bid Price" being substituted for the term "Average Market Price" and the term "Redemption Rate" being substituted for the term "Conversion Rate."

Section Inability to Fully Convert.

- (a) *Holder's Option if Company Cannot Fully Convert.* If at any time after the earlier to occur of (i) effectiveness of the Registration Statement or (ii) sixty (60) days after the Scheduled Effective Date, upon the Company's receipt of a Conversion Notice, the Company does

not issue shares of Common Stock which are registered for resale under the Registration Statement within five (5) business days of the time required in accordance with Section 2(f) hereof, for any reason or for no reason, including, without limitation, because the Company (A) does not have a sufficient number of shares of Common Stock authorized and available, (B) is otherwise prohibited by applicable law or by the rules or regulations of any stock exchange, interdealer quotation system, or other self-regulatory organization with jurisdiction over the Company or its Securities, including without limitation the NASDAQ-Small Cap, from issuing all of the Common Stock which is to be issued to a holder of Series D Preferred Shares pursuant to a Conversion Notice, or (C) fails to have a sufficient number of shares of Common Stock registered and eligible for resale under the Registration Statement, then the Company shall issue as many shares of Common Stock as it is able to issue in accordance with such holder's Conversion Notice and pursuant to Section 2(f) above and, with respect to the unconverted Series D Preferred Shares, the holder, solely at such holder's option, can, in addition to any other remedies such holder may have hereunder, under the Securities Purchase Agreement (including indemnification under Section 8 thereof), under the Registration Rights Agreement, or at law or in equity, elect to: (i) require the Company to redeem from such holder those Series D Preferred Shares for which the Company is unable to issue Common Stock in accordance with such holder's Conversion Notice ("Mandatory Redemption") at a price per Series D Preferred Share (the "Mandatory Redemption Price") equal to the greater of (x) 120% of the Liquidation Value of such share and (y) the Redemption Rate as of such Conversion Date; (ii) if the Company's inability to fully convert Series D Preferred Shares is pursuant to Section 5(a)(z) above, require the Company to issue restricted shares of Common Stock in accordance with such holder's Conversion Notice and pursuant to Section 2(f) above; or (iii) void its Conversion Notice and retain or have returned, as the case may be, the nonconverted Series D Preferred Shares that were to be converted pursuant to such holder's Conversion Notice.

- (b) **Mechanics of Fulfilling Holder's Election.** The Company shall immediately send via facsimile to a holder of Series D Preferred Shares, upon receipt of a facsimile copy of a Conversion Notice from such holder which cannot be fully satisfied as described in Section 5(a) above, a notice of the Company's inability to fully satisfy such holder's Conversion Notice (the "Inability to Fully Convert Notice"). Such Inability to Fully Convert Notice shall indicate (i) the reason why the Company is unable to fully satisfy such holder's Conversion Notice, (ii) the number of Series D Preferred Shares which cannot be converted, and (iii) the applicable Mandatory Redemption Price. Such holder must within five (5) business days of receipt of such Inability to Fully Convert Notice deliver written notice via facsimile to the Company ("Notice in Response to Inability to Convert") of its election pursuant to Section 5(a) above.
- (c) **Payment of Redemption Price.** If such holder shall elect to have its shares redeemed pursuant to Section 5(a) above, the Company shall pay the Mandatory Redemption Price in cash to such holder within thirty (30) days of the Company's receipt of the holder's Notice in Response to Inability to Convert. If the Company shall fail to pay the applicable Mandatory Redemption Price to such holder on a timely basis as described in this Section 5(c) (other than pursuant to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate), such unpaid amount shall bear interest at the rate of 2.5% per month pro-rated for partial months (but not more than the maximum interest rate permitted by law) until paid in full. Until the full Mandatory Redemption Price is paid in full to such holder, such holder may void the Mandatory Redemption with respect to those Series D Preferred Shares for which the full Mandatory Redemption Price has not been paid and receive back such Series D Preferred Shares. Notwithstanding the foregoing, if the Company fails to pay the applicable Mandatory Redemption Price within such thirty (30) days time period due to a dispute as to the determination of the Closing Bid Price or the arithmetic calculation of the Redemption Rate, such dispute shall be resolved pursuant to Section 2(f)(iii) above with the term "Closing Bid Price" being substituted for the term "Average Market Price" and the term, "Redemption Rate" being substituted for the term "Conversion Rate."

- (d) *Pro-rata Conversion and Redemption.* In the event the Company receives a Conversion Notice from more than one holder of Series D Preferred Shares on the same day and the Company can convert and redeem some, but not all, of the Series D Preferred Shares pursuant to this Section 5, the Company shall convert and redeem from each holder of Series D Preferred Shares electing to have Series D Preferred Shares converted and redeemed at such time an amount equal to such holder's pro-rata amount (based on the number of Series D Preferred Shares held by such holder relative to the number of Series D Preferred Shares outstanding) of all Series D Preferred Shares being converted and redeemed at such time.

