UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **December 27, 2020.**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934
For the transition period from ___________ to____________.

Commission File No. 001-35962

NATHAN'S FAMOUS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**11-3166443**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Jericho Plaza, Second Floor – Wing A, Jericho, New York 11753
(Address and Zip Code of principal executive offices)

(516) 338-8500
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	NATH	The NASDAQ Global Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At February 5, 2021, an aggregate of 4,114,934 shares of the registrant's common stock, par value of $.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

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Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
December 27, 2020 and March 29, 2020
(in thousands, except share and per share amounts)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

	December 27, 2020 (Unaudited)	March 29, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note F)	**$ 76,602**	$ 77,117
Accounts and other receivables, net (Note H)	**12,338**	11,108
Inventories	**415**	378
Prepaid expenses and other current assets (Note I)	**931**	1,181

Total current assets	**90,286**	89,784
Property and equipment, net of accumulated depreciation of $10,283 and $9,468, respectively	**4,193**	4,610
Operating lease assets (Note R)	**8,471**	9,181
Goodwill	**95**	95
Intangible asset, net	**1,184**	1,269
Deferred income taxes	**5**	-
Other assets	**329**	343
Total assets	**$ 104,563**	$ 105,282
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	**$ 3,785**	$ 3,509
Accrued expenses and other current liabilities (Note L)	**5,169**	9,297
Current portion of operating lease liabilities (Note R)	**1,833**	1,583
Deferred franchise fees	**227**	230
Total current liabilities	**11,014**	14,619
Long-term debt, net of unamortized debt issuance costs of $3,342 and $3,860, respectively (Note Q)	**146,658**	146,140
Operating lease liabilities (Note R)	**7,722**	8,532
Other liabilities (Note L)	**743**	696
Deferred franchise fees	**1,553**	1,687
Deferred income taxes	**-**	9
Total liabilities	**167,690**	171,683
COMMITMENTS AND CONTINGENCIES (Note S)		
STOCKHOLDERS' DEFICIT		
Common stock, $.01 par value; 30,000,000 shares authorized; 9,369,015 and 9,368,792 shares issued; and 4,114,934 and 4,141,387 shares outstanding at December 27, 2020 and March 29, 2020, respectively	**94**	94
Additional paid-in capital	**62,211**	62,130
(Accumulated deficit)	**(40,662)**	(45,356)
Stockholders' equity before treasury stock	**21,643**	16,868
Treasury stock, at cost, 5,254,081 and 5,227,405 shares at December 27, 2020 and March 29, 2020	**(84,770)**	(83,269)
Total stockholders' deficit	**(63,127)**	(66,401)
Total liabilities and stockholders' deficit	**$ 104,563**	$ 105,282

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

Thirteen and Thirty-nine weeks ended December 27, 2020 and December 29, 2019
(in thousands, except per share amounts)
(Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
REVENUES				
Sales	**$ 11,322**	$ 15,356	**$ 30,697**	$ 57,699
License royalties	**5,898**	4,412	**24,689**	18,559
Franchise fees and royalties	**420**	1,035	**1,087**	3,610
Advertising fund revenue	**390**	573	**1,082**	1,752
Total revenues	**18,030**	21,376	**57,555**	81,620
COSTS AND EXPENSES				
Cost of sales	**8,937**	12,262	**24,161**	43,973
Restaurant operating expenses	**759**	764	**2,622**	2,791
Depreciation and amortization	**288**	294	**900**	941
General and administrative expenses	**3,253**	3,620	**8,709**	11,116
Advertising fund expense	**390**	573	**1,082**	2,122
Total costs and expenses	**13,627**	17,513	**37,474**	60,943

Income from operations	**4,403**	3,863	**20,081**	20,677
Interest expense	**(2,650)**	(2,650)	**(7,951)**	(7,951)
Interest income	**89**	338	**309**	1,074
Other income, net	**9**	22	**31**	61
Income before provision for income taxes	**1,851**	1,573	**12,470**	13,861
Provision for income taxes	**492**	360	**3,456**	3,621
Net income	**$ 1,359**	$ 1,213	**$ 9,014**	$ 10,240
PER SHARE INFORMATION				
Weighted average shares used in computing income per share:				
Basic	**4,115**	4,225	**4,117**	4,219
Diluted	**4,115**	4,225	**4,117**	4,219
Income per share:				
Basic	**$ .33**	$ .29	**$ 2.19**	$ 2.43
Diluted	**$ .33**	$ .29	**$ 2.19**	$ 2.43
Dividends declared per share	**$ .35**	$ .35	**$ 1.05**	$ 1.05

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Thirteen weeks ended December 27, 2020 and December 29, 2019
(in thousands, except share amounts)
(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' Deficit
Balance, September 27, 2020	9,369,015	$ 94	$ 62,182	$ (40,581)	5,254,081	$ (84,770)	$ (63,075)
Repurchase of common stock	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	**(1,440)**	-	-	**(1,440)**
Share-based compensation	-	-	**29**	-	-	-	**29**
Net income	-	-	-	**1,359**	-	-	**1,359**
Balance, December 27, 2020	**9,369,015**	**$ 94**	**$ 62,211**	**$ (40,662)**	**5,254,081**	**$ (84,770)**	**$ (63,127)**

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' Deficit
Balance, September 29, 2019	9,368,792	$ 94	$ 62,072	$ (46,810)	5,141,763	$ (78,303)	$ (62,947)
Repurchase of common stock	-	-	-	-	13,709	(985)	(985)
Dividends on common stock	-	-	-	(1,479)	-	-	(1,479)
Share-based compensation	-	-	29	-	-	-	29
Net income	-	-	-	1,213	-	-	1,213
Balance, December 29, 2019	9,368,792	$ 94	$ 62,101	$ (47,076)	5,155,472	$ (79,288)	$ (64,169)

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Thirty-nine weeks ended December 27, 2020 and December 29, 2019
(in thousands, except share amounts)
(Unaudited)

Additional Total

	Common Shares	Common Stock	Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Stockholders' Deficit
Balance, March 29, 2020	9,368,792	$ 94	$ 62,130	$ (45,356)	5,227,405	$ (83,269)	$ (66,401)
Shares issued in connection with share-based compensation plans	**223**	**-**	**-**	**-**	**-**	**-**	**-**
Withholding tax on net share settlement of share-based compensation plans	**-**	**-**	**(6)**	**-**	**-**	**-**	**(6)**
Repurchase of common stock	**-**	**-**	**-**	**-**	**26,676**	**(1,501)**	**(1,501)**
Dividends on common stock	**-**	**-**	**-**	**(4,320)**	**-**	**-**	**(4,320)**
Share-based compensation	**-**	**-**	**87**	**-**	**-**	**-**	**87**
Net income	**-**	**-**	**-**	**9,014**	**-**	**-**	**9,014**
Balance, December 27, 2020	**9,369,015**	**$ 94**	**$ 62,211**	**$ (40,662)**	**5,254,081**	**$ (84,770)**	**$ (63,127)**

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' Deficit
Balance, March 31, 2019	9,336,338	$ 93	$ 60,945	$ (52,879)	5,141,763	$ (78,303)	$ (70,144)
Shares issued in connection with share-based compensation plans	32,454	1	1,077	-	-	-	1,078
Withholding tax on net share settlement of share-based compensation plans	-	-	(8)	-	-	-	(8)
Repurchase of common stock	-	-	-	-	13,709	(985)	(985)
Dividends on common stock	-	-	-	(4,437)	-	-	(4,437)
Share-based compensation	-	-	87	-	-	-	87
Net income	-	-	-	10,240	-	-	10,240
Balance, December 29, 2019	9,368,792	$ 94	$ 62,101	$ (47,076)	5,155,472	$ (79,288)	$ (64,169)

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Thirty-nine weeks ended December 27, 2020 and December 29, 2019
(in thousands)
(Unaudited)

	December 27, 2020	December 29, 2019
Cash flows from operating activities:		
Net income	**$ 9,014**	$ 10,240
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**900**	941
Non-cash rental expense	**150**	100
Amortization of debt issuance costs	**518**	518
Share-based compensation expense	**87**	87
Income tax benefit on stock option exercises	**-**	228
Provision for doubtful accounts	**70**	7
Deferred income taxes	**(14)**	291
Changes in operating assets and liabilities:		
Accounts and other receivables, net	**(1,300)**	(270)
Inventories	**(37)**	(64)
Prepaid expenses and other current assets	**250**	45
Other assets	**14**	10
Accounts payable, accrued expenses and other current liabilities	**(3,852)**	(4,930)
Deferred franchise fees	**(137)**	(691)
Other liabilities	**47**	150
Net cash provided by operating activities	**5,710**	6,662
Cash flows from investing activities:		
Purchase of property and equipment	**(398)**	(361)
Net cash used in investing activities	**(398)**	(361)
Cash flows from financing activities:		

Dividends paid to stockholders	**(4,320)**	(4,437)
Proceeds from exercise of stock options	**-**	1,078
Payments of withholding tax on net share settlement of share-based compensation plans	**(6)**	(8)
Repurchase of treasury stock	**(1,501)**	(985)
Net cash used in financing activities	**(5,827)**	(4,352)
Net (decrease) increase in cash and cash equivalents	**(515)**	1,949
Cash and cash equivalents, beginning of period	**77,117**	75,446
Cash and cash equivalents, end of period	**$ 76,602**	$ 77,395
Cash paid during the period for:		
Interest	**$ 9,938**	$ 9,938
Income taxes paid	**$ 3,643**	$ 3,269
Non-cash financing activity:		
Dividends declared per share	**$ 1.05**	$ 1.05

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

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 27, 2020
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (collectively “Nathan’s,” the “Company,” “we,” “us” or “our”) as of and for the thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019 have been prepared in accordance with accounting principles generally accepted in the United States of America. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of financial condition, results of operations and cash flows for the periods presented. However, our results of operations are seasonal in nature, and the results of any interim period are not necessarily indicative of results for any other interim period or the full fiscal year.

Certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the requirements of the Securities and Exchange Commission.

Management believes that the disclosures included in the accompanying consolidated interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Nathan’s Annual Report on Form 10-K for the fiscal year ended March 29, 2020.

A summary of the Company’s significant accounting policies is identified in Note B of the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 29, 2020.

Covid-19 Pandemic

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19), a global pandemic. The COVID-19 pandemic has had an impact on the Company’s business, financial condition, cash flows and results of operations for the thirteen and thirty-nine weeks ended December 27, 2020 (“fiscal 2021 period”) and continues into the fourth quarter of fiscal 2021. Governmental restrictions and public perceptions of the risks associated with COVID-19 have caused consumers to avoid or limit nonessential travel, gatherings in public places and other social interactions, which has adversely affected, and could continue to adversely affect, our business. The COVID-19 pandemic, has and may continue to impact customer traffic at our Company-owned restaurants and franchised restaurants, as well as sales to our Branded Product Program customers. We cannot predict whether, when or the manner in which the conditions surrounding the pandemic will change and cannot currently estimate the impact on our business in the short or long-term.

As of the date of this filing, three of our Company-owned restaurants continue to operate. Our seasonal location on the Coney Island Boardwalk closed for the season on September 13, 2020. Beginning in the second quarter fiscal 2021, the Company re-opened the dining rooms at our Company-owned restaurants located in Oceanside, New York and Yonkers, New York. Although these dining rooms are open, they are operating at reduced capacity, as stipulated under government orders, as well as due to social distancing protocols that are also mandated by the same government orders. Even without governmental restrictions, customers may continue to choose to reduce or to eliminate in-restaurant dining because of the rise in the number of COVID-19 cases.

