SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 26, 2000

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. 0-3189

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.)
1400 Old Country Road, Westbury, New York	11590
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of Class	Name of Each Exchange on which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock - par value $.01
(Title of Class)

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K [ ].

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 6, 2000 was approximately $21,560,609.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of June 6, 2000, there were 7,040,199 shares of Common Stock, par value $.01 per share outstanding.

Documents incorporated by reference: Part III - Registrant's definitive proxy statement to be filed pursuant to Regulation 14-A of the Securities Exchange Act of 1934.

PART I

ITEM 1. BUSINESS

As used herein, unless we otherwise specify, the terms "we," "us," and "our" mean Nathan's Famous, Inc. and its subsidiaries, including Miami Subs Corporation, owner of the Miami Subs brand, and NF Roasters Corp., owner of the Kenny Rogers brand.

We have historically operated and franchised or licensed fast food units featuring Nathan's famous brand all beef frankfurters, fresh crinkle-cut french fried potatoes, and a variety of other menu offerings. Our Nathan's brand company-owned and franchised units operated under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Since fiscal 1997, we supplemented our Nathan's franchise program with our Branded Product Program which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, we acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. and also completed a merger with Miami Subs Corporation whereby we acquired the remaining 70% of Miami Subs common stock we did not already own.

Over the past five years, we have focused on developing our restaurant system by operating company-owned restaurants and opening franchised or licensed restaurants, developing complimentary lines of business, such as expanding our supermarket licensing program of our Nathan's brand, implementing our Nathan's Branded Product Program, and developing an international master franchising program. We have selectively co-branded Nathan's with other nationally recognized brands such as Pizza Hut and TCBY Treats. In an effort to expand our restaurant system and expand our brand portfolio, during fiscal 2000 we completed our merger with Miami Subs Corp. and our acquisition of the intellectual property of the Kenny Rogers Roasters franchise system. In addition, through our acquisition of Miami Subs, we also secured certain exclusive co-branding rights to use the Arthur Treachers brand within the United States. We will seek to capitalize on the immediate co-branding opportunities within our existing restaurant system, as well as develop new multi-brand marketing and development plans.

At March 26, 2000, our restaurant system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 32 company-owned units concentrated in the New York metropolitan area, New Jersey and Florida, 407 franchised or licensed units, including 24 carts, kiosks, and counter units, 8 units operating pursuant to management agreements with Miami Subs and over 1,000 branded product points of sale under the Nathan's Branded Product Program, operating in 44 states, the District of Columbia, and 16 foreign countries.

We plan to take advantage of co-branding opportunities within the existing restaurant system, seek to expand the scope and market penetration of our Branded Product Program, further develop the restaurant operations of existing company-owned and franchised or licensed outlets for all of our brands and open new company-owned, franchised or licensed outlets of all of our brands in traditional and captive market environments. We also plan to develop an international presence through the use of master franchising agreements based upon individual or combined use of all three brands.

We were incorporated in Delaware on July 10, 1992 under the name "Nathan's Famous Holding Corporation" to act as the parent of a Delaware corporation then-known as Nathan's Famous, Inc. On December 15, 1992, we changed our name to Nathan's Famous, Inc. and our Delaware subsidiary changed its name to Nathan's Famous Operating Corporation. The Delaware subsidiary was organized in October 1989 in connection with its reincorporation in Delaware from that of a New York corporation named "Nathan's Famous, Inc." The New York Nathan's was incorporated on July 10, 1925 as a successor to the sole proprietorship that opened the first Nathan's restaurant in Coney Island in 1916. On July 23, 1987, Equicor Group, Ltd. was merged with and into the New York Nathan's in a "going private" transaction. The New York Nathan's, the Delaware subsidiary and Equicor may all be deemed to be our predecessors.

RECENT ACQUISITIONS

Pursuant to the Joint Plan of Reorganization of the Official Committee of Franchisees of Roasters Corp. and Roasters Franchise Corp. as confirmed by the U. S. Bankruptcy Court for the Middle District of North Carolina, Durham Division, we acquired through our wholly owned subsidiary, NF Roasters Corp., the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. for $1,250,000 in cash plus related expenses, which was paid out of working capital on April 1, 1999.

On September 30, 1999, we completed our merger with Miami Subs and acquired the remaining outstanding shares of Miami Subs in exchange for 2,317,980 shares of our common stock and warrants to acquire 579,040 additional shares of our common stock at a price of $6.00 per share.

RESTAURANT OPERATIONS

Nathan's Concept and Menus

Our Nathan's concept offers a wide range of facility designs and sizes, suitable to a vast variety of locations and features a core menu, consisting of the "Nathan's Famous" all-beef frankfurters, fresh crinkle-cut french fries and beverages. Nathans' menu is designed to be tailored to take advantage of site-specific market opportunities by adding complementary food items to the core menu. The Nathan's concept is suitable to stand alone or be co-branded with other nationally recognized brands.

Nathans' hot dogs are all-beef and are free from all fillers and starches. Hot dogs are flavored with the original secret blend of spices created by Ida Handwerker in 1916, which historically have distinguished Nathans' hot dogs. Hot dogs are prepared and served in accordance with procedures which have not varied significantly in more than 80 years. Our signature crinkle-cut french fried potatoes are featured at each Nathan's restaurant. Nathans' french fried potatoes are cooked to order in 100% cholesterol-free corn oil. We estimate that approximately 65% to 70% of sales in our company-owned units consist of Nathan's famous hot dogs, crinkle-cut french fried potatoes and beverages.

Individual Nathan's restaurants supplement their core menu of hot dogs, french fries and beverages with a variety of other quality menu choices: chargrilled hamburgers, chargrilled chicken sandwiches, Philly Cheesesteaks, selected seafood and other chicken items, a breakfast menu and assorted desserts and snacks. While the number of supplemental menus carried varies with the size of the unit, the specific supplemental menus chosen are tailored to local food preferences and market conditions. Each of these supplemental menu options consists of a number of individual items; for example, the hamburger menu may include chargrilled bacon cheeseburgers, cheeseburgers, superburgers and "BLT" burgers. We maintain the same quality standard with each of Nathan's supplemental menus as we do with Nathans' core hot dog and french fried potato menu. Thus, for example, hamburgers and sandwiches are prepared to order and not pre-wrapped or kept warm under lights. Nathan's also has a "Kids Meal" program in which various menu alternatives are combined with toys to appeal to the children's market.

Nathans' prototype restaurant units are available in a range of sizes as follows: Type A--300 to 1,200 sq. ft., Type B--approximately 2,200 sq. ft. and Type C--approximately 4,000 sq. ft. We have also developed Nathan's prototype carts, kiosks, and modular merchandising units, all designated as Type D. Type A units may not have customer seating areas, although they may often share seating areas with other fast food outlets in food court settings. Type B and Type C units generally provide seating for 45 to 50 and 75 to 125 customers, respectively. Type D units generally carry only the core menu. This menu is supplemented by a number of other menu selections in Type A & B units and even greater menu selection in Type C units.

We believe Nathan's carts, kiosks and modular units are particularly well-suited for placement in non-traditional sites, such as airports, travel plazas, stadiums, schools, convenience stores, entertainment facilities, military facilities, business and industry food service, within larger retail operations and other captive markets. Many of these smaller units have been designed specifically to support our expanding Branded Product Program. All prototypes utilize a uniform, contemporary design.

Miami Subs Concept and Menu

Our Miami Subs concept features a wide variety of moderately priced lunch, dinner and snack foods, including hot and cold submarine sandwiches, various ethnic foods such as gyros, pita sandwiches and Greek salads, flame grilled hamburgers and chicken breasts, chicken wings, fresh salads, ice cream and other desserts. Soft drinks, iced tea, coffee, beer and wine are also offered.

Freshness and quality of breads, produce and other ingredients are strongly emphasized in Miami Subs restaurants. The Miami Subs menu includes low-fat selections such as salads, grilled chicken breasts, vegetarian items and non-fat frozen yogurt which we believe are perceived as nutritious and appealing to health conscious consumers. We believe Miami Subs has become known for certain "signature" foods, such as grilled chicken on pita bread, cheese steak subs and gyros on pita bread.