Section Reissuance of Certificates. In the event of a conversion or redemption pursuant to this Certificate of Designations of less than all of the Series D Preferred Shares represented by a particular Preferred Stock Certificate, the Company shall promptly cause to be issued and delivered to the holder of such Series D Preferred Shares a Preferred stock certificate representing the remaining Series D Preferred Shares which have not been so converted or redeemed.

Section Reservation of Shares. The Company shall, so long as any of the Series D Preferred Shares are outstanding reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Series D Preferred Shares, such number of shares of Common Stock as shall from time to time be sufficient to affect the conversion of all of the Series D Preferred Shares then outstanding; provided that the number of shares of Common Stock so reserved shall at no time be less than 200% of the number of shares of Common Stock for which the Series D Preferred Shares are at any time convertible.

Section Voting Rights. Holders of Series D Preferred Shares shall have no voting rights, except as required by law, including but not limited to the General Corporation Law of the State of Delaware and as expressly provided in this Certificate of Designations.

Section Liquidation, Dissolution, or Winding-Up. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of the Series D Preferred Shares shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the "Preferred Funds"), before any amount shall be paid to the holders of any of the capital stock of the Company of any class junior in rank to the Series D Preferred Shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up of the Company, an amount per Series D Preferred Share equal to the sum of (i) per share consideration paid to the Company by a Holder on the Issuance Date in respect of one Series D Preferred Share (the "Original Purchase Price") and (ii) an amount equal to the product of (.03) multiplied by $(N/365)$ multiplied by the Original Purchase Price (such sum being referred to as the "Liquidation Value"); provided that, if the Preferred Funds are insufficient to pay the full amount due to the holders of Series D Preferred Shares and holders of shares of other classes or series of preferred stock of the Company that are of equal rank with the Series D Preferred Shares as to payments of Preferred Funds (the "Pari Passu Shares"), then each holder of Series D Preferred Shares and Pari Passu Shares shall receive a percentage of the Preferred Funds equal to the full amount of Preferred Funds payable to such holder as a liquidation preference, in accordance with their respective Certificate of Designations, Preferences and Rights as a percentage or the full amount of Preferred Funds payable to all holders of Series D Preferred Shares and Pari Passu Shares. The purchase or redemption by the Company of stock of any class in any manner permitted by law, shall not for the purposes hereof be regarded as a liquidation, dissolution, or winding up of the Company. Neither the consolidation or merger of the Company with or into any other Person, nor the sale or transfer by the Company of less than substantially all of its assets, shall, for the purposes hereof be deemed to be a liquidation, dissolution, or winding up of the Company. No holder of Series D Preferred Shares shall be entitled to receive any amounts with respect thereto upon any liquidation, dissolution, or winding up of the Company other than the amounts provided for herein.

Section Preferred Rate. All shares of Common Stock shall be of junior rank to all Series D Preferred Shares in respect to the preferences as to distributions and payments upon the liquidation, dissolution, and winding up of

the Company. The rights of the shares of Common Stock shall be subject to the Preferences and relative rights of the Series D Preferred Shares. The Series D Preferred Shares shall be of greater than any Series of Common or Preferred Stock hereinafter issued by the Company. Without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not hereafter authorize or issue additional or other capital stock that is of senior or equal rank to the Series D Preferred Shares in respect of the preferences as to distributions and payments upon the liquidation, dissolution and winding up of the Company. Without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not hereafter authorize or make any amendment to the Company's Certificate of Incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions, which would adversely affect or otherwise impair the rights or relative priority of the holders of the Series D Preferred Shares relative to the holders of the Common Stock or the holders of any other class of capital stock. In the event of the merger or consolidation of the Company with or into another corporation, the Series D Preferred Shares shall maintain their relative powers, designations, and preferences provided for herein and no merger shall result inconsistent therewith.

Section Restriction on Redemption and Dividends.