A majority of our franchised locations have closed temporarily during the fiscal 2021 period due to their locations being in venues that have closed (such as movie theaters) or venues operating at reduced traffic levels (such as airports, highway travel plazas and shopping malls). As a result, franchise system sales have been significantly impacted. Even after these restrictions are lifted, customers may still be reluctant to return to in-restaurant dining. As of the date of this filing, approximately 60% of our franchised locations are open.

The sales and profits from our Branded Product Program have been adversely impacted as many of our customers operate in venues that are currently closed (such as movie theaters) or venues operating at significantly reduced traffic, such as professional sports arenas, amusement parks and shopping malls.

To help mitigate the impact of the COVID-19 pandemic, we have taken the following decisive actions which are on-going:

- Reduced payroll costs, through salary reductions and the transition of certain Corporate personnel from a furloughed status to a permanent layoff
- Reduced discretionary operating expenses, including marketing and travel
- Postponed non-essential capital spending
- Launched curbside delivery at three of our four Company-owned restaurants
- Introduced "ghost kitchens" whereby well-known restaurants have the ability to market our products for pick-up or in the form of meal-kits for at home preparation
- Implemented enhanced health and safety protocols across the Company

The Company also assessed the impact of the COVID-19 pandemic on the estimates and assumptions used in preparing these consolidated financial statements, including, but not limited to the carrying values of Goodwill, Intangible Assets, and other Long-lived Assets. See Note J for a further discussion related to Goodwill and Intangible Assets and Note K for a further discussion related to Long-lived Assets.

We continue to actively monitor the evolving situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our team members, customers, suppliers and shareholders.

NOTE B – ADOPTION OF NEW ACCOUNTING STANDARD

In January 2017, the FASB issued an update to the accounting guidance to simplify the testing for goodwill impairment. The update removes the requirement to determine the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. A company will perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment charge will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of the goodwill. The Company adopted this guidance on March 30, 2020. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

NOTE C – NEW ACCOUNTING STANDARDS NOT YET ADOPTED

In June 2016, the FASB issued new guidance on the measurement of credit losses, which significantly changes the impairment model for most financial instruments. Current guidance requires the recognition of credit losses based on an incurred loss impairment methodology that reflects losses once the losses are probable. Under the new standard, the Company will be required to use a current expected credit loss model ("CECL") that will immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments that are in the scope of this update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit loss estimates. In November 2019, the FASB deferred the effective date for smaller reporting companies for annual reporting periods beginning after December 15, 2022. This standard is required to take effect in Nathan's first quarter (June 2023) of our fiscal year ending March 31, 2024. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,*" which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. This standard is required to take effect in Nathan's first quarter (June 2021) of our fiscal year ending March 27, 2022. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

The Company does not believe that any other recently issued, but not yet effective accounting standards, when adopted, will have a material effect on the accompanying consolidated financial statements.

NOTE D – REVENUES

The Company's disaggregated revenues for the thirteen and thirty-nine weeks ended December 27, 2020 and December 29, 2019 are as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Branded Products	**$ 10,003**	$ 13,694	**$ 24,450**	$ 45,989
Company-operated restaurants	**1,319**	1,662	**6,247**	11,710
Total sales	**11,322**	15,356	**30,697**	57,699
License royalties	**5,898**	4,412	**24,689**	18,559
Franchise royalties	**361**	802	**880**	2,829

Franchise fees	**59**	233	**207**	781
Total franchise fees and royalties	**420**	1,035	**1,087**	3,610
Advertising fund revenue	**390**	573	**1,082**	1,752
Total revenues	**$ 18,030**	$ 21,376	**$ 57,555**	$ 81,620

The following table disaggregates revenues by primary geographical market (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
United States	**$ 17,810**	$ 20,308	**$ 56,723**	$ 77,930
International	**220**	1,068	**832**	3,690
Total revenues	**$ 18,030**	$ 21,376	**$ 57,555**	$ 81,620

Contract balances

The following table provides information about contract liabilities (Deferred franchise fees) from contracts with customers (in thousands):

	December 27, 2020	March 29, 2020
Deferred franchise fees (a)	**$ 1,780**	$ 1,917

(a) Deferred franchise fees of $227,000 and $1,553,000 as of December 27, 2020 and $230,000 and $1,687,000 as of March 29, 2020 are included in Deferred franchise fees – current and long term, respectively.

Significant changes in Deferred franchise fees are as follows (in thousands):

	Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019
Deferred franchise fees at beginning of period	**$ 1,917**	$ 3,005
Revenue recognized during the period	**(207)**	(781)
New deferrals due to cash received and other	**70**	90
Deferred franchise fees at end of period	**$ 1,780**	$ 2,314

Anticipated Future Recognition of Deferred Franchise Fees

The following table reflects the estimated franchise fees to be recognized in the future related to performance obligations that are unsatisfied at the end of the period (in thousands):

	Estimate for fiscal year
2021 (a)	$ 58
2022	223
2023	200
2024	188
2025	181
Thereafter	930
Total	$ 1,780

(a) Represents franchise fees expected to be recognized for the remainder of the 2021 fiscal year, which includes international development fees expected to be recognized over the duration of one year or less. Amount does not include $207,000 of franchise fee revenue recognized for the thirty-nine weeks ended December 27, 2020.

We have applied the optional exemption, as provided for under Topic 606, which allows us not to disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

NOTE E – INCOME PER SHARE

Basic income per common share is calculated by dividing income by the weighted-average number of common shares outstanding and excludes any dilutive effect of stock options. Diluted income per common share gives effect to all potentially dilutive common shares that were outstanding during the period. Dilutive common shares used in the computation of diluted income per common share result from the assumed exercise of stock options and warrants, as determined using the treasury stock method.

The following chart provides a reconciliation of information used in calculating the per-share amounts for the thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019, respectively.

Thirteen weeks

	Net Income		Number of Shares		Net Income Per Share	
	2020	2019	**2020**	2019	**2020**	2019
	(in thousands)		(in thousands)			
Basic EPS						
Basic calculation	**$ 1,359**	$ 1,213	**4,115**	4,225	**$ 0.33**	$ 0.29
Effect of dilutive employee stock options	-	-	-	-	-	-
Diluted EPS						
Diluted calculation	**$ 1,359**	$ 1,213	**4,115**	4,225	**$ 0.33**	$ 0.29

Thirty-nine weeks

	Net Income		Number of Shares		Net Income Per Share	
	2020	2019	**2020**	2019	**2020**	2019
	(in thousands)		(in thousands)			
Basic EPS						
Basic calculation	**$ 9,014**	$ 10,240	**4,117**	4,219	**$ 2.19**	$ 2.43
Effect of dilutive employee stock options	-	-	-	-	-	-
Diluted EPS						
Diluted calculation	**$ 9,014**	$ 10,240	**4,117**	4,219	**$ 2.19**	$ 2.43

Options to purchase 10,000 shares of common stock in the thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019 were not included in the computation of diluted EPS because the exercise price exceeded the average market price of common shares during the period.

NOTE F – CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents at December 27, 2020 and March 29, 2020.

At December 27, 2020 and March 29, 2020, substantially all of the Company's cash balances are in excess of Federal government insurance limits. The Company does not believe that it is exposed to any significant risk on these balances.

NOTE G – FAIR VALUE MEASUREMENTS

Nathan's follows a three-level fair value hierarchy that prioritizes the inputs to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market
- Level 2 - inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability

The face value and fair value of long-term debt as of December 27, 2020 and March 29, 2020 were as follows (in thousands):

	December 27, 2020		March 29, 2020	
	Face value	**Fair value**	Face Value	Fair value
Long-term debt	**$ 150,000**	**$ 153,909**	$ 150,000	$ 138,000

The Company estimates the fair value of its long-term debt based upon review of observable pricing in secondary markets as of the last trading day of the fiscal period. Accordingly, the Company classifies its long-term debt as Level 2.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of the instruments.

Certain non-financial assets and liabilities are measured at fair value on a non-recurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances, such as when evidence of impairment exists. At December 27, 2020, no fair value adjustment or material fair value measurements were required for non-financial assets or liabilities.

NOTE H – ACCOUNTS AND OTHER RECEIVABLES, NET

Accounts and other receivables, net, consist of the following (in thousands):

	December 27, 2020	March 29, 2020
Branded product sales	**$ 7,479**	$ 6,789
Franchise and license royalties	**4,727**	4,299
Other	**428**	257
	12,634	11,345
Less: allowance for doubtful accounts	**296**	237
Accounts and other receivables, net	**$ 12,338**	$ 11,108

Accounts receivable are due within 30 days and are stated at amounts due from franchisees, retail licensees and Branded Product Program customers, net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are generally considered past due. The Company does not recognize franchise and license royalties that are not deemed to be realizable.

The Company individually reviews each past due account and determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current and expected future ability to pay its obligation to the Company, the condition of the general economy and the industry as a whole. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings. After the Company has used reasonable collection efforts, it writes off accounts receivable through a charge to the allowance for doubtful accounts.

Changes in the Company's allowance for doubtful accounts for the thirty-nine week period ended December 27, 2020 and the fiscal year ended March 29, 2020 are as follows (in thousands):

		December 27, 2020		March 29, 2020
Beginning balance	$	**237**	$	585
Bad debt expense		**70**		71
Write-offs and other		**(11)**		(419)
Ending balance	$	**296**	$	237

NOTE I – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following (in thousands):

		December 27, 2020		March 29, 2020
Real estate taxes	$	**168**	$	75
Insurance		**350**		263
Marketing		**-**		369
Other		**413**		474
Total prepaid expenses and other current assets	$	**931**	$	1,181

NOTE J – GOODWILL AND INTANGIBLE ASSETS

The Company determined that the impact of COVID-19 was a triggering event that required the Company to perform a quantitative interim goodwill impairment test. The Company's impairment assessment was performed in accordance with the accounting guidance adopted in the first quarter of fiscal 2021 that simplifies the testing for goodwill impairment, as discussed in Note B – Adoption of New Accounting Standard. Based on the quantitative assessment performed, management determined that the Company's goodwill has not been impaired as of December 27, 2020 and, as a result, no impairment charge was recorded for the thirteen and thirty-nine week periods ended December 27, 2020.

The Company's definite-lived intangible asset consists of trademarks, tradenames and other intellectual property in connection with its Arthur Treacher's co-branding agreements. The Company reviews its definite-lived intangible asset for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company determined that the impact of COVID-19 on its business was a sufficient indicator that the carrying value may not be recoverable. The Company tested for recoverability of its definite-lived intangible asset based on the projected undiscounted cash flows to be derived from such co-branding agreements, which has a remaining useful life based upon the term of its agreements. Based on the quantitative test performed and other qualitative factors, the Company determined that the definite-lived intangible asset was recoverable and no impairment charge was recorded for the thirteen and thirty-nine week periods ended December 27, 2020.

NOTE K - LONG LIVED ASSETS

Long-lived assets on a restaurant-by-restaurant basis are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

As a result of the impact of the COVID-19 pandemic on its business, the Company determined that sufficient indicators existed to trigger the performance of an interim impairment analysis as of December 27, 2020.

The Company tests for recoverability based on the projected undiscounted cash flows to be derived from such assets. If the projected undiscounted future cash flows are less than the carrying value of the asset, the Company will record an impairment loss, if any, based on the difference between the estimated fair value and the carrying value of the asset. The Company generally measures fair value by considering discounted estimated future cash flows from such assets. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should the estimates and assumptions prove to be incorrect, the Company may be required to record impairments in future periods and such impairments could be material. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. No long-lived assets were deemed to be permanently impaired during the thirteen and thirty-nine week periods ended December 27, 2020 based upon quantitative analysis.