Miami Subs restaurants feature a distinctive decor unique to the Miami Subs concept. The exterior of free-standing restaurants feature an unusual roof design and neon pastel highlights for easy recognition. Interiors have a tropical motif in a neon pink and blue color scheme with murals of fish, mermaids, flamingos and tropical foliage. Exteriors and interiors are brightly lit to create an inviting, attractive ambience to distinguish the restaurants from its competitors. At March 26, 2000, 135 of the Miami Subs restaurants were located in freestanding buildings, ranging between 2,000 and 5,000 square feet. Miami Subs restaurants have also been scaled down to accommodate non-traditional captive market environments.

Miami Subs restaurants are typically open seven days a week, generally opening at 10:30 am, with many of the restaurants having extended late-night hours. Indoor service is provided at a walk-up counter where the customer places an order and is given an order number and a drink cup. The customer then proceeds to a self service soda bar while the food is prepared to order. Drive-thru service is provided at substantially all free-standing Miami Subs restaurants. We estimate that drive-thru sales account for approximately 35% - 45% of Miami Subs sales.

Kenny Rogers Roasters Concept and Menu

The Kenny Rogers Roasters concept was first introduced in 1991 with the idea of serving home-style family foods based on a menu centered around wood-fire rotisserie chicken. Kenny Rogers Roasters' unique proprietary marinade and spice formula, combined with wood-fire roasting in a specifically designed rotisserie, became the basis of a breakthrough taste in rotisserie chicken. The menu, design and service style were created to position the concept midway between quick-serve and casual dining. This format, coupled with a customer friendly environment developed for dine-in or take-home consumers, became the precursor of the Kenny Rogers Roasters system.

The distinctive flavoring of our Kenny Rogers Roasters chicken is the result of a two step process. Before any chicken is received in the restaurant, our supplier marinates the chicken using a specially flavored proprietary marinade. Then a second unique blend of spice is applied to the chicken prior to cooking in the open flame wood-fire rotisserie in full view of customers at the restaurant. Other entrees offered in Kenny Rogers Roasters restaurants typically include Honey Bourbon BBQ ribs and rotisserie turkey. Complimenting Kenny Rogers Roasters main courses are a wide variety of freshly prepared side dishes, corn muffins, soups, salads and sandwiches. The menu offers a healthful alternative to traditional quick-serve menu offerings that caters to families and individuals.

The majority of existing Kenny Rogers Roasters restaurants are traditional free standing buildings offering dine-in and drive thru delivery options ranging in size between 3,000 and 4,000 sq. ft. with seating capacity for approximately 125 guests. Other prototype restaurant designs that are being considered include kiosks, food court units and scaled down in-line and free standing restaurant types.

We have recently begun to co-brand Kenny Rogers Roasters with Nathan's by introducing Nathan's famous all-beef frankfurters, crinkle-cut french fries and hamburger menu to supplement Roasters' core menu offerings. We believe

that adding Nathan's products will compliment the Kenny Rogers menu by adding strong lunchtime offerings to the existing predominant dinner offerings and expect that the added variety will please and attract more families with children.

Franchise Operations

At March 26, 2000, our franchise system, including our Nathan's, Miami Subs and Kenny Rogers brands, consisted of 415 units operating in 28 states and 16 foreign countries.

Today, our franchise system counts among its 212 franchisees and licensees such well known companies as Host Marriott Services USA, Inc., ARAMARK Leisure Services, Inc., CA1 Services, Inc., Service America Corp., Ogden Services Corp. and Sodexho USA. We continue to seek to market our franchising program to larger, experienced and successful operators with the financial and business capability to develop multiple franchise units.

As of March 26, 2000, Host Marriott operated 36 franchised outlets including 19 units at airports and 17 units within highway travel plazas.

International Franchising

As of March 26, 2000, our franchisees operated 76 units in 15 foreign countries having significant representations within Malaysia, the Philippines, and the Mid-East. The vast majority of foreign operations consist of Kenny Rogers Roasters units, although our Nathan's and Miami Subs brands also have international franchise operations. During the current fiscal year, our international franchising program opened 2 Nathan's units in Egypt and currently has 3 additional units under various stages of development. Additionally, during the year ended March 26, 2000, 1 unit opened in each of Puerto Rico, the Dominican Republic and Malaysia and 2 units opened in the Philippines. We also executed a Letter of Intent to enter into a Master Development Agreement for the rights to Portugal and are currently in various stages of discussions for development in up to 3 additional foreign countries.

Nathan's Franchise Program

Franchisees are required to execute a standard franchise agreement or license agreement prior to opening each Nathan's Famous unit. Our current standard Nathan's franchise agreement provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 4.5% of restaurant sales and the expenditure of 2.5% of restaurant sales on advertising. We also offer a modified franchise agreement tailored to meet the needs of franchisees who desire to operate a Nathan's of a smaller size offering a reduced menu. The modified franchise agreement provides for the initial franchise fee of $15,000 which is payable upon execution of the agreement, monthly royalties of 4.5% and the expenditure of 2.5% of restaurant sales on advertising. In some specific situations, we may offer alternatives to the standard franchise agreement. Marriott and National Restaurant Management, Inc., are among those who are not subject to the requirement to spend a percentage of sales on advertising. The initial term of the typical franchise agreement is 20 years, with a 15-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Our standard Nathan's license agreement provides for, among other things, a monthly royalty payment based on 10% of restaurant sales up to $250,000, 8% of restaurant sales between $250,000 and $500,000 and 6% of restaurant sales in excess of $500,000 per annum. There is no one-time license fee upon execution of the agreement or requirement to spend a percentage of restaurant sales on advertising.

Franchisees are approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement. We do not offer any financing arrangements to our Nathan's franchisees.

We provide numerous support services to our Nathan's franchisees. We assist in and approve all site selections. Thereafter, we provide architectural prototype plans suitable for restaurants of varying sizes and configurations, for use in food-court, in-line and free-standing locations. We also assist in establishing building design specifications, reviewing construction compliance, equipping the restaurant and providing appropriate menus to coordinate with the prototype restaurant design and location selected by the franchisee. We typically do not sell food, equipment or supplies to our Nathan's franchisees.

We offer various management training courses for management personnel of company-owned and franchised Nathan's restaurants. At least one restaurant manager from each restaurant must successfully complete our mandated management training program. We also offer additional operations and general management training courses for all restaurant managers and other managers with supervisory responsibilities. We provide standard manuals to each franchisee covering training and operations, products and equipment and local marketing programs. We also provide ongoing advice and assistance to franchisees.

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. All standards and specifications are developed by us and applied on a system-wide basis. We continuously monitor franchisee operations and inspect restaurants. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise or license agreement. We make both announced and unannounced inspections of restaurants to ensure that our practices and procedures are being followed. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise or license agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 26, 2000, franchisees have opened 21 new Nathan's franchised units including 2 units in Egypt. We initiated termination of 2 Nathan's franchise agreements for non-compliance during fiscal 2000.

Franchisees who desire to open multiple units in a specific territory within the United States generally enter into a standard area development agreement under which we receive an advance fee based upon the number of proposed units which the franchisee is authorized to open. This advance is credited against the franchise fee payable to us as provided in the standard franchise agreement. In some circumstances, we may grant exclusive territorial rights in foreign countries for the development of Nathan's units based upon compliance with a predetermined development schedule. We require an exclusivity fee be conveyed for such exclusive rights.

Miami Subs Franchise Program

Franchisees are required to execute a standard franchise agreement relating to the operation of each Miami Subs restaurant. Currently, the term of the franchise agreement is between five and 20 years, and the initial franchise fee is $25,000 for traditional restaurants and $15,000 for certain non-traditional restaurants. The standard franchise agreement provides for the payment of a monthly royalty fee of 4.0% on gross restaurant sales for the term of the franchise agreement, and additional charges based on a percentage of restaurant sales, typically 3.0%, to support various system-wide and local advertising funds.

In addition to individual franchise agreements, we have from time to time entered into development agreements with certain franchisees. The development agreement establishes a minimum number of restaurants that the franchisee is required to open in an agreed upon exclusive area during the term of the agreement. In addition to receiving a franchise fee for each restaurant opened, we also receive a non-refundable fee based upon the number of restaurants committed to be opened under the agreement.

Operations personnel train and assist Miami Subs franchisees in opening new restaurants and monitor the operations of existing restaurants as part of the support provided under the franchise program. New franchisees are

required to complete a six-week training program. Upon the opening of a new franchised restaurant, we typically send representatives to the restaurant to assist the franchisee during the opening period. These company representatives work in the restaurant to monitor compliance with Miami Subs' standards and provide additional on-site training of the franchisee's restaurant personnel.