- (a) Restriction on Dividend. If any Series D Preferred Shares are outstanding, without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not directly or indirectly declare, pay or make any dividends or other distributions upon any of the Common Stock so long as written notice thereof has been given to holders of the Series D Preferred Shares at least 30 days prior to the earlier of (a) the record date taken for or (b) the payment of any such dividend or other distribution. Notwithstanding the foregoing, this Section 11(a) shall not prohibit the Company from declaring and paying a dividend in cash with respect to the Common Stock so long as the Company: (i) pays simultaneously to each holder of Series D Preferred Shares an amount in cash equal to the amount such holder would have received had all of such holder's Series D Preferred Shares been converted to Common Stock pursuant to Section 2 hereof one business day prior to the record date for any such dividend, and (ii) after giving effect to the payment of any dividend and any other payments required in connection therewith including to the holders of the Series D Preferred Shares under Section 11 (a)(i) hereof, the Company has in cash or cash equivalents an amount equal to the aggregate of: (A) all of its liabilities reflected on its most recently available balance sheet, (B) the amount of any indebtedness incurred by the Company or any of its subsidiaries since its most recent balance sheet, and (C) 125% of the amount payable to all holders of any shares of any class of preferred stock of the Company assuming a liquidation of the Company as the date of its most recently available balance sheet.
- (b) Restriction on Redemption. If any Series D Preferred Shares are outstanding, without the prior express written consent of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, the Company shall not directly or indirectly redeem, purchase, or otherwise acquire from any person or entity other than from a direct or indirect wholly-owned subsidiary of the Company, or permit any subsidiary of the Company to redeem, purchase, or otherwise acquire from any person or entity other than from the Company or another direct or indirect wholly-owned subsidiary of the Company, any of the Company's or any subsidiary's capital stock or other equity securities (including, without limitation, warrants, options, and other rights to acquire such capital stock or other equity securities).

Section Vote to Change the Terms of Series D Preferred Shares. The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting, of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares, shall be required for any change to this Certificate of Designations or the Company's Certificate of Incorporation which would amend, alter, change, or repeal any of the powers, designations, preferences, and rights of the Series D Preferred Shares.

Section Lost or Stolen Certificates. Upon receipt by the Company of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of any Preferred Stock Certificates representing the Series D Preferred Shares, and, in the case of loss, theft, or destruction, of any indemnification undertaking by the holder to the Company and, in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided however, the Company shall not be obligated to re-issue preferred stock certificates if the holder contemporaneously requests the Company to convert such Series D Preferred Shares into Common Stock.

Section Withholding Tax Obligations. Notwithstanding anything herein to the contrary, to the extent that the Company receives advice in writing from its counsel that there is a reasonable basis to believe that the Company is required by applicable federal laws or regulations and delivers a copy of such written advice to the holders of the Series D Preferred Shares so effected, the Company may reasonably condition the making of any distribution (as such term is defined under applicable federal tax law and regulations) in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares depositing with the Company an amount of cash sufficient to enable the Company to satisfy its withholding tax obligations (the "Withholding Tax") with respect to such distribution. Notwithstanding the foregoing or anything to the contrary, if any holder of the Series D Preferred Shares so effected receives advice in writing from its counsel that there is a reasonable basis to believe that the Company is not so required by applicable federal laws or regulations and delivers a copy of such written advice to the Company, the Company shall not be permitted to condition the making of any such distribution in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares depositing with the Company any Withholding Tax with respect to such distribution, provided however, the Company may reasonably condition the making of any such distribution in respect of any Series D Preferred Share on the holder of such Series D Preferred Shares executing and delivering to the Company, at the election of the holder, either: (a) if applicable, a property completed Internal Revenue Service Form 4224, or (b) an indemnification agreement in reasonably acceptable form, with respect to any federal tax liability, penalties, and interest that may be imposed upon the Company by the Internal Revenue Service as a result of the Company's failure to withhold in connection with such distribution to such holder. If the conditions in the preceding two sentences are fully satisfied, the Company shall not be required to pay any additional damages set forth in Section 2(f)(v) of this Certificate of Designations if its failure to timely deliver any Conversion Shares results solely from the holder's failure to deposit any withholding tax hereunder or provide to the Company an executed indemnification agreement in the form reasonably satisfactory to the Company.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be signed by Joseph Fiore, its Chief Executive Officer, as of the ___ day of September, 1998.

EAT AT JOE'S LTD.

By:
Joseph Fiore, Chief Executive Officer

EXHIBIT 1

EAT AT JOE'S LTD.
CONVERSION NOTICE

Reference is made to the Certificate of Designations, Preferences, and Rights of Eat At Joe's Ltd. (the "Certificate of Designations"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series D Convertible Preferred Stock, \$.0001 par value per share (the "Series D Preferred Shares"), of Eat At Joe's Ltd., a Delaware corporation (the "Company"), indicated below into shares of

Common Stock, \$.0001 par value per share (the "Common Stock"), of the Company, by tendering the stock certificate(s) representing the share(s) of Series D Preferred Shares specified below as of the date specified below.