NOTE L – ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 27, 2020	March 29, 2020
Payroll and other benefits	**$ 2,246**	$ 3,075
Accrued rebates	**281**	514
Rent and occupancy costs	**230**	84
Deferred revenue	**97**	797
Construction costs	**58**	105
Interest	**1,579**	4,084
Professional fees	**168**	194
Sales, use and other taxes	**46**	17
Corporate income taxes	**-**	176
Other	**464**	251
Total accrued expenses and other current liabilities	**$ 5,169**	$ 9,297

Other liabilities consist of the following (in thousands):

	December 27, 2020	March 29, 2020
Reserve for uncertain tax positions	**$ 614**	$ 567
Other	**129**	129
Total other liabilities	**$ 743**	$ 696

NOTE M – INCOME TAXES

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted into law which among other provisions increases the limitation on the allowed business interest expense deduction from 30 percent to 50 percent of adjusted taxable income for tax years beginning January 1, 2019 and 2020. Additionally, the CARES Act allows businesses to immediately expense the full cost of Qualified Improvement Property, retroactive to tax years beginning on or after January 1, 2018.

The income tax provisions for the thirty-nine week periods ended December 27, 2020 and December 29, 2019 reflect effective tax rates of 27.7% and 26.1%, respectively.

Nathan's effective tax rate for the thirty-nine week period ended December 29, 2019 was reduced by 1.6% as a result of the tax benefits associated with stock compensation. For the thirty-nine week period ended December 29, 2019 excess tax benefits of $228,000 were reflected in the Consolidated Statements of Earnings as a reduction in determining the provision for income taxes. Nathan's effective tax rate without this adjustment would have been 27.8% for the fiscal 2020 period.

The amount of unrecognized tax benefits at December 27, 2020 was $336,000 all of which would impact Nathan's effective tax rate, if recognized. As of December 27, 2020, Nathan's had $292,000 of accrued interest and penalties in connection with unrecognized tax benefits.

In November 2019, the State of New Jersey notified Nathan's that our tax returns for the fiscal years ended March 27, 2016, March 26, 2017 and March 25, 2018 will be audited. In November 2020, the audit was completed and no adjustments were noted.

NOTE N – SEGMENT INFORMATION

Nathan's considers itself to be a brand marketer of the Nathan's Famous signature products to the foodservice industry pursuant to its various business structures. Nathan's sells its products directly to consumers through its restaurant operations segment consisting of Company-operated and franchised restaurants, to distributors that resell our products to the foodservice industry through the Branded Product Program ("BPP") and by third party manufacturers pursuant to license agreements that sell our products to club stores and grocery stores nationwide. The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM") who evaluates performance and allocates resources for the Branded Product Program, Product Licensing and Restaurant Operations segments based upon a number of factors, the primary profit measure being income from operations. Certain administrative expenses are not allocated to the segments and are reported within the Corporate segment.

Branded Product Program – This segment derives revenue principally from the sale of hot dog products either directly to foodservice operators or to various foodservice distributors who resell the products to foodservice operators.

Product licensing – This segment derives revenue, primarily in the form of royalties, from licensing a broad variety of Nathan's Famous branded products, including our hot dogs, sausage and corned beef products, frozen French fries and additional products through retail grocery channels and club stores throughout the United States.

Restaurant operations – This segment derives revenue from sale of our products at Company-owned restaurants and earns fees and royalties from its franchised restaurants.

Revenues from operating segments are from transactions with unaffiliated third parties and do not include any intersegment revenues.

Income from operations attributable to Corporate consists principally of administrative expenses not allocated to the operating segments such as executive management, finance, information technology, legal, insurance, corporate office costs, corporate incentive compensation and compliance costs and expenses of the advertising fund.

Interest expense, interest income, and other income, net, are managed centrally at the corporate level, and, accordingly, such items are not presented by segment since they are excluded from the measure of profitability reviewed by the CODM.

Operating segment information is as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Revenues				
Branded Product Program	**$ 10,003**	$ 13,694	**$ 24,450**	$ 45,989
Product licensing	**5,898**	4,412	**24,689**	18,559
Restaurant operations	**1,739**	2,697	**7,334**	15,320
Corporate (1)	**390**	573	**1,082**	1,752
Total revenues	**$ 18,030**	$ 21,376	**$ 57,555**	$ 81,620
Income from operations				
Branded Product Program	**$ 1,550**	$ 1,917	**$ 3,074**	$ 6,244
Product licensing	**5,852**	4,367	**24,552**	18,423
Restaurant operations	**(1,162)**	(599)	**(2,193)**	2,254
Corporate	**(1,837)**	(1,822)	**(5,352)**	(6,244)
Income from operations	**$ 4,403**	$ 3,863	**$ 20,081**	$ 20,677
Interest expense	**(2,650)**	(2,650)	**(7,951)**	(7,951)
Interest income	**89**	338	**309**	1,074
Other income, net	**9**	22	**31**	61
Income before provision for income taxes	**$ 1,851**	$ 1,573	**$ 12,470**	$ 13,861

(1) Represents advertising fund revenue

NOTE O – SHARE-BASED COMPENSATION

Total share-based compensation for each of the thirteen-week periods ended December 27, 2020 and December 29, 2019 was $29,000. Total share-based compensation for each of the thirty-nine week periods ended December 27, 2020 and December 29, 2019 was $87,000. Total share-based compensation is included in general and administrative expenses in our accompanying Consolidated Statements of Earnings. As of December 27, 2020, there was $83,000 of unamortized compensation expense related to share-based incentive awards. The Company expects to recognize this expense over approximately eight months, which represents the weighted average remaining requisite service periods for such awards.

The Company recognizes compensation cost for unvested stock-based incentive awards on a straight-line basis over the requisite service period. Compensation cost charged to expense under all stock-based incentive awards is as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Stock options	**$ 21**	$ 21	**$ 64**	$ 64
Restricted stock	**8**	8	**23**	23
Total compensation cost	**$ 29**	$ 29	**$ 87**	$ 87

Stock options:

There were no new share-based awards granted during the thirty-nine week period December 27, 2020.

During the fiscal year ended March 31, 2019, the Company granted options to purchase 10,000 shares at an exercise price of $89.90 per share, all of which expire five years from the date of grant. All such stock options vest ratably over a three-year period commencing September 12, 2019.

Transactions with respect to stock options for the thirty-nine weeks ended December 27, 2020 are as follows:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at March 29, 2020	**10,000**	**$**	**89.90**	**3.45**	-
Granted	-		-	-	-
Exercised	-		-	-	-
Options outstanding at December 27, 2020	**10,000**	**$**	**89.90**	**2.71**	-
Options exercisable at December 27, 2020	**6,667**	**$**	**89.90**	**2.71**	-

Restricted stock:

Transactions with respect to restricted stock for the thirty-nine weeks ended December 27, 2020 are as follows:

	Shares		**Weighted-Average Grant-date Fair value Per share**
Unvested restricted stock at March 29, 2020	**667**	**$**	**89.90**
Granted	-		-
Vested	**(334)**	**$**	**89.90**
Unvested restricted stock at December 27, 2020	**333**	**$**	**89.90**

NOTE P – STOCKHOLDERS' EQUITY

1. *Dividends*

Effective June 12, 2020, the Board declared its first quarterly cash dividend of $0.35 per share for fiscal year 2021, aggregating $1,440,000, which was paid on June 26, 2020 to stockholders of record as of the close of business on June 22, 2020.

Effective August 7, 2020, the Board declared its second quarterly cash dividend of $0.35 per share for fiscal year 2021, aggregating $1,440,000, which was paid on September 4, 2020 to stockholders of record as of the close of business on August 24, 2020.

Effective November 6, 2020 the Board declared its third quarterly cash dividend of $0.35 per share for fiscal year 2021, aggregating $1,440,000, which was paid on December 4, 2020 to stockholders of record as of the close of business on November 23, 2020.

Effective February 5, 2021 the Board declared its fourth quarterly cash dividend of $0.35 per share payable on March 5, 2021 to stockholders of record as of the close of business on February 22, 2021.

Our ability to pay future dividends is limited by the terms of the Indenture with U.S. Bank National Association, as trustee and collateral trustee (see Note Q). In addition to the terms of the Indenture, the declaration and payment of any cash dividends in the future are subject to final determination of the Board and will be dependent upon our earnings and financial requirements.

2. Stock Incentive Plans

On September 13, 2012, the Company amended the Nathan's Famous, Inc. 2010 Stock Incentive Plan (the "2010 Plan") increasing the number of shares available for issuance by 250,000 shares. Shares to be issued under the 2010 Plan may be made available from authorized but unissued stock, common stock held by the Company in its treasury, or common stock purchased by the Company on the open market or otherwise. The number of shares issuable and the grant, purchase or exercise price of outstanding awards are subject to adjustment in the amount that the Company's Compensation Committee considers appropriate upon the occurrence of certain events, including stock dividends, stock splits, mergers, consolidations, reorganizations, recapitalizations, or other capital adjustments.

On September 18, 2019, the Company's shareholders approved the Nathan's Famous, Inc. 2019 Stock Incentive Plan (the "2019 Plan"). The 2019 Plan became effective July 1, 2020 (the "Effective Date"). Following the Effective Date, (i) no additional stock awards were granted under the 2010 Plan and (ii) all outstanding stock awards previously granted under the 2010 Plan remained subject to the terms of the 2010 Plan. All awards granted on or after the Effective Date of the 2019 Plan shall be subject to the terms of the 2019 Plan.

As of the Effective Date, we were able to issue up to: (a) 369,584 shares of common stock under the 2019 Plan which includes: (i) shares that had been authorized but not issued pursuant to the 2010 Plan as of the Effective Date up to a maximum of an additional 208,584 shares and (ii) any shares subject to any outstanding options or restricted stock grants under any plan of the Company that were outstanding as of the Effective Date and that subsequently expire unexercised, or are otherwise forfeited, up to a maximum of an additional 11,000 shares. As of December 27, 2020, there were up to 208,584 shares available to be issued for future option grants or up to 184,808 shares of restricted stock to be granted under the 2019 Plan.

3. Stock Repurchase Program

During the period from October 2001 through December 27, 2020, Nathan's purchased 5,254,081 shares of common stock at a cost of $84,770,000 pursuant to various stock repurchase plans previously authorized by the Board of Directors. During the thirty-nine week period ended December 27, 2020, we repurchased 26,676 shares of common stock at a cost of $1,501,000.

In 2016, the Company's Board of Directors authorized increases to the sixth stock repurchase plan for the purchase of up to 1,200,000 shares of its common stock on behalf of the Company. As of December 27, 2020, Nathan's had repurchased 1,066,450 shares at a cost of $37,108,000 under the sixth stock repurchase plan. At December 27, 2020 there were 133,550 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company's stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

On March 13, 2020, the Company's Board of Directors approved a 10b5-1 stock plan (the "10b5-1 Plan") which expired on August 12, 2020. During the fiscal 2021 period, the Company repurchased in open market transactions 26,676 shares of the Company's common stock at an average share price of $56.26 for a total cost of $1,501,000 under the 10b5-1 Plan.