We also provide development and construction support services to our Miami Subs franchisees. We review and approve plans and specifications for the restaurants before improvements begin. Our personnel typically visit the facility during construction to meet with the franchisee's site contractor and to verify that construction standards are met.

New franchisees are required to complete a six-week program that features various aspects of day-to-day operations and certification in all functioning positions. The program consists of formal classroom training and in-restaurant training, including human resources, accounting, purchasing and labor and food handling laws. Generally, a team of our employees are provided for new restaurants to conduct hands-on training and to ensure compliance with standards. Standard operating manuals are provided to each franchisee.

To maintain uniformly high standards of appearance, service, food and beverage quality for our Miami Subs restaurants, we have adopted policies and implemented a monitoring program. Franchisees are expected to adhere to specifications and standards in connection with the selection and purchase of products used in the operation of the Miami Subs restaurant. Detailed specifications are provided for the products used, and franchisees must request approval for any deviations. We do not generally sell equipment, supplies or products to our Miami Subs franchisees. The franchise agreement requires franchisees to operate their restaurants in accordance with Miami Subs' requirements. We require our franchisees use specified kitchen equipment to maximize consistency and speed of food preparation. Ongoing advice and assistance is provided to franchisees in connection with the operation and management of each restaurant. Our area consultants are responsible for oversight of franchisees and periodically visit each restaurant. During such visits, the area consultant completes a report which contains evaluations on speed of preparation for menu items, quality of delivered product, cleanliness of restaurant facilities as well as evaluations of managers and other personnel. The area consultants also make unannounced follow-up visits to ensure adherence to operational specifications.

We also use information about the restaurants which is received from customers on a Miami Subs' standardized "comment card" and maintain a toll-free telephone number to receive customer comments.

Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the period October 1, 1999 through March 26, 2000, franchisees have opened 6 new Miami Subs franchised units including 2 units in Puerto Rico and the Dominican Republic. During the period October 1, 1999 through March 26, 2000, we initiated termination of 3 Miami Subs franchise agreements for such non-compliance.

Kenny Rogers Roasters Franchise Program

Kenny Rogers Roasters franchisees from the previous franchise system were required to execute amended and restated franchise agreements in order to preserve their franchised units. The amended and restated franchise agreement affirmed the franchisees responsibilities and offered reduced royalty and advertising fund payments for the first two years. Future Kenny Rogers Roasters franchisees will have to execute our current standard franchise agreement which provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 4.5% of restaurant sales and the expenditure of 2.5% of restaurant sales on advertising. In some specific situations, we may offer alternatives to the standard franchise agreement. The initial term of the typical franchise agreement is 20 years, with up to a 20-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Franchisees are approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement. We do not offer any financing arrangements to our Kenny Rogers Roasters franchisees.

We will provide numerous support services to future Kenny Rogers Roasters franchisees. We expect to assist in and approve all Kenny Rogers Roasters site selections. Thereafter, we will provide architectural prototype plans suitable for Kenny Rogers Roasters restaurants of varying sizes and configurations, for use in food-court, in-line and free-standing locations. We will also assist in establishing building design specifications, reviewing construction compliance, equipping the restaurant and providing appropriate menus to coordinate with the prototype restaurant design and location selected by the Kenny Rogers Roasters franchisee. We typically will not sell food, equipment or supplies to our Kenny Rogers Roasters franchisees.

We plan to offer various management training courses for management personnel of Kenny Rogers Roasters company-owned and franchised restaurants. At least one restaurant manager from each new restaurant or co-branded restaurant will have to successfully complete Kenny Rogers Roasters' mandated management training program. We also plan to offer additional operations and general management training courses to all Kenny Rogers Roasters restaurant managers and other managers with supervisory responsibilities. We provide standard manuals to each franchisee covering training and operations, products and equipment and local marketing programs. We also provide ongoing advice and assistance to franchisees.

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. We develop all standards and specifications, which are applied on a system-wide basis. We continuously monitor franchisee operations. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise or license agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise or license agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 26, 2000, we initiated termination of 2 Kenny Rogers Roasters franchise agreements for such non-compliance.

Franchisees who desire to open multiple units in a specific territory within the United States generally enter into a standard area development agreement under which we receive an advance fee based upon the number of proposed units which the franchisee is authorized to open. This advance is credited against the franchise fee payable to us, as provided in its standard franchise agreement. In some circumstances, we may grant exclusive territorial rights, in foreign countries, for the development of Kenny Rogers Roasters units based upon compliance with a predetermined development schedule. We may require that an exclusivity fee be conveyed for these rights.

Our Nathan's Operations

As of March 26, 2000, we operated 19 company-owned Nathan's units, including one kiosk, in New York and New Jersey. Three of our Nathans' restaurants are older and significantly larger units which do not conform to current prototype designs. These units carry a broader selection of menu items than current prototype designs. The items offered at our restaurants, other than the core menu, tend to have lower margins than the core menu. The older units required significantly higher levels of initial investment than current franchise prototypes and tend to operate at a lower sales/investment ratio. Consequently, we do not intend to replicate these units in our planned expansion of company-owned units.

We entered into a food service lease agreement with Home Depot U.S.A., Inc. under which we lease space in certain Home Depot Improvement Centers to operate Nathan's restaurants. The term of each Home Depot agreement

is five years from the date on which the Nathan's restaurant opens, with two five year renewal options. We currently operate 7 units within Home Depot Improvement Centers, including 1 kiosk.

Company-owned units currently range in size from approximately 440 square feet to 10,000 square feet and are located principally in retail shopping environments or are free-standing buildings. Some restaurant designs do not include seating and others include seating for 100 to 300 customers. The restaurants are designed to appeal to all ages and generally are open seven days a week. We have established high standards for food quality, cleanliness and service at our restaurants and regularly monitor the operations of our restaurants to ensure adherence to these standards. Restaurant service areas, seating, signage and general decor are contemporary. The average check at our comparable company-owned restaurants was approximately $5.69 for fiscal 2000.

Our Miami Subs Operations

As of March 26, 2000, we operated 11 Miami Subs restaurants, including nine located in Florida, one in Texas and one in New York. All but one of our Miami Subs restaurants are free-standing restaurants offering drive thru operations as well as dine in seating. These restaurants generally are approximately 3,000 square feet with seating capacity for approximately 90 guests.

We use kitchen equipment in our Miami Subs restaurants which is designed to be versatile, improve product consistency, and facilitate menu modifications. Fresh meats and other products, which are purchased in pre-weighed individual servings, can be consistently cooked-to-order automatically. The average check at the comparable company-owned restaurants was approximately $5.11 for the period ended December 1999.

We began to test a re-engineered Miami Subs menu in January 2000 within three of our company-owned Miami Subs restaurants. The success of this effort has lead to the further introduction of these changes into our remaining company-owned restaurants in Southern Florida. We are also currently testing the inclusion of certain Nathan's signature products in selected Miami Subs restaurants. When we finish these tests, we expect to introduce these changes to many of our Miami Subs franchisees. As part of our acquisition strategy, we are actively looking to close up to five of the Miami Subs company-operated restaurants that we operated at March 26, 2000.

Our Kenny Rogers Roasters Operations

At March 26, 2000, we operated one Kenny Rogers Roasters restaurant in Rockville Centre, NY that opened on March 21, 2000. Our second company-owned Kenny Rogers restaurant opened in Commack, NY in April 2000. These units are traditional free-standing buildings, each with a drive thru, and boast a new interior design and decor package featuring simulated weather-washed woodwork accentuated with earthtones. Custom wall murals have been painted that are complimented with hanging memorabilia. In addition to the standard Kenny Rogers Roasters menu, both restaurants feature Nathan's all-beef frankfurters, crinkle-cut french fries, chargrilled hamburgers and other select Nathan's menu items, including a newly formulated kids' menu.