The undersigned acknowledges that any sales by the undersigned of the securities issuable to the undersigned upon conversion of the Series D Preferred Shares shall be made only pursuant to (i) a registration statement effective under the Securities Act of 1933, as amended (the "Act"), or (ii) advice of counsel that such sale is exempt from registration required by Section 5 of the Act.

Date of Conversion:

Number of Series D Preferred Shares to be converted

Stock certificate no(s) of Series D Preferred Shares to be converted:

Please confirm the following information:

Conversion Price:

Number of shares of Common Stock to be issued:

Please issue the Common Stock into which the Series D Preferred Shares are being converted in the following name and to the following address:

Issue to:

Facsimile Number:

Authorization:

By:

Title:

Dated:

ACKNOWLEDGED AND AGREED:

EAT AT JOE'S LTD.

By:

Title:

Dated:

BECKMAN, MILLMAN & SANDERS, LLP
116 John Street
New York, New York 10038

August , 1998

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: East at Joe's, Ltd. Registration Statement on Form SB-2
(File nos. 333-55679)

Gentlemen:

We have acted as counsel to Eat at Joe's, Ltd. a Delaware corporation (the "Company"), in connection with the registration by the Company under the Securities Act of 1933 (the "Act") pursuant to the Company's Registration Statement on Form SB-2 (File nos. 333-55679) to be filed with the Securities and Exchange Commission (the "Commission") on or about the date of this letter (the "Registration Statement") of up to _____ shares of the Company's common stock, par value \$.0001 to be issued under certain circumstances (the "Issuable Shares") pursuant to certain Securities Purchase Agreements dated March 20, May 5, and May 20 1998 and Debenture and Warrant Purchase Agreement dated July 31, 1998.

In connection with this opinion, we have examined originals or copies, certified or otherwise to our satisfaction, of the Certificate of Incorporation of the Company, as amended to date, Certificates of Designations, Preferences and Rights, Certificates of Good Standing of a recent date, and certificates of certain officers of the Company, and such other documents, instruments and records; and have made such other investigations, as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

We have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. In making our examination of documents executed by parties other than the Company, we have assumed that such parties had the power, corporate or otherwise to enter into and perform their respective obligations thereunder and have also assumed the due authorization by all requisite action, corporate or otherwise, and the execution and delivery by such parties of such documents and the validity and binding effect thereof. As to any facts material to the opinions expressed herein, we have relied upon oral or written statements and representations of officers and other representatives of the Company and others.

Based upon and subject to the foregoing, we are of the opinion that the Issuable Shares, when issued, sold and delivered in the manner and or the consideration stated in the Prospectus included in the Registration Statement, will be duly authorized and validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

BECKMAN, MILLMAN & SANDERS, LLP

by: /s/ Steven A. Sanders
Steven A. Sanders

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of March ____, 1998, by and among Eat At Joe's Ltd., a Delaware corporation, with headquarters at Suite 118, 670 White Plains Road, Scarsdale, New York 10583 (the "Company"), and the undersigned buyer (the "Buyer").

WHEREAS:

A. In connection with the Securities Purchase Agreement by and among the parties of even date herewith (the "Securities Purchase Agreement"), the Company has agreed, upon the terms and subject to the conditions of the Securities Purchase Agreement, (i) to issue and sell to the Buyer's shares of the Company's Series A Preferred Stock (the "Preferred Stock"), which will be convertible into shares of the Company's common stock, \$.001 par value per share (the "Common Stock") (as converted, the "Conversion Shares") in accordance with the terms of the Preferred Stock; and

B. To induce the Buyers to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "1933 Act"), and applicable state securities laws:

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Buyers hereby agree as follows:

1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

- a. "Investor" means the Buyer and any transferee or assignee thereof to whom the Buyer assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.
- b. "Person" means a corporation, a limited liability company, an association, a partnership, an organization, a business, an individual, a governmental or political subdivision thereof or a governmental agency.
- c. "Register," "registered," and "registration" refer to a registration effected by preparing and filing one or more Registration Statements in compliance with the 1933 Act and pursuant to Rule 415 under the 1933 Act or any successor rule providing for offering securities on a continuous basis ("Rule 415"), and the declaration or ordering of effectiveness of such Registration Statement(s) by the United States Securities and Exchange Commission (the "SEC").
- d. "Registrable Securities" means the Conversion Shares issued or issuable upon conversion of the Preferred Stock and any shares of capital stock issued or issuable with respect to the Conversion Shares or the Preferred Stock as a result of any stock split, stock dividend, recapitalization, exchange or similar event.
- e. "Registration Statement" means a registration statement of the