NOTE Q – LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	December 27, 2020	March 29, 2020
6.625% Senior Secured Notes due 2025	**$ 150,000**	$ 150,000
Less: unamortized debt issuance costs	**(3,342)**	(3,860)
Long-term debt, net	**$ 146,658**	$ 146,140

On November 1, 2017, the Company issued $150,000,000 of 6.625% Senior Secured Notes due 2025 (the "2025 Notes") in a private offering in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2025 Notes were issued pursuant to an indenture dated as of November 1, 2017 by and among the Company, certain of its wholly-owned subsidiaries and U.S. Bank National Association (the "Indenture"). The Company used the net proceeds of the 2025 Notes offering to satisfy and discharge the Indenture relating to the $135,000,000 of 10.000% Senior Secured Notes due 2020 and redeem such notes (the "Redemption"), paid a portion of a special $5.00 per share cash dividend to Nathan's stockholders of record, with the remaining net proceeds for general corporate purposes, including working capital. The Company also funded the majority of the special dividend of $5.00 per share through its existing cash. The Redemption occurred on November 16, 2017.

The 2025 Notes bear interest at 6.625% per annum, payable semi-annually on May 1st and November 1st of each year. The Company made its required semi-annual interest payments of $4,968,750 on May 1, 2020 and November 1, 2020.

The 2025 Notes have no scheduled principal amortization payments prior to its final maturity on November 1, 2025.

A summary of certain terms and conditions of the 2025 Notes is as follows (terms not defined shall have the meanings set forth in the Indenture):

There are no financial maintenance covenants associated with the 2025 Notes. As of December 27, 2020, Nathan's was in compliance with all covenants associated with the 2025 Notes.

The Indenture contains certain covenants limiting the Company's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to, subject to certain exceptions and qualifications: (i) incur additional indebtedness; (ii) pay dividends or make other distributions on, redeem or repurchase, capital stock; (iii) make investments or other restricted payments; (iv) create or incur certain liens; (v) incur restrictions on the payment of dividends or other distributions from its restricted subsidiaries; (vi) enter into certain transactions with affiliates; (vii) sell assets; or (viii) effect a consolidation or merger. Certain Restricted Payments which may be made or indebtedness incurred by Nathan's or its Restricted Subsidiaries may require compliance with the following financial ratios:

Fixed Charge Coverage Ratio: the ratio of the Consolidated Cash Flow to the Fixed Charges for the relevant period, currently set at 2.0 to 1.0 in the Indenture. The Fixed Charge Coverage Ratio applies to determining whether additional Restricted Payments may be made, certain additional debt may be incurred and acquisitions may be made.

Priority Secured Leverage Ratio: the ratio of (a) Consolidated Net Debt outstanding as of such date that is secured by a Priority Lien to (b) Consolidated Cash Flow of Nathan's for the Test Period then most recently ended, in each case with such pro forma adjustments as are appropriate; currently set at 0.40 to 1.00 in the Indenture.

Secured Leverage Ratio: the ratio of (a) Consolidated Net Debt outstanding as of such date that is secured by a Lien on any property of Nathan's or any Guarantor to (b) Consolidated Cash Flow of Nathan's for the Test Period then most recently ended, in each case with such pro forma adjustments as are appropriate. The Secured Leverage Ratio under the Indenture is 3.75 to 1.00 and applies if Nathan's wants to incur additional debt on the same terms as the 2025 Notes.

The Indenture also contains customary events of default, including, among other things, failure to pay interest, failure to comply with agreements related to the Indenture, failure to pay at maturity or acceleration of other indebtedness, failure to pay certain judgments, and certain events of insolvency or bankruptcy. Generally, if any event of default occurs, the Trustee or the holders of at least 25% in principal amount of the 2025 Notes may declare the 2025 Notes due and payable by providing notice to the Company. In case of default arising from certain events of bankruptcy or insolvency, the 2025 Notes will become immediately due and payable.

The 2025 Notes are general senior secured obligations, are fully and unconditionally guaranteed by substantially all of the Company's wholly-owned subsidiaries and rank *pari passu* in right of payment with all of the Company's existing and future indebtedness that is not subordinated, are senior in right of payment to any of the Company's existing and future subordinated indebtedness, are structurally subordinated to any existing and future indebtedness and other liabilities of the Company's subsidiaries that do not guarantee the 2025 Notes, and are effectively junior to all existing and future indebtedness that is secured by assets other than the collateral securing the 2025 Notes.

Pursuant to the terms of a collateral trust agreement, the liens securing the 2025 Notes and the guarantees will be contractually subordinated to the liens securing any future credit facility.

The 2025 Notes and the guarantees are the Company and the guarantors' senior secured obligations and will rank:

- senior in right of payment to all of the Company and the guarantors' future subordinated indebtedness;
- effectively senior to all unsecured senior indebtedness to the extent of the value of the collateral securing the 2025 Notes and the guarantees;
- *pari passu* with all of the Company and the guarantors' other senior indebtedness;
- effectively junior to any future credit facility to the extent of the value of the collateral securing any future credit facility and the 2025 Notes and the guarantees and certain other assets;
- effectively junior to any of the Company and the guarantors' existing and future indebtedness that is secured by assets other than the collateral securing the 2025 Notes and the guarantees to the extent of the value of any such assets; and
- structurally subordinated to the indebtedness of any of the Company's current and future subsidiaries that do not guarantee the 2025 Notes.

The Company may redeem the 2025 Notes in whole or in part prior to November 1, 2020, at a redemption price of 100% of the principal amount of the 2025 Notes redeemed plus the Applicable Premium, plus accrued and unpaid interest. An Applicable Premium is the greater of 1% of the principal amount of the 2025 Notes; or the excess of the present value at such redemption date of (i) the redemption price of the 2025 Notes at November 1, 2020 plus (ii) all required interest payments due on the 2025 Notes through November 1, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over the then outstanding principal amount of the 2025 Notes.

Prior to November 1, 2020, if using the net cash proceeds of certain equity offerings, the Company had the option to redeem up to 35% of the aggregate principal amount of the 2025 Notes at a redemption price equal to 106.625% of the principal amount of the 2025 Notes redeemed, plus accrued and unpaid interest and any additional interest.

On or after November 1, 2020, the Company may redeem some or all of the 2025 Notes at a decreasing premium over time, plus accrued and unpaid interest as follows:

YEAR	**PERCENTAGE**
On or after November 1, 2020 and prior to November 1, 2021	103.313%
On or after November 1, 2021 and prior to November 1, 2022	101.656%
On or after November 1, 2022	100.000%

In certain circumstances involving a change of control, the Company will be required to make an offer to repurchase all or, at the holder's option, any part, of each holder's 2025 Notes pursuant to the offer described below (the "Change of Control Offer"). In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of 2025 Notes repurchased plus accrued and unpaid interest, to the date of purchase.

If the Company sells certain assets and does not use the net proceeds as required, the Company will be required to use such net proceeds to repurchase the 2025 Notes at 100% of the principal amount thereof, plus accrued and unpaid interest and additional interest penalty, if any, to the date of repurchase.

The 2025 Notes may be traded between qualified institutional buyers pursuant to Rule 144A of the Securities Act. We have recorded the 2025 Notes at cost.

Effective June 1, 2020, Nathan's Board of Directors authorized the repurchase of up to $10,000,000 of the 2025 Notes by the Company (at a price equal to or less than par) from time to time. There is no set time limit on the repurchases.

NOTE R – LEASES

The Company is party as lessee to various leases for its Company-operated restaurants and lessee/sublessor to one franchised location property, including land and buildings, as well as leases for its corporate office and certain office equipment.

Company as lessee

The components of the net lease cost for the thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019 were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Statement of Earnings				
Operating lease cost	**$ 370**	$ 339	**$ 1,181**	$ 899
Short term lease cost	**-**	4	**-**	14
Variable lease cost	**292**	280	**1,007**	1,240
Less: Sublease income, net	**(9)**	(22)	**(31)**	(63)
Total net lease cost (a)	**$ 653**	$ 601	**$ 2,157**	$ 2,090

(a) The thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019 include $502,000, net and $1,696,000, net and $470,000, net and $1,679,000, net, respectively, recorded to "Restaurant Operating Expenses" for leases for Company-operated restaurants; $160,000 and $492,000, and $153,000 and $474,000, respectively, recorded to "General and administrative expenses" for leases for corporate offices and equipment; and $9,000 and $31,000, and $22,000 and $63,000, respectively, recorded to "Other income, net" for leased properties that are leased to franchisees.

Cash paid for amounts included in the measurement of lease liabilities were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Operating cash flows from operating leases	**$ 153**	$ 60	**$ 560**	$ 351

The weighted average remaining lease term and weighted-average discount rate for operating leases as of December 27, 2020 were as follows:

Weighted average remaining lease term (years):	
Operating leases	**7.4**
Weighted average discount rate:	
Operating leases	**8.877%**

Future lease commitments to be paid and received by the Company as of December 27, 2020 were as follows (in thousands):

	Payments Operating Leases	Receipts Subleases	Net Leases
Fiscal year:			
2021 (a)	$ 377	$ 38	$ 339
2022	1,837	247	1,590
2023	1,849	168	1,681
2024	1,774	169	1,605
2025	1,678	169	1,509
Thereafter	5,474	352	5,122
Total lease commitments	$ 12,989	$ 1,143	$ 11,846
Less: Amount representing interest	3,434		
Present value of lease liabilities (b)	$ 9,555		

(a) Represents future lease commitments to be paid and received by the Company for the remainder of the 2021 fiscal year. Amount does not include $956,000 of lease commitments paid and received by the Company for the thirty-nine week period ended December 27, 2020.

(b) The present value of minimum operating lease payments of $1,833,000 and $7,722,000 are included in "Current portion of operating lease liabilities" and "Long-term operating lease liabilities," respectively.

Company as lessor

The components of lease income for the thirteen and thirty-nine week periods ended December 27, 2020 and December 29, 2019 were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
Operating lease income, net	**$ 9**	$ 22	**$ 31**	$ 63

NOTE S – COMMITMENTS AND CONTINGENCIES

1. Commitments

On February 27, 2017, a wholly-owned subsidiary of the Company executed a Guaranty of Lease (the "Brooklyn Guaranty") in connection with its re-franchising of a restaurant located in Brooklyn, New York. The Company is obligated to make payments under the Brooklyn Guaranty in the event of a default by the tenant/franchisee. The Brooklyn Guaranty has an initial term of 10 years and one 5-year option and is limited to 24 months of rent for the first three years of the term. For the remainder of the term, the Brooklyn Guaranty is limited to 12 months of rent plus reasonable costs of collection and attorney's fees. As of December 27, 2020, Nathan's has recorded a liability of $110,000 in connection with the Brooklyn Guaranty which does not include potential percentage rent, real estate tax increases, attorney's fees and other costs as these amounts are not reasonably determinable at this time. Nathan's has received a personal guaranty from the franchisee for all obligations under the Brooklyn Guaranty.

2. Contingencies

The Company and its subsidiaries are from time to time involved in ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial position, cash flows or results of operations. Nevertheless, litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on the Company's results of operations for the period in which the ruling occurs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1933, as amended, that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes", "expects", "projects", "may", "would", "should", "seeks", "intends", "plans", "estimates", "anticipates" or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements contained in this Form 10-Q are based upon information available to us on the date of this Form 10-Q.