Location Summary

The following table shows the number of our company-owned and franchised or licensed units in operation or under development at March 26, 2000 and their geographical distribution:

Location	Company	Franchise or License(1)	Total
Alabama	-	3	3
Arizona	-	3	3
California	-	8	8
Colorado	-	1	1
Connecticut	-	4	4
Florida	9	131	140
Georgia	-	2	2
Idaho	-	2	2
Illinois	-	1	1
Indiana	-	2	2
Maryland	-	6	6
Massachusetts	-	2	2
Minnesota	-	2	2
Mississippi	-	2	2
Missouri	-	1	1
Nevada	-	10	10
New Hampshire	-	1	1
New Jersey	4	50	54
New York	18	65	83
North Carolina	-	17	17
Oregon	-	1	1
Pennsylvania	-	9	9
Rhode Island	-	1	1
South Carolina	-	2	2
Tennessee	-	2	2
Texas	1	8	9
Utah	-	2	2
Wisconsin	-	1	1
Domestic Subtotal	32	339	371
International Locations			
Aruba	-	1	1
Canada	-	3	3
China	-	5	5
Cypress	-	1	1
Dominican Republic	-	2	2
Egypt	-	4	4
Indonesia	-	1	1
Israel	-	1	1
Malaysia	-	21	21
Philippines	-	27	27
Puerto Rico	-	3	3
Sabah	-	1	1
Saudi Arabia	-	1	1
Singapore	-	4	4
United Arab Emirates	-	1	1
International Subtotal	-	76	76
Grand Total	32	415	447

(1) Includes 8 units operating by third parties pursuant to management agreements.

Branded Product Program

During fiscal 1998, we launched our "Branded Product Program" for our Nathan's Famous brand in which qualified foodservice operators may offer Nathans' hot dogs and certain other proprietary items for sale within their facilities. In conjunction with this program, foodservice operators are granted a limited use of the Nathans' trademark for the sale of hot dogs and certain other proprietary food items and paper goods. We sell the products directly to various distributors who resell these proprietary products to retailers. During the current fiscal year, over 300 new points of sale featuring Nathan's hot dogs have been added to the program, bringing the total to over 1,000 branded points of sale. The flexibility of this program allows us to market the Nathan's brand and sell Nathan's hot dogs thru new and varied means of distribution. For example, Nathan's pre-packaged branded hot dogs are being sold through vending machines, convenience stores and club stores pursuant to exclusive distribution agreements with The Compass Group and Pierre Foods. Other venues that now feature Nathan's hot dogs through the Branded Product Program include hospitals, casinos, department stores, colleges, Business & Industry accounts, beaches and sports arenas and stadiums. We are proud to be part of the menu offerings at Walter Reed Hospital, Caesar's Palace, UCLA, Bradlees Department stores, Jones Beach, The Kennedy Space Center and being named the official hot dog of the New York Yankees for the 2000 season.

Expansion Program

The foundation of our expansion program centers around our marketing of each brands' signature products. We expect to focus on introducing each brands' signature products through co-branding efforts within our existing restaurant system, opening new units for each brand on an individual and on a co-branded basis and expanding product distribution through alternative means such as branded products or supermarket licensing arrangements.

We plan to open selectively new company-owned units, concentrated within the New York metropolitan area and in Southern Florida using a co-branded format. Existing company-owned units are principally located in the New York metropolitan area and Southern Florida where we have extensive experience in operating restaurants in these markets. We intend to consider new opportunities in both traditional and captive market settings.

We anticipate that we will also accelerate opening new franchised units of all three brands individually and develop new co-branded outlets. We believe that a significant opportunity exists to redefine the Miami Subs concept into a co-branded food court while maintaining the concept's overall look and feel. We have recently engaged an imaging and design firm to assist us in determining the optimum facility design for the three brands and developing certain prototype restaurants.

During fiscal 2001, we expect to open approximately 30-35 new franchised and /or licensed units for all three of our brands and to introduce co-branded products in over 50 existing units.

We expect that during fiscal 2001 our international development efforts will take on added dimensions as a result of the co-branding opportunities that we now offer. We believe that in addition to restaurant franchising of our three brands, there is the opportunity to increase revenues by offering master development agreements to qualified persons or entities allowing for the operation of franchised restaurants, subfranchising restaurants to others, licensing the manufacture of our signature products, selling our signature products through supermarkets and allowing for the further development of our Branded Product Program. Qualified persons or entities must have satisfactory foodservice experience managing multiple units, the appropriate infrastructure and the necessary financial resources to support the business development. We have also retained a consultant to assist in the development and marketing efforts of our international program.

We will also seek to further develop our Branded Product Program in fiscal 2001 which may include certain Miami Subs products, Kenny Rogers Roasters products and additional Nathan's products, as well as through the addition of new points of sale. We believe that as consumers look to assure confidence in the quality of the food that they purchase, there is great potential to increase our sales by converting existing sales of non-branded products into branded

products throughout the foodservice industry, by franchisees, licensees or retailers by utilizing branded modular merchandising units, carts, kiosks and restaurants.

Co-branding

We believe that there is a substantial opportunity for co-branding among our family of brands. In addition to the three brands that we own, as part of the Miami Subs acquisition we also acquired certain exclusive co-branding rights for the use of the brand "Arthur Treachers Fish & Chips" within the United States.

Initially, our strategy will emphasize co-branding within our existing restaurant system. "Host Restaurants" would continue to operate pursuant to their current franchise agreements and would simply execute an addendum to their agreement which would define the terms of our co-branding relationship.

We believe that our brand offerings compliment each other and will enable us to market franchises of co-branded units and co-branding to existing units. The Nathan's and Miami Subs products are typically stronger lunch time brands while the Kenny Rogers Roasters and Arthur Treachers brands are generally stronger dinner brands. We expect that the added variety will please and attract a more diverse audience, including more families with children.

To date, we have introduced Arthur Treachers products in over 60 Miami Subs locations, 12 company-owned or franchised Nathan's restaurants and introduced Nathan's products into 3 Arthur Treachers restaurants. We are also testing different variations of the Nathan's menu in 12 Miami Subs restaurants in Florida. We recently began co-branding Kenny Rogers Roasters with Nathan's by introducing Nathan's Famous all-beef frankfurters, crinkle-cut french fries and hamburger menu to further supplement Roasters core menu offerings. We also intend to test the introduction of certain Kenny Rogers Roasters signature products into Nathan's and Miami Subs restaurants, and if successful, plan to make those products available to both systems.

We expect to market co-branded units within the United States and internationally. We believe that a multi- branded restaurant concept offering strong lunch and dinner day parts will be very appealing to both consumers and potential franchisees. Such restaurants should allow the operator to increase sales and leverage the cost of real estate and other fixed costs which may provide superior investment returns as compared to many restaurants that are single branded.

Licensing Program

We license SMG, Inc. to produce packaged hot dogs and other meat products according to Nathans' proprietary recipes and spice formulations, and to use "Nathan's Famous" and related trademarks to sell these products on an exclusive basis in the United States to supermarkets, groceries and other outlets, thereby providing foods for off-premises consumption. The SMG agreement expires in 2014 and provides for royalties ranging between 3% to 5% of sales. The percentage varies based on sales volume, with escalating minimum royalties. Earned royalties of $1,432,000 in fiscal 2000 exceeded the contractual minimum established under the agreement. We believe that the overall exposure of the brand and opportunity for consumers to enjoy the "Nathan's Famous" hot dog in their homes helps promote "Nathan's Famous" restaurant patronage. Hot dog sales are concentrated in the New York metropolitan area, New England, Florida and California. Royalties from SMG provided the majority of our fiscal 2000 retail license revenues.

In November 1997, we executed a license agreement with J.J. Mathews & Co, Inc. to market a variety of Nathan's packaged menu items for sale within supermarkets and groceries. The agreement calls for us to receive royalties based upon sales, subject to minimum annual royalties, as specified in the agreement. During fiscal 2000, we received the minimum royalties of $150,000 payable for calendar 1999.

Our products are also distributed under licensing agreements with Gold Pure Food Product's Co., Inc. and United Pickle Packers, Inc. Both companies license the "Nathan's Famous" name for the manufacture and sale of various

condiments including mustard, salsa, sauerkraut and pickles. These products have been distributed on a limited basis. Fees and royalties earned during fiscal 2000 have not been significant.