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

2. REGISTRATION.

- a. **Mandatory Registration.** The Company shall prepare, and, on or prior to forty-five (45) days after the date of issuance of any Preferred Stock (the "Filing Deadline"), file with the SEC a Registration Statement or Registration Statements (as is necessary) on Form S-3 (or, if such form is unavailable for such a registration, on such other form as is available for such a registration, subject to the consent of each Buyer and the provisions of Section 2(e), which consent will not be unreasonably withheld), covering the resale of all of the Registrable Securities, which Registration Statement(s) shall state that, in accordance with Rule 416 promulgated under the 1933 Act, such Registration Statement(s) also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of the Preferred Stock (i) to prevent dilution resulting from stock splits, stock dividends or similar transactions and (ii) by reason of changes in the Conversion Price or Conversion Rate of the Preferred Stock in accordance with the terms thereof. Such Registration Statement shall initially register for resale at least _____ shares of Common Stock, subject to adjustment as provided in Section 3(b), and such registered shares of Common Stock shall be allocated among the Investors pro rata based on the total number of Registrable Securities issued or issuable as of each date that a Registration Statement, as amended, relating to the resale of the Registrable Securities is declared effective by the SEC. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC within ninety (90) days after the issuance of the Preferred Stock (the "Registration Deadline"). The Company shall permit the registration statement to become effective within five (5) business days after receipt of a "no review" notice from the SEC. In the event that the Registration Statement is not filed by the Company with the SEC by the Filing Deadline, then the Applicable Discount (as defined in the Certificate of Designations) shall be reduced by (i) an additional 2% for each 30 days from the Filing Deadline for which the Registration is not filed by the Company with the SEC. In the event that the Registration Statement is not declared effective by the SEC by the Registration Deadline then the Conversion Percentage to be used in determining the Conversion Price (as defined in the Certificate of Designations, Preferences, and Rights filed by the Company on or before the date hereof in connection herewith ("Certificate of Designations")) shall be reduced by (i) an

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additional 3% if the Registration Statement is not declared effective by the SEC within thirty (30) days following the Registration Deadline, or (ii) an additional 6% if the Registration Statement is not declared effective by the SEC within sixty (60) days of the Registration Deadline.

- b. **Underwritten Offering.** If any offering pursuant to a Registration Statement pursuant to Section 2(a) involves an underwritten offering, the Buyers shall have the right to select one legal counsel and an investment banker or bankers and manager or managers to administer their interest in the offering, which investment banker or bankers or manager or managers shall be reasonably satisfactory to the Company.
- c. **Piggy-Back Registrations.** If at any time prior to the expiration of the Registration Period (as hereinafter defined) the Company proposes to file with the SEC a Registration Statement relating

to an offering for its own account or the account of others under the 1933 Act of any of its securities (other than on Form S-4 or Form S-8 or their then equivalents relating to securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans) the Company shall promptly send to each Investor who is entitled to registration rights under this Section 2(c) written notice of the Company's intention to file a Registration Statement and of such Investor's rights under this Section 2(c) and, if within twenty (20) days after receipt of such notice, such Investor shall so request in writing, the Company shall include in such Registration Statement all or any part of the Registrable Securities such Investor requests to be registered, subject to the priorities set forth in Section 2(d) below. No right to registration of Registrable Securities under this Section 2(c) shall be construed to limit any registration required under Section 2(a). The obligations of the Company under this Section 2(c) may be waived by Investors holding a majority of the Registrable Securities. If an offering in connection with which an Investor is entitled to registration under this Section 2(c) is an underwritten offering, then each Investor whose Registrable Securities are included in such Registration Statement shall, unless otherwise agreed by the Company, offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other shares of Common Stock included in such underwritten offering.

- d. *Priority in Piggy-Back Registration Rights in connection with Registrations or Company Account.* If the registration referred to in Section 2(c) is to be an underwritten public offering for the account of the Company and the managing underwriter(s) advise the Company in writing, that in their reasonable good faith opinion, marketing or other factors dictate that a limitation on the number of shares of Common Stock which may be included in the Registration Statement is necessary to facilitate and not adversely affect the proposed offering, then the Company shall include in such registration: (1) first, all securities the Company proposes to sell for its own account, (2) second, up to the full number of securities proposed to be registered for the account of the holders of securities entitled to inclusion of

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their securities in the Registration Statement by reason of demand registration rights, and (3) third, the securities requested to be registered by the Investors and other holders of securities entitled to participate in the registration, drawn from them pro rata based on the number each has requested to be included in such registration.