Statements in this Form 10-Q quarterly report may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties, many of which are not within our control, include but are not limited to: the impact of the COVID-19 pandemic; economic, weather (including the affects on the supply of cattle and the impact of weather on sales at our restaurants, particularly during the Summer months), and change in the price of beef trimmings; our ability to pass on the cost of any price increases in beef and beef trimmings, or labor costs; legislative, business conditions or tariffs; the collectibility of receivables; changes in consumer tastes; the status of our licensing and supply agreements, including our licensing revenue and overall profitability being substantially dependent on our agreement with John Morrell & Co., the impact of our debt service and repayment obligations under the 2025 Notes (as defined herein); the impact of the Tax Cuts and Jobs Act; the continued viability of Coney Island as a destination location for visitors; the ability to continue to attract franchisees; the impact of the new minimum wage legislation in New York State or other changes in labor laws, including court decisions which could render a franchisor as a "joint employee" or the impact of our new union contracts; our ability to attract competent restaurant and managerial personnel; the enforceability of international franchising agreements and the future effects of any food borne illness; such as bovine spongiform encephalopathy, BSE or e-coli; as well as those risks discussed from time to time in this Form 10-Q and our Form 10-K annual report for the year ended March 29, 2020, and in other documents we file with the Securities and Exchange Commission. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements. We generally identify forward-looking statements with the words "believe," "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q.

Introduction

As used in this Report, the terms "we", "us", "our", "Nathan's" or the "Company" mean Nathan's Famous, Inc. and its subsidiaries (unless the context indicates a different meaning).

We are engaged primarily in the marketing of the "Nathan's Famous" brand and the sale of products bearing the "Nathan's Famous" trademarks through several different channels of distribution. Historically, our business has been the operation and franchising of quick-service restaurants featuring Nathan's World Famous Beef Hot Dogs, crinkle-cut French-fried potatoes, and a variety of other menu offerings. Our Company-owned and franchised units operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Nathan's product licensing program sells packaged hot dogs and other meat products to retail customers through supermarkets or grocery-type retailers for off-site consumption. Our Branded Product Program enables foodservice retailers and others to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. In conjunction with this program, purchasers of Nathan's products are granted a limited use of the Nathan's Famous trademark with respect to the sale of the purchased products, including Nathan's World Famous Beef Hot Dogs, certain other proprietary food items and paper goods. Our Branded Menu Program is a limited franchise program, under which foodservice operators may sell a greater variety of Nathan's Famous menu items than under the Branded Product Program.

Our revenues are generated primarily from selling products under Nathan's Branded Product Program, operating Company-owned restaurants, licensing agreements for the sale of Nathan's products within supermarkets and club stores, the sale of Nathan's products directly to other foodservice operators and the manufacture of certain proprietary spices by third parties and franchising the Nathan's restaurant concept (including the Branded Menu Program).

At December 27, 2020, our restaurant system consisted of 215 Nathan's franchised units, including 93 Branded Menu units, and four Company-owned units (including one seasonal unit), located in 19 states, and 9 foreign countries. At December 29, 2019, our restaurant system consisted of 226 Nathan's franchised units, including 96 Branded Menu units, and four Company-owned units (including one seasonal unit), located in 22 states, and 10 foreign countries.

Over the past several years, our strategic emphasis has been to increase the number of distribution points for our products across all of our business platforms, including our Licensing Program for distribution of Nathan's Famous branded consumer packaged goods, our Branded Products Program for distribution of Nathan's Famous branded bulk products to the foodservice industry, and our namesake restaurant system comprised of both Company-owned and franchised units. The primary drivers of our recent growth have been our Licensing and Branded Product Programs, which are now the largest contributors to the Company's revenues and profits.

We remain committed to these parts of our business and we continue to reinvigorate our restaurant system. The operating plan we have adopted in this regard is focused on surrounding our core items, Nathan's World Famous beef hot dogs and crinkle-cut French fried potatoes, with other much higher quality menu items developed to deliver best-in-class customer experience and greater customer frequency. Menu development activities have been combined with concept positioning efforts, operational improvements and more effective digital and social marketing campaigns. The goal is to improve the performance of the existing restaurant system and to grow it through franchising efforts. Additionally, we have introduced ghost kitchens whereby well-known restaurants have the ability to market and to sell our products. At December 27, 2020, we have expanded into 75 ghost kitchens, including 37 domestically and 38 internationally. While we do not expect to significantly increase the number of Company-owned units, we may opportunistically and strategically invest in a small number of new units as showcase locations for prospective franchisees and master developers as we seek to grow our franchise system. We continue to seek opportunities to drive sales in a variety of ways as we adopt to the ever-changing consumer and environment.

As described in our Annual Report on Form 10-K for the year ended March 29, 2020, our future results could be materially impacted by many developments including the impact of the COVID-19 pandemic on our business, our dependence on John Morrell & Co. as our principal supplier and the dependence of our licensing revenue and overall profitability on our agreement with John Morrell & Co. In addition, our future operating results could be impacted by supply constraints on beef or by increased costs of beef compared to earlier periods in addition to the potential impact that any future tariffs may have on the business.

On November 1, 2017, the Company issued $150,000,000 of 6.625% Senior Secured Notes due 2025 (the "2025 Notes") and used the majority of the proceeds of this offering to redeem (the "Redemption") the Company's 10.000% Senior Secured Notes due 2020 (the "2020 Notes"), paid a portion of the special $5.00 cash dividend and used any remaining proceeds for general corporate purposes, including working capital. Our future results could also be impacted by our obligations under the 2025 Notes. As a result of the issuance of the 2025 Notes, Nathan's incurs interest expense of $9,937,500 per annum, which reduced our cash interest expense by $3,562,500 per annum as compared to our annual interest requirements under the 2020 Notes. Nathan's expects to incur annual amortization of debt issuance costs of approximately $691,000 through November 1, 2025.

As described below, we are also including information relating to EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, in this Form 10-Q quarterly report. See "Reconciliation of GAAP and Non-GAAP Measures."

Impact of COVID-19 pandemic on our business

The COVID-19 pandemic has had an impact on the Company's business, financial condition, cash flows and results of operations for the thirty-nine weeks ended December 27, 2020 ("fiscal 2021 period") and continues into the fourth quarter of fiscal 2021. Governmental restrictions and public perceptions of the risks associated with COVID-19 have caused consumers to avoid or limit nonessential travel, gatherings in public places and other social interactions, which has adversely affected, and could continue to adversely affect, our business. The COVID-19 pandemic, has and may continue to impact customer traffic at our Company-owned restaurants and franchised restaurants, as well as sales to our Branded Product Program customers.

Three of our four Company-owned restaurants remained open throughout the fiscal 2021 period and continued to offer food primarily through take-out and delivery. Our location on the Coney Island Boardwalk opened on May 15, 2020 for the summer months and closed for the season on September 13, 2020. Beginning in the second quarter fiscal 2021, the Company re-opened the dining rooms at our Company-owned restaurants located in Oceanside, New York and Yonkers, New York, which currently remain open. Although, these dining rooms are open, they are operating at reduced capacity, as stipulated under government orders, as well as due to social distancing protocols that are also mandated by the same government orders. Even without government restrictions, customers may continue to choose to reduce or to eliminate in-restaurant dining because of the rise in the number of COVID-19 cases.

A majority of our franchised locations closed temporarily during the fiscal 2021 period due to their locations being in venues that were closed (such as movie theaters) or venues operating at reduced traffic levels (such as airports, highway travel plazas and shopping malls). Such closures and disruptions have materially impacted franchise fees and royalties during the fiscal 2021 period, as compared to the same period last year. We are principally focused on the well-being and safety of our guests, franchisees, restaurant associates and all other employees. Approximately 60% of our franchised locations have reopened as of the date of this report.

The sales and profits from our Branded Product Program have been adversely impacted as many of our customers operate in venues that are currently closed (such as movie theaters) or venues operating at reduced traffic levels, such as professional sports arenas, amusement parks and shopping malls.

To help mitigate the impact of the COVID-19 pandemic, we have taken the following decisive actions during the fiscal 2021 period which continue into the fourth quarter of fiscal 2021:

- Reduced payroll costs, through salary reductions and the transition of certain Corporate personnel from a furloughed status to a permanent layoff
- Reduced discretionary operating expenses, including marketing and travel
- Postponed non-essential capital spending
- Launched curbside delivery at three of our four Company-owned restaurants
- Introduced “ghost kitchens” whereby well-known restaurants have the ability to market our products for pick-up or in the form of meal-kits for at home preparation
- Implemented enhanced health and safety protocols across the Company

While there is significant uncertainty as to the duration and extent of the impact of the COVID-19 pandemic, we expect the pandemic will continue to have a negative impact on our revenue and net income for the remainder of fiscal 2021. Even as government restrictions are lifted and vaccines begin to be distributed, the ongoing economic impacts and health concerns associated with the pandemic may continue to affect consumer behavior, spending levels, and could result in reduced restaurant traffic and consumer spending trends that may adversely impact our financial condition and results of operations.

Critical Accounting Policies and Estimates

As discussed in our Form 10-K for the fiscal year ended March 29, 2020, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those consolidated financial statements. These judgments can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies and estimates relate to revenue recognition; leases; impairment of goodwill and other intangible assets; impairment of long-lived assets; share-based compensation and income taxes (including uncertain tax positions). Except for the adoption in Note B – simplifying the testing for goodwill impairment, there have been no other significant changes to the Company’s accounting policies subsequent to March 29, 2020.

Adoption of New Accounting Standard

Please refer to Note B of the preceding consolidated financial statements for our discussion of the Adoption of the New Accounting Standard.

New Accounting Standards Not Yet Adopted

Please refer to Note C of the preceding consolidated financial statements for our discussion of New Accounting Standards Not Yet Adopted.

EBITDA and Adjusted EBITDA

The Company believes that EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, are useful to investors to assist in assessing and understanding the Company's operating performance and underlying trends in the Company's business because EBITDA and Adjusted EBITDA are (i) among the measures used by management in evaluating performance and (ii) are frequently used by securities analysts, investors and other interested parties as a common performance measure.

Reconciliation of GAAP and Non-GAAP Measures

The following is provided to supplement certain Non-GAAP financial measures.

In addition to disclosing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), the Company has provided EBITDA, a non-GAAP financial measure, which is defined as net income excluding (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company has also provided Adjusted EBITDA, a non-GAAP financial measure, which is defined as EBITDA, excluding share-based compensation that the Company believes will impact the comparability of its results of operations.

EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be viewed as alternatives to net income or other measures of financial performance or liquidity in conformity with US GAAP. Additionally, our definitions of EBITDA and Adjusted EBITDA may differ from other companies. Analysis of results and outlook on a non-US GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with US GAAP.

The following is a reconciliation of net income to EBITDA and Adjusted EBITDA (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	December 27, 2020	December 29, 2019	**December 27, 2020**	December 29, 2019
	(unaudited)		(unaudited)	

Net income	**$ 1,359**	$ 1,213	**$ 9,014**	$ 10,240
Interest expense	**2,650**	2,650	**7,951**	7,951
Provision for income taxes	**492**	360	**3,456**	3,621
Depreciation and amortization	**288**	294	**900**	941
EBITDA	**4,789**	4,517	**21,321**	22,753
Share-based compensation	**29**	29	**87**	87
Adjusted EBITDA	**$ 4,818**	$ 4,546	**$ 21,408**	$ 22,840

Results of Operations

Thirteen weeks ended December 27, 2020 compared to thirteen weeks ended December 29, 2019

Revenues

Total sales decreased by 26% to $11,322,000 for the thirteen weeks ended December 27, 2020 ("third quarter fiscal 2021") as compared to $15,356,000 for the thirteen weeks ended December 29, 2019 ("third quarter fiscal 2020"). Foodservice sales from the Branded Product Program decreased by 27% to $10,003,000 for the third quarter fiscal 2021 as compared to sales of $13,694,000 in the third quarter fiscal 2020. The sales from our Branded Product Program have been negatively impacted by the COVID-19 pandemic as many of our customers operate in venues that are currently closed, such as movie theaters, or venues operating at reduced capacity, such as professional sports arenas, amusement parks and shopping malls. Our average selling prices decreased by approximately 2.5% as compared to the third quarter fiscal 2020. During the third quarter fiscal 2021, the volume of business decreased by approximately 26% as compared to the third quarter fiscal 2020.