PROVISIONS AND SUPPLIES

Our proprietary hot dogs are produced by SMG and Russer Foods, a division of IBP, Inc., in accordance with Nathans' recipes, quality standards and proprietary spice formulations. John Morrell & Company, our licensee prior to SMG, has retained the right to produce Nathans' proprietary spice formulations. Kenny Rogers Roasters proprietary chicken is produced by ConAgra based upon exacting quality, weight, processing and packaging standards. Proprietary marinade and spice formulations are produced by McCormick and Co., Inc. All other company provisions are purchased and obtained from multiple sources to prevent disruption in supply and to obtain competitive prices. We approve all products and product specifications. We negotiate directly with our suppliers on behalf of the entire system for all primary food ingredients and beverage products sold at its restaurants to ensure adequate supply of high quality items at competitive prices.

We have recently unified our distribution source for all of our brands by executing a national food distribution contract with U.S. Foodservice. This new agreement enables all of our restaurant operators to order and receive deliveries for the majority of their food and paper products directly through this distributor. We believe that this arrangement is efficient, more cost effective than having multiple distributors and facilitates quality control.

MARKETING, PROMOTION AND ADVERTISING

We maintain advertising funds for local, regional and national advertising under the Nathan's Famous Systems, Inc. Franchise Agreement. Nathans' franchisees are generally required to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion. Marriott and National Restaurant Management, Inc. are among the current franchisees who are not subject to this requirement. If a cooperative advertising program exists in the franchised area, the applicable percentage can be contributed to that program. Where no cooperative advertising program is available, up to 1% of the franchisees' advertising budget must be contributed to the advertising funds for national marketing support. The balance must be expended on programs approved by us as to form, content and method of dissemination. Through March 26, 2000, our gross spending for marketing activities was approximately 2.9% of our Nathan's company-owned restaurant sales.

Through March 26, 2000, we continued Nathans' primary marketing emphasis on local store marketing campaigns featuring a value oriented strategy supplemented with promotional "Limited Time Offers." We anticipate that near-term marketing efforts for Nathan's will continue to emphasize local store marketing activities.

These activities were supported by a regional newsprint campaign during the summer of 1999. As the concentration of "Nathan's Famous" restaurants in particular geographic areas increases, we believe the opportunity for effective regional media advertising may exist.

In addition, SMG promotes and advertises the "Nathan's Famous" packaged retail brand, particularly in the New York metropolitan area, California, the greater Boston area, Phoenix, Arizona and throughout Florida. We believe that the advertising by SMG increases brand recognition and thereby indirectly benefits Nathan's restaurants in the areas in which SMG conducts its campaigns. From time to time, we also participate with SMG in joint promotional activities.

We maintain separate advertising funds on behalf of the Kenny Rogers Roasters franchise system for regional and national advertising under the NF Roasters Corp. Franchise Agreement. Franchisees who signed up to participate in the new system are required to contribute to the advertising funds .50% of restaurant sales for advertising and promotion for the year April 1, 1999 through March 31, 2000 and .75% of restaurant sales for advertising and promotion thereafter. However, contributions to the marketing fund for the year April 1, 2000 through March 31, 2001 have been waived. New franchisees will be expected to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion.

During the year, the Kenny Rogers Roasters ad fund's primary focus has been toward brand building and utilizing promotional "Limited Time Offers". These activities were further supported by activities such as regional free standing newspaper inserts and the introduction of new point of purchase materials. We anticipate that near term marketing efforts for Kenny Rogers Roasters will continue to emphasize local store marketing activities.

We maintain a separate Production Advertising Fund for the creation and development of advertising, marketing, public relations, research and related programs for the Miami Subs system, as well as for other activities that we may deem appropriate. Franchisee and company-operated restaurants contribute 1.0% of each restaurants' gross sales to this fund. In addition, we maintain certain Regional Advertising Funds in which franchised and company-operated restaurants in the region contribute 2.0% of each restaurants' gross sales. If a restaurant is not located in an area where a regional advertising fund has been established, the franchisee or company-operated restaurant is required to spend at least 2.0% of the restaurants' gross sales for local advertising.

Our Miami Subs advertising programs principally use radio and print, and carry the theme that Miami Subs offers a variety of menu selections at competitive, fast food prices. Our Miami Subs radio advertisements are broadcast principally in markets where there are sufficient restaurants to benefit from such advertisements.

The physical facility of each Miami Subs restaurant represents a key component of our Miami Subs marketing strategy. The restaurants have well-lit exteriors featuring a distinctive roof design, an abundance of pastel neon lights and a lively interior featuring a tropical motif which we believe creates strong appeal during the day and night.

GOVERNMENT REGULATION

We are subject to Federal Trade Commission ("FTC") regulation and several state laws which regulate the offer and sale of franchises. We are also subject to a number of state laws which regulate substantive aspects of the franchisor-franchisee relationship.

The FTC's "Trade Regulation Rule Concerning Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" requires us to provide disclosure of specified information to prospective franchisees. Fifteen states, including New York, also require similar disclosure. While the FTC rule does not require registration or filing of the disclosure document, fourteen states require franchisors to register the disclosure document (or obtain exemptions from that requirement) before offering or selling a franchise. The laws of seventeen other states require some form of registration under "business opportunity" laws, which sometimes apply to franchisors such as Nathan's, Kenny Rogers Roasters and Miami Subs.

Laws which regulate one or another aspect of the franchisor-franchisee relationship presently exist in twenty-one states and the District of Columbia. These laws regulate the franchise relationship by, for example, requiring the franchisor to deal with its franchisees in good faith, prohibiting interference with the right of free association among franchisees, limiting the imposition of standards of performance on a franchisee, and regulating discrimination among franchisees in charges, royalties or fees. These laws have not precluded us from seeking franchisees in any given area. Although these laws may also restrict a franchisor in the termination of a franchise agreement by, for example, requiring "good cause" to exist as a basis for the termination, advance notice to the franchisee of the termination, an opportunity to cure a default and repurchase of inventory or other compensation, these provisions have not had a significant effect on our operations.

We are not aware of any pending franchise legislation which we believe is likely to significantly affect our operations. We believe that our operations comply substantially with the FTC rule and state franchise laws.

Each company-owned and franchised restaurant is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire and other departments. Difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new restaurant.

We are also subject to the Federal Fair Labor Standards Act, which governs minimum wages, overtime, working conditions and other matters. We are also subject to other federal and state environmental regulations, which have not had a material effect on our operations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. In addition, the federal Americans with Disabilities Act ("ADA") applies with respect to the design, construction and renovation of all restaurants in the United States. Compliance with the ADA's requirements could delay or prevent the development of, or renovation to restaurants in certain locations, as well as add to the cost of such development.

Each of the companies which manufactures, supplies or sells our products is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety and other departments. Difficulties or failures by these companies in obtaining the required licenses or approvals could adversely effect our revenues which are generated from these companies.

Alcoholic beverage control regulations requires each restaurant that sells such products to apply to a state authority and, in certain locations, county and municipal authorities for a license or permit to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of customers and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. At March 26, 2000, we offered for sale beer and wine in 7 of our existing company-operated Miami Subs restaurants. Each of these restaurants have current alcoholic beverage licenses permitting the sale of these beverages. We have never had an alcoholic beverage license revoked.

We may be subject in certain states to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment which wrongfully served alcoholic beverages to such person. We carry liquor liability coverage as part of its existing comprehensive general liability insurance and have never been named as a defendant in a lawsuit involving "dram-shop" statutes.

We believe that we operate in substantial compliance with applicable laws and regulations governing our operations.

EMPLOYEES

At March 26, 2000 we had approximately 871 employees, of whom 79 were corporate management and administrative employees, 131 were restaurant managers and 661 were hourly full-time and part-time food-service employees. Food-service employees at five locations are represented by Local 1115-NY a division of District 1115, AFL - CIO CLC, under various agreements which will expire in April 2003. We consider our employee relations to be good and have not suffered any strike or work stoppage for more than 28 years.

We provide a training program for managers and assistant managers of our new company-owned and franchised restaurants. Hourly food workers are trained, on site, by managers and crew trainers following company practices and procedures outlined in its operating manuals.

TRADEMARKS

We hold trademark and service mark registrations for NATHAN'S FAMOUS, NATHAN'S and Design, NATHAN'S FAMOUS SINCE 1916 and SINCE 1916 NATHAN'S FAMOUS within the United States with some of these marks holding corresponding foreign trademark and service mark registrations in more than 20 jurisdictions. We also hold various related marks for restaurant services and some food items.