- e. *Eligibility for Form S-3.* The Company represents, warrants covenants that it has filed and shall file all reports required to be filed by the Company with the SEC in a timely manner so as to obtain and maintain such eligibility for the use of Form S-3. In the event that Form S-3 is not available for sale by the Investors of the Registrable Securities, then (i) the Company, with the consent of each Investor pursuant to Section 2(a), shall register the sale of the Registrable Securities on another appropriate form, such as Form SB-2 and (ii) the Company shall undertake to register the Registrable Securities on Form S-3 as soon as such form is available.
- f. *Regulation S Option.* If the Registration Statement is not declared effective by the Registration Deadline, the Investor at its sole election may elect and the Company will consent to treat the issuance by the Company to the Buyers of the Preferred Stock as made in reliance upon an exemption from registration afforded by Regulation S promulgated under the 1933 Act (the "Regulation S

Election"). In such case, any Applicable Penalty discount then in effect shall apply.

3. RELATED OBLIGATIONS.

Whenever an Investor has requested that any Registrable Securities be registered pursuant to Section 2(c) or at such time as the Company is obligated to file a Registration Statement with the SEC pursuant to Section 2(a), the Company will use its best efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Company shall have the following obligations:

- a. The Company shall promptly prepare and file with the SEC a Registration Statement with respect to the Registrable Securities (on or prior to the forty-fifth (45th) day following the date of issuance of any Preferred Stock, for the registration of Registrable Securities pursuant to Section 2(a)) and use its best efforts to cause such Registration Statement(s) relating to Registrable Securities to become effective as soon as possible after such filing (by the ninetieth (90th) day following the issuance of the relevant Preferred Stock for the registration of Registrable Securities pursuant to Section 2(a), and keep the Registration Statement(s) effective pursuant to Rule 415 at all times until the earlier of (i) the date as of which the Investors may sell all of the Registrable Securities without restriction pursuant to Rule 144(k) promulgated under the 1933 Act (or successor thereto) or (ii) the date on which (A) the Investors shall have sold all the Registrable Securities and (B) none of the Preferred Stock is outstanding (the "Registration Period"), which Registration Statement(s) (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material

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fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

- b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement(s) and the prospectus(es) used in connection with the Registration Statement(s), which prospectus(es) are to be filed pursuant to Rule 424 promulgated under the 1933 Act, as may be necessary to keep the Registration Statement(s) effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement(s) until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement(s). In the event the number of shares available under a Registration Statement filed pursuant to this Agreement is insufficient to cover all of the Registrable Securities, the Company shall amend the Registration Statement, or file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover all of the Registrable Securities, in each case, as soon as practicable, but in any event within fifteen (15) days after the necessity therefor arises (based on the market price of the Common Stock and other relevant factors on which the Company reasonably elects to rely). The Company shall use its best efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. For purposes of the foregoing provision, the number of shares available under a Registration Statement shall be deemed "insufficient to cover all of the Registrable Securities" if at any time the number of Registrable Securities issued or issuable

upon conversion of the Preferred Stock is greater than the quotient determined by dividing (i) the number of shares of Common Stock available for resale under such Registration Statement by (ii) 1.5; provided that in the case of the initial registration of the Registrable Securities pursuant to Section 2(a), the Company shall be required to register at least _____ shares of Common Stock for resale. For purposes of the calculation set forth in the foregoing sentence, any restrictions on the convertibility of the Preferred Stock shall be disregarded and such calculation shall assume that the Preferred Stock are then convertible into shares of Common Stock at the then prevailing Conversion Rate (as defined in the Preferred Stock).

- c. The Company shall furnish to each Investor whose Registrable Securities are included in the Registration Statement(s) and its legal counsel without charge (i) promptly after the same is prepared and filed with the SEC at least one copy of the Registration Statement and any amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits, the prospectus(es) included in such Registration Statement(s) (including each preliminary prospectus) and, with regards to the Registration Statement, any correspondence by or on behalf of the Company to the SEC or the staff of the SEC and any correspondence from the SEC or the staff of the SEC to the Company or its representatives, (ii) upon the effectiveness of any Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and

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supplements thereto (or such other number of copies as such Investor may reasonably request) and (iii) such other documents, including any preliminary prospectus, as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor.

- d. The Company shall use reasonable efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement(s) under such other securities or "blue sky" laws of such jurisdictions in the United States as any Investor reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (a) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (b) subject itself to general taxation in any such jurisdiction, or (c) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify each Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.
- e. In the event Investors who hold a majority of the Registrable Securities being offered in the offering select underwriters for the offering, the Company shall enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the

underwriters of such offering.