Total Company-owned restaurant sales decreased by 21% to $1,319,000 during the third quarter fiscal 2021 compared to $1,662,000 during the third quarter fiscal 2020. The decrease was primarily due to a decline in customer traffic related to the impact of the COVID-19 pandemic. Additionally, as stipulated under government orders, the dining rooms at our Company-owned restaurants are operating at reduced capacity and maintaining social distancing protocols under these same government orders.

License royalties increased by 34% to $5,898,000 in the third quarter fiscal 2021 as compared to $4,412,000 in the third quarter fiscal 2020. Total royalties earned on sales of hot dogs from our license agreement with John Morrell & Co. at retail and foodservice, substantially from sales of hot dogs to Sam's Club and WalMart, increased 33% to $5,284,000 for the third quarter fiscal 2021 as compared to $3,979,000 in the third quarter fiscal 2020. As consumers shelter at home, our licensing business continues to show strong consumer demand. The increase is due to a 40% increase in retail volume during the third quarter fiscal 2021 period and a 3% increase in average net selling price as compared to the third quarter fiscal 2020 period. Additionally, the foodservice business earned lower royalties of $52,000 as compared to the third quarter fiscal 2020 due to a shift in the Sam's Club business. Royalties earned from all other licensing agreements for the manufacture and sale of Nathan's products increased by $181,000 during the third quarter fiscal 2021 as compared to the third quarter fiscal 2020 primarily due to additional royalties earned on sales of French fries, cocktail franks and mozzarella sticks.

Franchise fees and royalties were $420,000 in the third quarter fiscal 2021 as compared to $1,035,000 in the third quarter fiscal 2020. Total royalties were $361,000 in the third quarter fiscal 2021 as compared to $802,000 in the third quarter fiscal 2020. Royalties earned under the Branded Menu program were $65,000 in the third quarter fiscal 2021 as compared to $148,000 in the third quarter fiscal 2020. Royalties earned under the Branded Menu Program are not based upon a percentage of restaurant sales but are based upon product purchases. Traditional franchise royalties were $296,000 in the third quarter fiscal 2021 as compared to $654,000 in the third quarter fiscal 2020. Franchise restaurant sales declined to $6,178,000 in the third quarter fiscal 2021 as compared to $14,587,000 in the third quarter fiscal 2020 primarily due to temporary closings, as well as venues operating at significantly reduced traffic as a result of the COVID-19 pandemic. Comparable domestic franchise sales (consisting of 51 Nathan's outlets, excluding sales under the Branded Menu Program) were $4,778,000 in the third quarter fiscal 2021 as compared to $9,144,000 in the third quarter fiscal 2020.

At December 27, 2020, 215 franchised outlets, including domestic, international and Branded Menu Program outlets were operating compared to 226 domestic and international franchised or Branded Menu Program franchise outlets at December 29, 2019. Total franchise fee income was $59,000 in the third quarter fiscal 2021 compared to $233,000 in the third quarter fiscal 2020. Domestic franchise fee income was $34,000 in the third quarter fiscal 2021 compared to $35,000 in the third quarter fiscal 2020. International franchise fee income was $25,000 in the third quarter fiscal 2021 compared to $38,000 during the third quarter fiscal 2020.

We did not recognize any forfeited fees in the third quarter fiscal 2021. We recognized $160,000 of forfeited fees in the third quarter fiscal 2020 primarily from the termination of our Master Franchise Agreement for Turkey and the closing of various domestic and international franchise locations. During the third quarter fiscal 2021, one new franchised outlet opened. Additionally, 40 new ghost kitchens opened. During the third quarter fiscal 2020, three franchised outlets opened.

Advertising fund revenue, after eliminating Company contributions, was $390,000 during the third quarter fiscal 2021 and $573,000 during the third quarter fiscal 2020 period.

Costs and Expenses

Overall, our cost of sales decreased by 27% to $8,937,000 in the third quarter fiscal 2021 as compared to $12,262,000 in the third quarter fiscal 2020. Our gross profit (representing the difference between sales and cost of sales) decreased to $2,385,000 or 21% of sales during the third quarter fiscal 2021 as compared to $3,094,000 or 20% of sales during the third quarter fiscal 2020. The increase in margin was primarily due to the lower cost of beef in the Branded Product Program, partially offset by higher labor costs associated with higher minimum hourly rates of pay at two of our Company-owned restaurants.

Cost of sales in the Branded Product Program decreased by approximately $3,173,000 during the third quarter fiscal 2021 as compared to the third quarter fiscal 2020, primarily due to the 4.6% decrease in the average cost per pound of our hot dogs, as well as the 26% decrease in the volume of product sold due to the COVID-19 pandemic as discussed above. We did not make any purchase commitments of beef during the third quarter fiscal 2021 or the third quarter fiscal 2020. If the cost of beef and beef trimmings increases and we are unable to pass on these higher costs through price increases or otherwise reduce any increase in our costs through the use of purchase commitments, our margins will be adversely impacted.

Beginning in May 2020, the cost of hot dogs increased significantly due primarily to the effects of the COVID-19 pandemic on the meat processing industry.

With respect to Company-owned restaurants, our cost of sales during the third quarter fiscal 2021 was $989,000 or 75% of restaurant sales, as compared to $1,141,000 or 69% of restaurant sales in the third quarter fiscal 2020. We experienced higher labor costs associated with higher minimum hourly rates of pay at two of our Company-owned restaurants. We expect that our future labor costs will continue to be impacted by the remaining multi-year increase in minimum wage requirements in New York State as well as other new labor regulations and our food costs may be impacted by increases in commodity costs.

Restaurant operating expenses were $759,000 in the third quarter fiscal 2021 as compared to $764,000 in the third quarter fiscal 2020. We incurred lower marketing expenses of $17,000, lower utility expenses of $11,000, and lower repairs and maintenance expenses of $16,000 which were offset, in part, by higher delivery charges associated with offsite consumption.

Depreciation and amortization were $288,000 in the third quarter fiscal 2021 as compared to $294,000 in the third quarter fiscal 2020.

General and administrative expenses decreased by $367,000 or 10% to $3,253,000 in the third quarter fiscal 2021 as compared to $3,620,000 in the third quarter fiscal 2020. The Company continued to reduce expenses in response to the impact of the COVID-19 pandemic. These activities included transitioning certain Corporate personnel from a furloughed status to a permanent layoff. The Company incurred severance charges of approximately $343,000 which are reflected in general and administrative expenses in our Consolidated Statements of Earnings for the third quarter fiscal 2021. This was offset by a lower incentive compensation accrual, reduced tradeshow expenses in light of the COVID-19 pandemic and reductions in other discretionary expenses including marketing and travel.

Advertising fund expense, after eliminating Company contributions, was $390,000 during the third quarter fiscal 2021, as compared to $573,000 in the third quarter fiscal 2020.

Other Items

Interest expense of $2,650,000 in both the third quarter fiscal 2021 and the third quarter fiscal 2020 represented accrued interest of $2,477,000 on the 2025 Notes and amortization of debt issuance costs of $173,000.

Interest income was $89,000 for the third quarter fiscal 2021 as compared to $338,000 in the third quarter fiscal 2020.

Other income, which primarily relates to a sublease of a franchised restaurant, was $9,000 in the third quarter fiscal 2021, as compared to $22,000 in the third quarter fiscal 2020.

Provision for Income Taxes

The income tax provision for the third quarter fiscal 2021 and third quarter fiscal 2020 reflect effective tax rates of 26.6% and 22.9%, respectively.

During the third quarter fiscal 2021, the Company's effective tax rate was favorably affected by 1.0% due to its return to provision adjustment of approximately $18,000 in connection with the filing of its March 2020 tax returns. During the third quarter fiscal 2020, the Company's effective tax rate was favorably affected by 3.3% due to its return to provision adjustment of approximately $52,000 in connection with the filing of its March 2019 tax returns. Nathan's effective tax rates without these adjustments would have been 27.6% for the third quarter fiscal 2021 and 26.2% for the third quarter fiscal 2020.

The amount of unrecognized tax benefits at December 27, 2020 was $336,000 all of which would impact Nathan's effective tax rate, if recognized. As of December 27, 2020, Nathan's had $292,000 of accrued interest and penalties in connection with unrecognized tax benefits.

Nathan's estimates that its unrecognized tax benefit excluding accrued interest and penalties could be further reduced by up to $16,000 during the fiscal year ending March 28, 2021.

Results of Operations

Thirty-nine weeks ended December 27, 2020 compared to thirty-nine weeks ended December 29, 2019

Revenues

Total sales decreased by 47% or $27,002,000 to $30,697,000 for the thirty-nine weeks ended December 27, 2020 ("fiscal 2021 period") as compared to $57,699,000 for the thirty-nine weeks ended December 29, 2019 ("fiscal 2020 period"). Foodservice sales from the Branded Product Program decreased by 47% to $24,450,000 for the fiscal 2021 period as compared to sales of $45,989,000 for the fiscal 2020 period. The sales from our Branded Product Program have been negatively impacted by the COVID-19 pandemic as many of our customers operate in venues that are currently closed, such as movie theaters, or venues operating at reduced capacity, such as professional sports arenas, amusement parks and shopping malls. Our average selling prices increased by approximately 2.9% as compared to the fiscal 2020 period. During the fiscal 2021 period, the volume of business decreased by approximately 48% as compared to the fiscal 2020 period.

Total Company-owned restaurant sales decreased by 47% to $6,247,000 during the fiscal 2021 period as compared to $11,710,000 during the fiscal 2020 period. The decrease was primarily due to a decline in customer traffic related to the impact of the COVID-19 pandemic during the fiscal 2021 period. Additionally, as stipulated under government orders, the dining rooms at our Company-owned restaurants are operating at reduced capacity and maintaining social distancing protocols under these same government orders.

License royalties increased by 33% to $24,689,000 in the fiscal 2021 period as compared to $18,559,000 in the fiscal 2020 period. Total royalties earned on sales of hot dogs from our license agreement with John Morrell & Co. at retail and foodservice, substantially from sales of hot dogs to Sam's Club and WalMart, increased 33% to $22,743,000 for the 2021 fiscal period as compared to $17,071,000 in the fiscal 2020 period. As consumers shelter at home, our licensing business continues to show strong consumer demand. The increase is due to a 21% increase in retail volume during the fiscal 2021 period and a 15% increase in average net selling price as compared to the fiscal 2020 period. Additionally, the foodservice business earned lower royalties of $401,000 as compared to the fiscal 2020 period due to a shift in the Sam's Club business. Royalties earned from all other licensing agreements for the manufacture and sale of Nathan's products increased by $457,000 during the fiscal 2021 period as compared to the fiscal 2020 period primarily due to additional royalties earned on sales of French fries, pickles, cocktail franks and mozzarella sticks.