We hold trademark and service mark registrations for "Kenny Rogers Roasters Wood Fire Roasted Chicken", "It's the Wood that Makes It Good", "Kenny Rogers Roasters & Design", " Down Right Kickin BBQ Chicken",

"Everyone Else Is Just Plain Chicken", "There's Goodness Here", "When you choose Kenny Rogers Roasters, your heart is in the right place", "You're Gonna Love this Food", "Your Heart is in the Right Place" and "Roastie" within the United States. Some of these marks, as well as "Kenny Rogers Roasters" and the original Kenny Rogers logo, hold corresponding foreign trademark and service mark registrations in more than 80 jurisdictions.

We have registered the marks "Miami Subs and Design" and "Miami Subs Grill and Design" with the United States Patent and Trademark Office. In addition, the marks have been registered in approximately 50 foreign countries.

We believe that our trademarks and service marks provide significant value to us and are an important factor in the marketing of its products and services. We believe that we do not infringe on the trademarks or other intellectual property rights of any third parties.

COMPETITION

The fast food restaurant industry is highly competitive and can be significantly affected by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes, consumer concerns about the nutritional quality of quick-service food and increases in the number of, and particular locations of, competing restaurants. Factors such as inflation, increases in food, labor and energy costs, the availability and cost of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements and the availability of an adequate number of hourly paid employees can also adversely affect the fast food restaurant industry.

Our restaurants compete with numerous restaurants and drive-in units operating on both a national and local basis, including major national chains with greater financial and other resources than ours. Changes in pricing or other marketing strategies by these competitors can have an adverse impact on our sales, earnings and growth. We also compete with local restaurants and diners on the basis of menu diversity, food quality, price, size, site location and name recognition. There is also active competition for management personnel as well as suitable commercial sites for restaurants.

We believe that our emphasis on our signature products and the reputation of these products for taste and quality set us apart from our major competitors. As fast food companies have experienced flattening growth rates and declining average sales per restaurant, some of them have adopted "value pricing" and or deep discount strategies. These strategies could have the effect of drawing customers away from companies which do not engage in discount pricing and could also negatively impact the operating margins of competitors which attempt to match their competitors' price reductions. We have introduced our own form of "value pricing," selling combinations of different menu items for a total price lower than the usual sale price of the individual items and other forms of price sensitive promotions. Extensive price discounting in the fast food industry could have an adverse effect on us.

We also compete for the sale of franchises with many franchisors of restaurants and other business concepts to qualified and financially capable franchisees and with numerous companies for the sale and distribution of our licensed hot dogs and other packaged foods, within supermarkets, primarily on the basis of reputation, flavor, quality and price.

ITEM 2. PROPERTIES

Our principal executive offices consist of approximately 12,000 sq. ft. of leased space in a modern, high-rise office building in Westbury, New York. We also own Miami Subs' regional office consisting of approximately 8,500 sq. ft. in Fort Lauderdale, Florida. We also own four restaurant properties consisting of a, 2,650 sq. ft. Nathan's restaurant, at 86th Street in Brooklyn, New York, located on a 25,000 sq. ft. lot, a 3,100 sq. ft. Miami Subs restaurant operating in Miami, FL, a 2,400 sq. ft. Miami Subs restaurant in Largo, FL, located on a 47,000 sg. ft. lot and a 2,600 sq. Ft. Miami Subs restaurant in Miami, FL, located on a 25,000 sq. ft. lot. At March 26, 2000, other company-owned restaurants which were operating or developed were located in leased space with terms expiring as shown in the following table:

	Location	Current Lease Expiration Date	Approximate Square Footage
Nathan's Restaurants			
Coney Island	Brooklyn, NY	December 2008	10,000
Coney Island Boardwalk	Brooklyn, NY	October 2000	440
Kings Plaza Shopping Center	Brooklyn, NY	September 2010	4,200
Long Beach Road	Oceanside, NY	May 2001	7,300
Central Park Avenue	Yonkers, NY	April 2000	10,000
Livingston Mall	Livingston, NJ	December 2000	2,650
Paramus Park Shopping Center (1)	Paramus, NJ	---	---
Jericho Turnpike	Commack, NY	March 2003	3,200
Hempstead Turnpike	Levittown, NY	September 2004	4,100
Broad Hollow Road	Farmingdale, NY	April 2003	2,200
Woodbridge Center (2)	Woodbridge, NJ	May 2000	3,000
Jericho Home Depot	Jericho, NY	September 2004	1,500
Copaigue Home Depot	Copaigue, NY	April 2005	1,200
Flushing Home Depot	Flushing, NY	June 2005	1,500
Elmont Home Depot	Elmont, NY	October 2005	1,500
Union Home Depot	Union, NJ	January 2008	960
Staten Island Home Depot	Staten Island, NY	July 2007	1,680
Brooklyn Home Depot	Brooklyn, NY	March 2008	950
Kenny Rogers Roasters			
Commack Roasters	Commack, NY	October 2013	3,100
Rockville Centre Roasters	Rockville Centre, NY	April 2018	4,000
Miami Subs Restaurants			
17th Street	Ft. Lauderdale, FL	August 2003	3,000
Lauderhill	Lauderhill, FL	May 2002	4,000
Okeechobee	West Palm Beach, FL	December 2001	3,500
South Miami	Miami, FL	August 2006	3,500
Lejune and 11th	Miami, FL	September 2002	2,500
Boca Raton	Boca Raton, FL	March 2006	2,500
Houston	Houston, TX	February 2002	3,600
Liberty Street	New York, NY	September 2003	5,306
University Blvd.	Orlando, FL	July 2012	3,032
Winter Park	Orlando, FL	March 2014	3,200

(1) Lease currently being renegotiated.
(2) Lease expired May 31, 2000.

Leases for Nathan's restaurants typically provide for a base rental plus real estate taxes, insurance and other expenses and, in some cases, provide for an additional percentage rent based on the restaurants' revenues. Many of the Nathan's leases also provide for renewal options ranging between 5 - 25 years upon expiration of the prime lease. We closed our original Nathan's location in the Paramus Park Shopping Center on March 25, 2000 and are currently negotiating a lease for a new Nathan's location within the mall. We closed our Nathan's restaurant in the Woodbridge Mall on May 31, 2000 due to the expiration of the lease.

We assumed the leases for the two properties operated by Kenny Rogers Roasters from the previous restaurant operator. These leases have remaining terms of 13 and 18 years and also provide for a base rental plus real estate taxes, insurance and other expenses.

Properties leased by Miami Subs restaurants generally provide for an initial lease term of up to 20 years and renewal terms of five to 20 years. The leases generally provide for fixed rentals plus adjustments based on changes in the consumer price index or percentage rentals on gross sales. Restaurants and other facilities are leased or sub-leased to franchisees or others on terms which are generally similar to the terms in our lease with the third-party landlord, except that in certain cases the rent has been increased. We remain liable for all lease costs when properties are sub-leased to franchisees or others. At March 26, 2000, we were the sublessor to 52 properties pursuant to these arrangements. Not included in the above table are eight properties we leased which were closed as of March 26, 2000. We are attempting to terminate these leases or sublease the properties to third parties. Two company-operated Miami Subs restaurants and 14 of the restaurants leased/sub-leased to franchisees or others are located outside of Florida.

Aggregate rental expense, net of sublease income, under all current leases amounted to $2,848,000 in fiscal 2000.

ITEM 3. LEGAL PROCEEDINGS

We and our subsidiaries are from time to time involved in ordinary and routine litigation. We are also involved in the following litigation:

In or about December, 1996, Nathan's Famous Systems, Inc. instituted an action in the Supreme Court of New York, Nassau County, against Phylli Foods, Inc. a franchisee, and Calvin Danzig as a guarantor of Foods' payment and performance obligations, to recover royalty fees and advertising contributions due to Systems in the aggregate amount of $35,567.20 under a franchise agreement between Systems and Phylli Foods dated June 1, 1994. In their answer, the defendants essentially denied the material allegations of the complaint and interposed counterclaims against Systems in which they alleged essentially that Systems fraudulently induced the defendants to purchase the franchise from Systems or did so by means of negligent misrepresentations. Defendants also alleged that by reason of Systems' allegedly fraudulent and deceitful conduct, Systems violated the General Business Law of New York. As a consequence of the foregoing, the defendants are seeking damages in excess of five million dollars, as well as statutory relief under the General Business Law. Systems has moved to dismiss the counterclaims on the grounds that they are insufficiently pleaded and otherwise fail to state a sustainable claim against Systems upon which relief may be granted. During fiscal 1998, Systems' motion was granted except for the claim seeking statutory relief under the General Business Law.