- f. As promptly as practicable after becoming aware of such event, the Company shall notify each Investor in writing of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver ten (10) copies of such supplement or amendment to each Investor (or such other number of copies as such Investor may reasonably request). The Company shall also promptly notify each Investor in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to each Investor by facsimile on the same day of such effectiveness and by

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overnight mail) (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

- g. The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify each Investor who holds Registrable Securities being sold (and, in the event of an underwritten offering, the managing underwriters) of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.
- h. The Company shall permit each Investor a single firm of counsel or such other counsel as thereafter designated as selling stockholders' counsel by the Investors who hold a majority of the Registrable Securities being sold, to review and comment upon the Registration Statement(s) and all amendments and supplements thereto at least seven (7) days prior to their filing with the SEC, and not file any document in a form to which such counsel reasonably objects. The Company shall not submit a request for acceleration of the effectiveness of a Registration Statement(s) or any amendment or supplement thereto without the prior approval of such counsel, which consent shall not be unreasonably withheld.
- i. At the request of the Investors who hold a majority of the Registrable Securities being sold, the Company shall furnish, on the date that Registrable Securities are delivered to an underwriter, if any, for sale in connection with the Registration Statement (i) if required by an underwriter, a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the underwriters and the Investors.
- j. The Company shall make available for inspection by (i) any

Investor, (ii) any underwriter participating in any disposition pursuant to a Registration Statement, (iii) one firm of attorneys and one firm of accountants or other agents retained by the Investors, and (iv) one firm of attorneys retained by all such underwriters (collectively, the "Inspectors") all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably deemed necessary by each Inspector to enable each Inspector to exercise its due diligence responsibility, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request for purposes of such due diligence provided, however, that each

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Inspector shall hold in strict confidence and shall not make any disclosure (except to an Investor) or use of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (b) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement. Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential.

- k. The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at the Investor's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.
- l. The Company shall use its best efforts either to (i) cause all the Registrable Securities covered by a Registration Statement to be listed on each national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, (ii) to secure designation and quotation of all the Registrable Securities covered by the Registration Statement on the Nasdaq National Market System, (iii) if, despite the Company's best efforts to satisfy the preceding clause (i) or (ii), the Company is unsuccessful in satisfying the preceding clause (i) or (ii) to secure the inclusion for quotation on the Nasdaq SmallCap Market for such Registrable Securities or, (iv) if, despite the Company's best efforts to satisfy the preceding clause (iii), the Company is unsuccessful in satisfying the preceding clause (iii), to secure the inclusion for quotation on the over-the-counter

market for such Registrable Securities, and, without limiting the generality of the foregoing, in the case of clause (iii) or (iv), to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with

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respect to such Registrable Securities. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(1).

- m. The Company shall cooperate with the Investors who hold Registrable Securities being offered and, to the extent applicable, any managing underwriter or underwriters, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the managing underwriter or underwriters, if any, or, if there is no managing underwriter or underwriters, the Investors may reasonably request and registered in such names as the managing underwriter or underwriters, if any, or the Investors may request. Not later than the date on which any Registration Statement registering the resale of Registrable Securities is declared effective, the Company shall deliver to its transfer agent instructions, accompanied by any reasonably required opinion of counsel, that permit sales of unlegended securities in a timely fashion that complies with then mandated securities settlement procedures for regular way market transactions.
- n. The Company shall take all other reasonable actions necessary to expedite and facilitate disposition by the Investors of Registrable Securities pursuant to a Registration Statement.
- o. The Company shall provide a transfer agent and registrar of all such Registrable Securities not later than the effective date of such Registration Statement.
- p. If requested by the managing underwriters or an Investor, the Company shall immediately incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriters and the Investors agree should be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being sold to such underwriters, the purchase price being paid therefor by such underwriters and with respect to any other terms of the underwritten (or best efforts underwritten) offering of the Registrable Securities to be sold in such offering; make all required filings of such prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and supplement or make amendments to any Registration Statement if requested by a shareholder or any underwriter of such Registrable Securities.
- q. The Company shall use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

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- r. The Company shall otherwise use its best efforts to comply with

all applicable rules and regulations of the SEC in connection with any registration hereunder.

4. OBLIGATIONS OF THE INVESTORS.

- a. At least seven (7) days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Investor in writing of the information the Company requires from each such Investor if such Investor elects to have any of such Investor's Registrable Securities included in the Registration Statement. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.
- b. Each Investor by such Investor's acceptance of the Registrable Securities agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement(s) hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement.
- c. In the event Investors holding a majority of the Registrable Securities being registered determine to engage the services of an underwriter, each Investor agrees to enter into and perform such Investor's obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities, unless such Investor notifies the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement(s).
- d. Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of 3(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) or the first sentence of 3(f) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.
- e. No Investor may participate in any underwritten registration hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements approved by the Investors entitled hereunder to approve such arrangements, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions.

5. EXPENSES OF REGISTRATION.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and fees and disbursements of counsel for the Company and fees and disbursements of one counsel for the Investors, shall be borne by the Company.