Franchise fees and royalties were $1,087,000 in the fiscal 2021 period as compared to $3,610,000 in the fiscal 2020 period. Total royalties were $880,000 in the fiscal 2021 period as compared to $2,829,000 in the fiscal 2020 period. Royalties earned under the Branded Menu program were $152,000 in the fiscal 2021 period as compared to $577,000 in the fiscal 2020 period. Royalties earned under the Branded Menu Program are not based upon a percentage of restaurant sales but are based upon product purchases. Traditional franchise royalties were $728,000 in the fiscal 2021 period as compared to $2,252,000 in the fiscal 2020 period. Franchise restaurant sales declined to $15,366,000 in the fiscal 2021 period as compared to $50,425,000 in the fiscal 2020 period primarily due to temporary closures, as well as venues operating at significantly reduced traffic as a result of the COVID-19 pandemic. Comparable domestic franchise sales (consisting of 53 Nathan's outlets, excluding sales under the Branded Menu Program) were $12,003,000 in the fiscal 2021 period as compared to $31,917,000 in the fiscal 2020 period.

At December 27, 2020, 215 franchised outlets, including domestic, international and Branded Menu Program outlets were operating compared to 226 domestic and international franchised or Branded Menu Program franchise outlets at December 29, 2019. Total franchise fee income was $207,000 in the fiscal 2021 period compared to $781,000 in the fiscal 2020 period. Domestic franchise fee income was $98,000 in the fiscal 2021 period compared to $108,000 in the fiscal 2020 period. International franchise fee income was $76,000 in the fiscal 2021 period compared to $120,000 during the fiscal 2020 period.

We recognized $33,000 and $553,000 of forfeited fees in the fiscal 2021 and fiscal 2020 periods, respectively. The forfeited fees in the 2020 fiscal period were primarily from the termination of our Master Franchise Agreements for Russia, Kyrgyzstan and Turkey. During the fiscal 2021 period, five franchised outlets opened, including one new Branded Menu Program outlet. Additionally, 75 new ghost kitchens opened. During the fiscal 2020 period, 15 franchised outlets opened, including five international units and three Branded Menu Program outlets.

Advertising fund revenue, after eliminating Company contributions, was $1,082,000 in the fiscal 2021 period, as compared to $1,752,000 during the fiscal 2020 period.

Costs and Expenses

Overall, our cost of sales decreased by 45% to $24,161,000 in the fiscal 2021 period as compared to $43,973,000 in the fiscal 2020 period. Our gross profit (representing the difference between sales and cost of sales) decreased to $6,536,000 or 21% of sales during the fiscal 2021 period as compared to $13,726,000 or 24% of sales during the fiscal 2020 period. The reduction in margin was primarily due to the higher cost of beef in the Branded Product Program, higher prime restaurant costs associated with new menu offerings, and higher labor costs associated with higher minimum hourly rates of pay at two of our Company-owned restaurants.

Cost of sales in the Branded Product Program decreased by approximately $17,612,000 during the fiscal 2021 period as compared to the fiscal 2020 period, primarily due to the 2.7% increase in the average cost per pound of our hot dogs offset by the 48% decrease in the volume of product sold due to the COVID-19 pandemic as discussed above. We did not make any purchase commitments for beef during the fiscal 2021 and 2020 periods. If the cost of beef and beef trimmings increases and we are unable to pass on these higher costs through price increases or otherwise reduce any increase in our costs through the use of purchase commitments, our margins will be adversely impacted.

Beginning in May 2020, the cost of hot dogs increased significantly due primarily to the effects of the COVID-19 pandemic on the meat processing industry.

With respect to Company-owned restaurants, our cost of sales during the fiscal 2021 period was $4,173,000 or 67% of restaurant sales, as compared to $6,373,000 or 54% of restaurant sales in the fiscal 2020 period. We experienced higher food costs driven by the higher commodity costs of beef, higher prime costs associated with new menu offerings, and higher labor costs associated with higher minimum hourly rates of pay at two of our Company-owned restaurants. We expect that our future labor costs will continue to be impacted by the remaining multi-year increase in minimum wage requirements in New York State as well as other new labor regulations and our food costs may be impacted by increases in commodity costs.

Restaurant operating expenses were $2,622,000 in the fiscal 2021 period as compared to $2,791,000 in the fiscal 2020 period. We incurred lower occupancy expenses of $61,000, lower utility expenses of $48,000, lower marketing expenses of $69,000 and lower repairs and maintenance expenses of $38,000 which were offset, in part, by higher delivery charges associated with offsite consumption.

Depreciation and amortization were $900,000 in the fiscal 2021 period as compared to $941,000 in the fiscal 2020 period.

General and administrative expenses decreased by $2,407,000 or 22% to $8,709,000 in the fiscal 2021 period as compared to $11,116,000 in the fiscal 2020 period. The Company continued to reduce expenses in response to the impact of the COVID-19 pandemic. These activities included transitioning certain Corporate personnel from a furloughed status to a permanent layoff. The Company incurred severance charges of approximately $343,000 which are reflected in general and administrative expenses in our Consolidated Statements of Earnings for the fiscal 2021 period. This was offset by a lower incentive compensation accrual, reduced tradeshow expenses in light of the COVID-19 pandemic, and reductions in other discretionary expenses including marketing and travel.

Advertising fund expense, after eliminating Company contributions, was $1,082,000 in the fiscal 2021 period, as compared to $2,122,000 in the fiscal 2020 period.

Other Items

Interest expense of $7,951,000 in both the fiscal 2021 period and the fiscal 2020 period represented accrued interest of $7,433,000 on the 2025 Notes and amortization of debt issuance costs of $518,000.

Interest income was $309,000 for the fiscal 2021 period as compared to $1,074,000 in the fiscal 2020 period.

Other income, which primarily relates to a sublease of a franchised restaurant, was $31,000 and $61,000 in the fiscal 2021 and fiscal 2020 periods, respectively.

Provision for Income Taxes

The income tax provision for the fiscal 2021 period and fiscal 2020 period reflect effective tax rates of 27.7% and 26.1%, respectively. During the third quarter fiscal 2021, the Company's effective tax rate was favorably affected by 0.1% due to its return to provision adjustment of approximately $18,000 in connection with the filing of its March 2020 tax returns. Nathan's effective tax rate without this adjustment would have been 27.8% for the fiscal 2021 period. Nathan's effective tax rate for the fiscal 2020 period was reduced by 1.6% as a result of the tax benefits associated with stock compensation. For the fiscal 2020 period, excess tax benefits of $228,000 were reflected in the Consolidated Statements of Earnings as a reduction in determining the provision for income taxes. Nathan's effective rate for the fiscal 2020 period was favorably affected by 0.4% due to its return to provision adjustment of approximately $52,000 in connection with the filing of its March 2019 tax returns. Nathan's effective tax rate without these adjustments would have been 28.1% for the fiscal 2020 period.

The amount of unrecognized tax benefits at December 27, 2020 was $336,000 all of which would impact Nathan's effective tax rate, if recognized. As of December 27, 2020, Nathan's had $292,000 of accrued interest and penalties in connection with unrecognized tax benefits.

Nathan's estimates that its unrecognized tax benefit excluding accrued interest and penalties could be further reduced by up to $16,000 during the fiscal year ending March 28, 2021.

Off-Balance Sheet Arrangements

At December 27, 2020 and December 29, 2019, Nathan's did not have any open purchase commitments for hot dogs. Nathan's may enter into purchase commitments in the future as favorable market conditions become available.

Liquidity and Capital Resources

Cash and cash equivalents at December 27, 2020 aggregated $76,602,000, a $515,000 decrease during the fiscal 2021 period as compared to cash and cash equivalents of $77,117,000 at March 29, 2020. Net working capital increased to $79,272,000 from $75,165,000 at March 29, 2020. We paid our semi-annual interest payments for fiscal 2021 of $4,968,750 on May 1, 2020 and November 1, 2020, respectively. For the fiscal 2021 period, we have paid three quarterly dividends totaling $4,320,000.

In November 2017, the Company refinanced its then-outstanding 2020 Notes totaling $135.0 million at 10.000% per annum by issuing $150.0 million 2025 Notes at 6.625% per annum. Please refer to Note Q – Long Term Debt in the accompanying Consolidated Financial Statements, for further discussion of the Redemption.

The 2025 Notes bear interest at 6.625% per annum, payable semi-annually on May 1st and November 1st of each year, beginning on May 1, 2018. The 2025 Notes have no scheduled principal amortization payments prior to its final maturity on November 1, 2025.

Cash provided by operations of $5,710,000 in the fiscal 2021 period is primarily attributable to net income of $9,014,000 in addition to other non-cash operating items of $1,711,000, offset by changes in other operating assets and liabilities of $5,015,000. Non-cash operating expenses consist principally of depreciation and amortization of $900,000, amortization of debt issuance costs of $518,000, share-based compensation expense of $87,000, non-cash rental expense of $150,000, and bad debts of $70,000. In the fiscal 2021 period, accounts and other receivables increased by $1,300,000 due primarily to higher Branded Product Program receivables of $690,000 and higher franchise and license royalty receivables of $428,000. In the fiscal 2021 period, accounts payable, accrued expenses and other current liabilities decreased by $3,852,000 due to lower accrued interest of $2,505,000 as a result of timing of our interest payments on our 2025 Notes, deferred revenue of $700,000 that was earned during the fiscal 2021 period and the reduction in accrued payroll and other benefits of $829,000 resulting from the payment of year-end incentive compensation. Rebates due under the Branded Product Program were lower by $233,000 due primarily to reduced sales as a result of the COVID-19 pandemic. This was offset by higher accrued rent and occupancy costs of $146,000. Accounts payable increased by $276,000 due principally to the timing of product purchases made for the Branded Product Program.

Cash used in investing activities was $398,000 in the fiscal 2021 period primarily in connection with capital expenditures incurred for our Branded Product Program and the installation of a new point-of sale system at our Company-owned restaurants.

Cash used in financing activities of $5,827,000 in the fiscal 2021 period relates to the payments of the Company's quarterly $0.35 per share cash dividend totaling $4,320,000. Additionally, during the fiscal 2021 period, Nathan's repurchased 26,676 shares of common stock for $1,501,000.

During the period from October 2001 through December 27, 2020, Nathan's purchased 5,254,081 shares of its common stock at a cost of approximately $84,770,000 pursuant to its stock repurchase plans previously authorized by the Board of Directors. Since March 26, 2007, we have repurchased 3,362,981 shares at a total cost of approximately $77,612,000, reducing the number of shares then-outstanding by 55.9%.

In 2016, the Company's Board of Directors authorized increases to the sixth stock repurchase plan for the purchase of up to 1,200,000 shares of its common stock on behalf of the Company. As of December 27, 2020, Nathan's has repurchased 1,066,450 shares at a cost of $37,108,000 under the sixth stock repurchase plan. At December 27, 2020, there were 133,550 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company's stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

On March 13, 2020, the Company's Board of Directors approved a 10b5-1 stock plan (the "10b5-1 Plan") which expired on August 12, 2020. During the fiscal 2021 period, the Company repurchased in open market transactions 26,676 shares of the Company's common stock at an average share price of $56.26 for a total cost of $1,501,000 under the 10b5-1 Plan.

Effective June 1, 2020, Nathan's Board of Directors authorized the repurchase of up to $10,000,000 of the 2025 Notes by the Company (at a price equal to or less than par) from time to time. There is no set time limit on the repurchases.

As discussed above, we had cash and cash equivalents at December 27, 2020 aggregating $76,602,000. Our Board routinely monitors and assesses its cash position and our current and potential capital requirements. In November 2017, we refinanced our 2020 Notes through the issuance of the 2025 Notes and, our Board of Directors announced the payment of a $5.00 per share special dividend to the shareholders of record as of the close of business on December 22, 2017. On May 31, 2018, Nathan's Board of Directors authorized the commencement of a regular dividend of $1.00 per share per annum, payable at the rate of $0.25 per share per quarter. On June 14, 2019, Nathan's Board of Directors authorized the increase of its regular quarterly dividend to $0.35 from $0.25. The Company paid its first quarter fiscal 2021 dividend of $1,440,000 on June 26, 2020, its second quarter fiscal 2021 dividend of $1,440,000 on September 4, 2020 and its third quarter fiscal 2021 dividend of $1,440,000 on December 4, 2020.