Nathan's was named as one of three defendants in an action commenced in June 1997, in the Supreme Court of New York, Queens County. According to the complaint, the plaintiff, a dentist, is seeking injunctive relief and damages in an amount exceeding $5 million against the landlord, one of Nathan's franchisees and Nathan's claiming that the operation of a restaurant in a building in Long Island City created noxious and offensive fumes and odors that allegedly were injurious to the health of the plaintiff and his employees and patients, and interfered with, and irreparably damaged his practice. Plaintiff also claims that the landlord fraudulently induced him to enter a lease extension by representing that the first floor of the building would be occupied by a non-food establishment. Nathan's believes that there is no merit to the plaintiff's claims against it inasmuch as it never was a party to the lease, and the restaurant, which closed in or about August 1995, was operated by a franchisee exclusively. Nathan's intends to defend the action vigorously.

On January 5, 1999, Miami Subs was served with a class action lawsuit entitled Robert J. Feeney, on behalf of himself and all others similarly situated vs. Miami Subs Corporation, et al., in Broward County Circuit Court, which was filed against Miami Subs, its directors and Nathan's in a Florida state court by a shareholder of Miami Subs. Subsequently, Nathan's and its designees to the Miami Subs Board were also served. The suit alleged that the proposed merger between Miami Subs and Nathan's, as contemplated by the companies' non-binding letter of intent, was unfair to Miami Subs' shareholders and constituted a breach by the defendants of their fiduciary duties to the shareholders of Miami Subs. The plaintiff sought among other things: 1. class action status; 2. preliminary and permanent injunctive relief against consummation of the proposed merger; and 3. unspecified damages to be awarded to the shareholders of Miami Subs.

On April 7, 2000 the plaintiff filed his dismissal without prejudice of the action, effectively ending the case against all of the defendants

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK PRICES

Our common stock began trading on the over-the-counter market on February 26, 1993 and is quoted on the Nasdaq National Market System ("Nasdaq") under the symbol "NATH." The following table sets forth the high and low closing share prices per share for the periods indicated:

	High	Low
Fiscal year ended March 28, 1999		
First quarter	$ 4.44	$ 3.69
Second quarter	4.63	3.44
Third quarter	4.44	3.34
Fourth quarter	4.28	3.56
Fiscal year ended March 26, 2000		
First quarter	$ 4.19	$ 3.50
Second quarter	3.69	3.13
Third quarter	3.66	3.16
Fourth quarter	4.75	3.06

At June 6, 2000 the closing price per share for our common stock, as reported by Nasdaq was $3.0625

DIVIDEND POLICY

We have not declared or paid a cash dividend on our common stock since our initial public offering. It is our Board of Directors' policy to retain all available funds to finance the development and growth of our business. The payment of cash dividends in the future will be dependent upon our earnings and financial requirements.

SHAREHOLDERS

As of June 6, 2000, we had 840 shareholders of record, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	FISCAL YEARS ENDED				
	MARCH 26, 2000	MARCH 28, 1999	MARCH 29, 1998	MARCH 30, 1997	MARCH 31 1996(1)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Statement of Operations Data:					
Revenues:					
Sales	$30,463	$24,511	$23,530	$21,718	$21,167
Franchise fees and royalties	5,906	3,230	3,062	3,238	3,249
License royalties and other income	2,159	1,841	2,285	1,619	2,025
Total revenues	38,528	29,582	28,877	26,575	26,441
Costs and Expenses:					
Cost of sales	19,614	15,367	14,468	13,031	12,833

Restaurant operating expenses	8,208	5,780	6,411	6,602	6,730
Depreciation and amortization	1,358	1,065	1,035	1,013	1,724
Amortization of intangible assets	716	384	384	406	665
General and administrative expenses	8,222	4,722	4,755	4,097	5,457
Interest expense	198	1	6	16	28
Impairment of long-lived assets	465	302	---	---	3,907
Impairment of notes receivable	840	---	---	---	--
Other expense (income)	427	(349)	---	---	1,570
Total costs and expenses	40,048	27,272	27,059	25,165	32,914
(Loss) income before (benefit) provision for income taxes	(1,520)	2,310	1,818	1,410	(6,473)
(Benefit) provision for income taxes	(250)	(418)	290	622	(49)
Net (loss) income	($1,270)	$2,728	$1,528	$788	($6,379)
Per Share Data:					
Net (loss) income					
Basic	($0.22)	$0.58	$0.32	$0.17	($1.35)
Diluted	($0.22)	$0.57	$0.32	$0.17	($1.35)
Dividends	----	----	----	----	----
Number of common shares used in computing net (loss) income per share					
Basic	5,881	4,722	4,722	4,722	4,722
Diluted	5,881	4,753	4,749	4,729	4,722
Balance Sheet Data at End of Fiscal Year:					
Working capital (deficit)	($ 322)	$ 3,708	$ 6,105	$ 4,802	$ 3,937
Total assets	48,583	31,250	29,539	27,794	27,765
Long term debt, net of current maturities	3,131	0	9	21	35
Stockholders' equity	$ 33,347	$26,348	$23,586	$21,976	$21,142
Selected Restaurant Operating Data:					
Systemwide Restaurant Sales:					
Company-owned	$ 27,478	$21,981	$22,332	$21,718	$21,167
Franchised	152,627	64,178	58,802	63,564	68,009
Total	$180,105	$86,159	$81,134	$85,282	$89,176
Number of Units Open at End of Fiscal Year:					
Company-owned	32	25	27	26	27
Franchised	415	163	156	147	178
Total	447	188	183	173	205

Notes to Selected Financial Data

(1) Our fiscal year ends on the last Sunday in March which results in a 52 or 53 week year. Fiscal 1996 was a 53 week year.

(2) Common stock equivalents have been excluded from the computation for the years ended March 26, 2000 and March 31, 1996 as the impact of their inclusion would have been anti-dilutive.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

During the current fiscal year ended March 26, 2000, we completed two acquisitions that provided us with two highly recognized brands. On April 1, 1999, we became the franchisor of the Kenny Rogers Roasters restaurant system by acquiring the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. On September 30, 1999, we acquired the remaining 70% of the outstanding common stock of Miami Subs Corporation we did not already own. Our revenues are generated primarily from operating company-owned restaurants and restaurant franchising under the Nathan's, Kenny Rogers and Miami Subs brands, licensing agreements for the sale of Nathan's products within supermarkets and selling products under Nathan's Branded Product Program. The Branded Product Program enables foodservice operators to offer Nathans' hot dogs and other proprietary items for sale within their facilities. In conjunction with this program, foodservice operators are granted a limited use of the Nathans' trademark with respect to the sale of hot dogs and certain other proprietary food items and paper goods.

At March 26, 2000, our combined systems consisted of 32 company-owned units, 415 franchised or licensed units in addition to over 1,000 Nathan's Branded Product points of distribution that feature Nathan's world famous all-beef hot dogs, located in forty-four states, the District of Columbia and sixteen foreign countries. At March 26, 2000, our company-owned restaurant system included 19 Nathan's units, 11 Miami Subs units and 2 Kenny Rogers Roasters units, as compared to 25 Nathan's units at March 28, 1999.

In connection with our acquisition of Miami Subs, we are in the process of closing up to 18 underperforming restaurants, including up to five company-operated restaurants.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED MARCH 26, 2000 COMPARED TO FISCAL YEAR ENDED MARCH 28, 1999

Revenues

Total sales were $30,463,000 for the fifty-two weeks ended March 26, 2000 ("the fiscal 2000 period") as compared to $24,511,000 for the fifty-two weeks ended March 28, 1999 ("the fiscal 1999 period"). Of the total increase, sales increased by $6,985,000 as a result of the acquisitions made this year. Company-owned restaurant sales of the Nathan's brand decreased 6.0% or $1,318,000 to $20,664,000 from $21,982,000. This restaurant sales decline is primarily due to the impact of franchising three company-owned restaurants and closing three other unprofitable company-owned restaurants during the current fiscal year and closing two company-owned units during the prior fiscal year due to the lease expirations. The total sales decline during the fiscal 2000 period attributable to these 8 stores was $1,763,000. Comparable restaurant sales of the Nathan's brand increased by 1.1% versus the fiscal 1999 period. We continued to emphasize local store marketing activities, new product introductions and value pricing strategies for the Nathan's brand. These activities were supplemented by a regional newsprint campaign during the summer of 1999. Pursuant to our exclusive co-branding agreement with Arthur Treachers, we began test marketing Arthur Treachers signature products in four company-owned Nathan's restaurants during September and October 1999. Based upon the success of these tests, we have extended these co-branding efforts within company-owned units and have made Arthur Treachers products available to franchisees. At June 15, 2000 Arthur Treachers' products were featured in 14 Nathan's restaurants. Sales from the Branded Product Program increased by 18.0% to $2,985,000 during the fiscal 2000 period as compared to sales of $2,530,000 in the fiscal 1999 period.