6. INDEMNIFICATION

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

- a. To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Investor who holds such Registrable Securities, the directors, officers, partners, employees, agents and each Person, if any, who controls any Investor within the meaning of the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), and any underwriter (as defined in the 1933 Act) for the Investors, and the directors and officers of, and each Person, if any, who controls, any such underwriter within the meaning of the 1933 Act or the 1934 Act (each, an "Indemnified Person"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, attorneys' fees, amounts paid in settlement or expenses, joint or several, (collectively, "Claims") incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto ("Indemnified Damages"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("Blue Sky Filing"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which the statements therein were made, not misleading, (ii) any untrue statement or alleged untrue statement of

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a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). Subject to the restrictions set forth in Section 6(d) with respect to the number of legal counsel, the Company shall reimburse the Investors and each such underwriter or controlling person, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim arising out of or based upon a Violation which occurs in

reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person or underwriter for such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto, if such prospectus was timely made available by the Company pursuant to Section 3(c); (ii) with respect to any preliminary prospectus, shall not inure to the benefit of any such person from whom the person asserting any such Claim purchased the Registrable Securities that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected in the prospectus, as then amended or supplemented, if such prospectus was timely made available by the Company pursuant to Section 3(c), and the Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a violation and such Indemnified Person, notwithstanding such advice, used it; (iii) shall not be available to the extent such Claim is based on a failure of the Investor to deliver or to cause to be delivered the prospectus made available by the Company (i) and (iv) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9.

- b. In connection with any Registration Statement in which an Investor is participating, each such Investor agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (collectively and together with an Indemnified Person, an "Indemnified Party"), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933

Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(d), such Investor will reimburse any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

- c. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in any distribution, to the same extent as provided above, with respect to information such persons so furnished in writing expressly for inclusion in the Registration Statement.
- d. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. The Company shall pay reasonable fees for only one separate legal counsel for the Investors, and such legal counsel shall be selected by the

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Investors holding a majority in interest of the Registrable Securities included in the Registration Statement to which the Claim relates. The Indemnified Party or Indemnified Person shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such claim or litigation. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

- e. The indemnification required by this Section 6 shall be made by

periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

- f. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6; (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of fraudulent misrepresentation; and (iii) contribution by any seller of Registrable

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Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. REPORTS UNDER THE 1934 ACT.

With a view to making available to the Investors the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the investors to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to:

- a. make and keep public information available, as those terms are understood and defined in Rule 144;
- b. file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company's obligations under Section 4(c) of the Securities Purchase Agreement) and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and
- c. furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the investors to sell such securities pursuant to Rule 144 without registration.

9. ASSIGNMENT OF REGISTRATION RIGHTS.

The rights to have the Company register Registrable Securities pursuant to this Agreement shall be automatically assignable by the Investors to any transferee of all or any portion of Registrable Securities if: (i) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment; (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; (iii) immediately following such transfer or assignment the further disposition of

Schedule of Buyers, with copies to such Buyer's counsel as set forth on the Schedule of Buyers. Each party shall provide five (5) days' prior written notice to the other party of any change in address or facsimile number.

- c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.
- d. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware without regard to the principles of conflict of laws. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.
- e. This Agreement and the Securities Purchase Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Securities Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.
- f. Subject to the requirements of Section 9, this Agreement shall inure to the benefit and of and be binding upon the permitted successors and assigns of each of the parties hereto.
- g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
- h. This Agreement may be executed in two or more identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.
- i. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of day and year first above written.

COMPANY:

BUYERS:

EAT AT JOE'S LTD.

By: _____

By: _____

Name: Joseph Fiore

Name: _____

Its: Chairman of the Board, Chief
Executive Officer, and Chief
Financial Officer

Its:

SCHEDULE OF BUYERS

Buyer Address
Buyer Name

and Facsimile Number

SUBSIDIARIES OF THE COMPANY

Eat Joe's U of P., Inc.
E. A. J. Phl, Airport, Inc.
Eat at Joe's Gallery, Inc.
E. A. J. Enterprises, Inc.
Eat at Joe's Harborplace, Inc.
E. A. J. Shoppington, Inc.
Eat at Joe's Neshaminy, Inc.
Eat at Joe's Plymouth Incorporated
E. A. J. Danbury, Inc.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Eat at Joe's, Ltd. on Form SB-2 of our reports dated March 23, 1998, and to reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ ROBISON, HILL & CO.

Salt Lake City, Utah
October 14, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE OF EAT AT JOE'S LTD. AS OF JUNE 30, 1998 AND DECEMBER 31, 1997 AND THE RELATED STATEMENTS OF OPERATIONS AND CASH FLOWS FOR THE SIX MONTHS AND THE YEAR THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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