Effective February 5, 2021, the Company declared its fourth quarter dividend of $0.35 per common share to stockholders of record as of the close of business on February 22, 2021, which is payable on March 5, 2021.

We expect that in the future we will make investments in certain existing restaurants, support the growth of the Branded Product and Branded Menu Programs, service the outstanding debt, fund our dividend program and may continue our stock repurchase programs, funding those investments from our operating cash flow. We may also incur capital and other expenditures or engage in investing activities in connection with opportunistic situations that may arise on a case-by-case basis. During the fiscal year ending March 28, 2021, we will be required to make interest payments of $9,937,500, of which all have been made as of November 1, 2020.

Management believes that available cash, cash equivalents and cash generated from operations should provide sufficient capital to finance our operations, satisfy our debt service requirements, fund dividend distributions and stock repurchases for at least the next 12 months.

At December 27, 2020, we sublet one property to a franchisee that we lease from a third party. We remain contingently liable for all costs associated with this property including: rent, property taxes and insurance. We may incur future cash payments with respect to such property, consisting primarily of future lease payments, including costs and expenses associated with terminating such lease.

Our contractual obligations primarily consist of the 2025 Notes and the related interest payments, operating leases, and employment agreements with certain executive officers. These contractual obligations impact our short-term and long-term liquidity and capital resource needs. There have been no material changes in our contractual obligations since March 29, 2020.

On February 27, 2017, a wholly-owned subsidiary of the Company executed a Guaranty of Lease (the "Brooklyn Guaranty") in connection with its re-franchising of a restaurant located in Brooklyn, New York. The Company is obligated to make payments under the Brooklyn Guaranty in the event of a default by the tenant/franchisee. The Brooklyn Guaranty has an initial term of 10 years and one 5-year option and is limited to 24 months of rent for the first three years of the term. For the remainder of the term, the Brooklyn Guaranty is limited to 12 months of rent plus reasonable costs of collection and attorney's fees. As of December 27, 2020, Nathan's has recorded a liability of $110,000 in connection with the Brooklyn Guaranty which does not include potential percentage rent, real estate tax increases, attorney's fees and other costs as these amounts are not reasonably determinable at this time. Nathan's has received a personal guaranty from the franchisee for all obligations under the Brooklyn Guaranty.

Inflationary Impact

We do not believe that general inflation has materially impacted earnings since 2006. However, we have experienced significant volatility in our costs for our hot dogs and certain food products, distribution costs and utilities. Between April 2018 and March 2020, beef prices traded within a range of + or - 10%. Prices were at the lowest levels between October 2018 and March 2019 as compared to higher levels between October 2019 and March 2020. Our average cost of hot dogs between October 2019 and March 2020 was approximately 11.2% higher than between October 2018 and March 2019. Our average cost of hot dogs between April 2020 and December 2020 was approximately 2.7% higher than between April 2019 and December 2019.

Beginning in May 2020, the cost of hot dogs has increased significantly due primarily to the effects of the COVID-19 pandemic on the meat processing industry.

We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products during the remainder of fiscal 2021. To the extent that beef prices increase as compared to earlier periods, it could impact our results of operations. In the past, we entered into purchase commitments for a portion of our hot dogs to reduce the impact of increasing market prices. Our most recent purchase commitment was completed in 2016 for approximately 2,600,000 pounds of hot dogs. We may attempt to enter into similar purchase arrangements for hot dogs and other products in the future. Additionally, we expect to continue experiencing volatility in oil and gas prices on our distribution costs for our food products and utility costs in the Company-owned restaurants and volatile insurance costs resulting from the uncertainty of the insurance markets.

New York State passed legislation increasing the minimum hourly wage for fast food workers of restaurant chains with 30 or more locations nationwide. The increase is being phased in differently between New York City and the rest of New York State. Effective December 31, 2019, the minimum wage was $15.00 in New York City and increased to $13.75 per hour for the remainder of New York State.

The minimum hourly rate of pay for the remainder of New York State increased to $14.50 on December 31, 2020; and will increase to $15.00 on July 1, 2021.

All of Nathan's Company-operated restaurants are within New York State, two of which operate within New York City. All of these locations have been significantly affected by this new legislation.

The Company is continually studying the impact on the Company's operations and is developing strategies and tactics, including pricing and potential operating efficiencies, to minimize the effects of these increases and future increases. We have recently increased certain selling prices to pass on recent cost of sales increases. However, if we are unable to fully offset these and future increases through pricing and operating efficiencies, our margins and profits will be negatively affected.

Effective April 1, 2014, the City of New York, passed legislation requiring employers to offer paid sick leave to all employees, including part-time employees, who work more than 80 hours for the employer. Nathan's operates two restaurants that have been affected by this legislation.

Effective November 27, 2017, the City of New York Fair Work Week Legislation package of bills took effect that covers approximately 65,000 fast food workers by giving them more predictable work schedules. A key component of the package is a requirement that fast food restaurants schedule their workers at least two weeks in advance or pay employees between $10 to $75 per scheduling change, depending on the situation. Due to Nathan's dependency on weather conditions at our two Coney Island beach locations during the summer season, we are unable to determine the potential impact on our results of operations, which could be material. We believe that we have been able to implement tools to minimize the financial impact of this legislation.

Continued increases in labor, food and other operating expenses, including health care, could adversely affect our operations and those of the restaurant industry and we might have to further reconsider our pricing strategy as a means to offset reduced operating margins.

We believe that these increases in the minimum wage and other changes in employment law have had a significant financial impact on our financial results and the results of our franchisees that operate in New York State. Our business could be negatively impacted if the decrease in margins for our franchisees results in the potential loss of new franchisees or the closing of a significant number of franchised restaurants.

The Company's business, financial condition, operating results and cash flows can be impacted by a number of factors, including but not limited to those set forth above in "Management's Discussion and Analysis of Financial Condition and Results of Operations," any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, also see the discussions in "Forward-Looking Statements" and "Notes to Consolidated Financial Statements" in this Form 10-Q and "Risk Factors" in our Form 10-K for our fiscal year ended March 29, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Cash

We have historically invested our cash and cash equivalents in money market funds or short-term, fixed rate, highly rated and highly liquid instruments which are generally reinvested when they mature. Although these existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of December 27, 2020, Nathan's cash and cash equivalents aggregated $76,602,000. Earnings on this cash would increase or decrease by approximately $192,000 per annum for each 0.25% change in interest rates.

Borrowings

At December 27, 2020, we had $150,000,000 of 2025 Notes outstanding which are due in November 2025. Interest expense on these borrowings would increase or decrease by approximately $375,000 per annum for each 0.25% change in interest rates. We currently do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings.

Commodity Costs

We do not believe that general inflation has materially impacted earnings since 2006. However, we have experienced significant volatility in our costs for our hot dogs and certain food products, distribution costs and utilities. Between April 2018 and March 2020, beef prices traded within a range of + or - 10%. Prices were at the lowest levels between October 2018 and March 2019 as compared to higher levels between October 2019 and March 2020. Our average cost of hot dogs between October 2019 and March 2020 was approximately 11.2% higher than between October 2018 and March 2019. Our average cost of hot dogs between April 2020 and December 2020 was approximately 2.7% higher than between April 2019 and December 2019.

Beginning in May 2020, the cost of hot dogs has increased significantly due primarily to the effects of the COVID-19 pandemic on the meat processing industry.

We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products during the remainder of fiscal 2021. To the extent that beef prices increase as compared to earlier periods, it could impact our results of operations. In the past, we entered into purchase commitments for a portion of our hot dogs to reduce the impact of increasing market prices. Our most recent purchase commitment was completed in 2016 for approximately 2,600,000 pounds of hot dogs. We may attempt to enter into similar purchase arrangements for hot dogs and other products in the future. Additionally, we expect to continue experiencing volatility in oil and gas prices on our distribution costs for our food products and utility costs in the Company-owned restaurants and volatile insurance costs resulting from the uncertainty of the insurance markets.

With the exception of purchase commitments, we have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, we expect that the majority of our future commodity purchases will be subject to market changes in the prices of such commodities. We have attempted to enter sales agreements with our customers that are correlated to our cost of beef, thus reducing our market volatility, or have passed through permanent increases in our commodity prices to our customers that are not on formula pricing, thereby reducing the impact of long-term increases on our financial results. A short-term increase or decrease of 10.0% in the cost of our food and paper products for the thirty-nine week period ended December 27, 2020 would have increased or decreased our cost of sales by approximately $2,124,000.

Foreign Currencies

Foreign franchisees generally conduct business with us and make payments in United States dollars, reducing the risks inherent with changes in the values of foreign currencies. As a result, we have not purchased future contracts, options or other instruments to hedge against changes in values of foreign currencies and we do not believe fluctuations in the value of foreign currencies would have a material impact on our financial results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(e) and Exchange Act Rule 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended December 27, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures are effective at the reasonable assurance level.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the fiscal year ended March 29, 2020, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Nathan's. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Effective February 5, 2021, the Board declared its quarterly cash dividend of $0.35 per share which is payable on March 5, 2021 to shareholders of record as of the close of business on February 22, 2021.

Item 6. Exhibits

31.1	*Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	*Certification by Eric Gatoff, CEO, Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*Certification by Robert Steinberg, CFO, Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	*The following materials from the Nathan's Famous, Inc., Quarterly Report on Form 10-Q for the quarter ended December 27, 2020 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Earnings, (iii) the Consolidated Statements of Stockholders' Deficit, (iv) the Consolidated Statements of Cash Flows and (v) related notes.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATHAN'S FAMOUS, INC.

Date: February 5, 2021

By: /s/ Eric Gatoff
Eric Gatoff
Chief Executive Officer
(Principal Executive Officer)

Date: February 5, 2021

By: /s/ Robert Steinberg
Robert Steinberg
Vice President - Finance
and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Nathan's Famous, Inc. and will be retained by Nathan's Famous, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.1

CERTIFICATION

I, Eric Gatoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 27, 2020 of Nathan’s Famous, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2021

/s/ Eric Gatoff
Eric Gatoff
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Robert Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 27, 2020 of Nathan’s Famous, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2021

/s/ Robert Steinberg
Robert Steinberg
Chief Financial Officer
(Principal Financial Officer and
Principle Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric Gatoff, Chief Executive Officer of Nathan’s Famous, Inc., certify that:

The quarterly report on Form 10-Q of Nathan’s Famous, Inc. for the period ended December 27, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan’s Famous, Inc.

/s/ Eric Gatoff
Eric Gatoff
Chief Executive Officer
(Principal Executive Officer)
Date: February 5, 2021

A signed original of this written statement required by Section 906 has been provided to Nathan’s Famous, Inc. and will be retained by Nathan’s Famous, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Steinberg, Chief Financial Officer of Nathan's Famous, Inc., certify that:

The quarterly report on Form 10-Q of Nathan's Famous, Inc. for the period ended December 27, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Nathan's Famous, Inc.

/s/ Robert Steinberg
Robert Steinberg
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
Date: February 5, 2021

A signed original of this written statement required by Section 906 has been provided to Nathan's Famous, Inc. and will be retained by Nathan's Famous, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.