Franchise fees and royalties increased by 82.8% or $2,676,000 to $5,906,000 in the fiscal 2000 period compared to $3,230,000 in the fiscal 1999 period. Increases in franchise income resulting from the acquisitions made during the fiscal 2000 period were $2,685,000. Nathans' franchise royalties increased by $60,000 or 2.2% to $2,758,000 in the fiscal 2000 period as compared to $2,698,000 in the fiscal 1999 period. Franchise restaurant sales of the Nathan's brand increased by 2.0% to $65,458,000 in the fiscal 2000 period as compared to $64,178,000 in the fiscal 1999 period. At March 26, 2000, there were 415 franchised or licensed restaurants within the franchise system, including 160 Nathan's locations. Franchise fee income derived from Nathan's restaurant openings was $463,000 in the fiscal 2000 period as compared to $532,000 in the fiscal 1999 period. This decrease was primarily attributable to the difference between the number and types of franchised units opened between the two periods. During the fiscal 2000 period, twenty-one new Nathan's franchised or licensed units opened, including two units in Egypt.

License royalties were $1,722,000 in the fiscal 2000 period as compared to $1,415,000 in the fiscal 1999 period. Increases in license royalties resulting from the acquisitions made during the fiscal 2000 period were $86,000. The majority of the remaining increase is attributable to sales by SMG, Inc., our licensee for the sale of Nathan's frankfurters within supermarkets and club stores.

Equity in (losses) earnings of unconsolidated affiliate of ($163,000), represents our proportionate share of Miami Subs' net loss for the period March 1, 1999 through the date of the merger on September 30, 1999. Included in Miami Subs' net loss for that period were merger costs of $325,000.

Investment and other income was $600,000 in the fiscal 2000 period versus $400,000 in the fiscal 1999 period. Increased other income attributable to the acquisitions made during the fiscal 2000 period were $308,000. During the fiscal 2000 period our marketable investment securities earned approximately $132,000 more than the prior fiscal year. This was due to earning less interest income than the fiscal 1999 period due primarily to the reduced amount of its fixed income securities which was more than offset by the difference in performance of the equity markets between the two periods. Additionally, we earned approximately $118,000 less miscellaneous income during the fiscal 2000 period as compared to the fiscal 1999 period and recognized a loss of approximately $123,000 on the disposal of fixed assets.

Costs and Expenses

Cost of sales increased by $4,247,000 from $15,367,000 in the fiscal 1999 period to $19,614,000 in the fiscal 2000 period. Of the total increase, cost of sales increased by $4,831,000 as a result of the acquisitions made during the fiscal 2000 period. Lower costs of approximately $45,000 were incurred in connection with the Nathan's Branded Product Program. Restaurant cost of sales associated with the Nathan's brand were lower due primarily to the closure of two company-owned Nathan's restaurants during the fiscal 1999 period, the closure of three unprofitable company-owned Nathan's restaurants during the fiscal 2000 period and the franchising of three company-owned Nathan's units during the fiscal 2000 period which were partly offset by the exclusion of costs of operating the Nathan's Kings Plaza restaurant which was being renovated during fiscal 1999. Our cost of restaurant sales for the Nathan's brand was 60.5% of restaurant sales in the fiscal 2000 period as compared to 61.0% of restaurant sales in the fiscal 1999 period. The decrease, as a percentage of restaurant sales, is due partly to the increase in the amount of the average check over the prior period and lower costs of food and labor as a percentage of restaurant sales during the fiscal 2000 period. We continue to seek to operate more efficiently as a means to minimize the margin pressures which have become an integral part of competing in the current value conscious marketplace.

Restaurant operating expenses increased by $2,428,000 from $5,780,000 in the fiscal 1999 period to $8,208,000 in the fiscal 2000 period. Of the total increase, restaurant operating expenses increased by $2,366,000 as a result of the acquisitions made this year. Restaurant operating expenses associated with the Nathan's brand were $5,842,000 during the fiscal 2000 period versus $5,780,000 during the fiscal 1999 period. This increase in restaurant operating costs was due primarily to higher costs of operating the restaurant that was renovated last year of approximately $146,000, higher occupancy costs of approximately $107,000, higher insurance costs of approximately $68,000 and higher marketing costs of approximately $138,000, which were partly offset by lower costs due to operating fewer company-owned restaurants of approximately $430,000.

Depreciation and amortization increased by $293,000 from $1,065,000 in the fiscal 1999 period to $1,358,000 in the fiscal 2000 period. Depreciation expense increased as a result of the acquisitions made during the fiscal 2000 period by $323,000.

Amortization of intangible assets increased by $332,000 from $384,000 in the fiscal 1999 period to $716,000 in the fiscal 2000 period. This increase is due to the amortization, based upon the preliminary purchase price allocations, of the Kenny Rogers Roasters intellectual property acquired on April 1, 1999 and the Miami Subs acquisition on September 30, 1999.

General and administrative expenses increased by $3,500,000 to $8,222,000 in the fiscal 2000 period as compared to $4,722,000 in the fiscal 1999 period. Of the total increase, general and administrative expenses increased by $2,692,000 as a result of the acquisitions made during the fiscal 2000 period. General and administrative expenses, excluding the impact of Miami Subs and Kenny Rogers Roasters, increased by $808,000 or 17.1% primarily due to increased compensation expense of $339,000, increased provisions for doubtful accounts of approximately $262,000, higher professional fees for legal, audit and tax services of approximately $148,000 and approximately $76,000 associated with costs in connection with the migration of the Miami Subs support functions to New York which commenced effective March 27, 2000.

Interest expense of $198,000 primarily relates to assumed indebtedness as of the date of the acquisition. Since the acquisition, we have repaid notes totaling approximately $1,929,000 and therefore anticipate lower interest expense in the future.

Impairment charges on notes receivable of $840,000, reflects write-down pursuant to SFAS No.114 - "Accounting by Creditors for Impairment of a Loan", on six notes receivable.

Impairment charges on fixed assets of $465,000 during the fiscal 2000 period and $302,000 during the fiscal 1999 period reflect valuation allowances pursuant to SFAS No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of"" relating to three under-performing stores in the fiscal 2000 period and four under-performing stores in the fiscal 1999 period.

Other expense (income) of $427,000 during the fiscal 2000 period includes approximately $191,000 of ongoing lease expenses of units that were operating during the period that are part of the plan to be closed and $236,000 in connection with the satisfaction of certain financial guarantees, compared to the prior fiscal year when we reversed previous litigation accruals in the amount of $349,000 resulting from the conclusion of the associated litigation.

Income Taxes

In the fiscal 2000 period, the income tax benefit was ($250,000) or(16.4%) of loss before income taxes as compared to the income tax benefit of ($418,000) or (18.1%) of income before taxes in the fiscal 1999 period. During fiscal 1999 management determined that, based upon the facts and circumstances at the time, it was more likely than not that a portion of our deferred tax assets would be realized. Accordingly, we reduced our valuation allowance by $1,443,000 in fiscal 1999. The fiscal 1999 provision before adjustment for the valuation allowance was $1,025,000 or 44.4% of income before taxes. Management will continue to monitor the likelihood of continued realizability of its deferred tax asset and may, if deemed appropriate under the facts and circumstances at that time, recognize further adjustments to our deferred tax valuation allowance in accordance with Financial Accounting Standards Board Statement No. 109 "Accounting for Income Taxes".

FISCAL YEAR ENDED MARCH 28, 1999 COMPARED TO FISCAL YEAR ENDED MARCH 29,1998

Revenues

Total sales increased 4.2% or $981,000 to $24,511,000 for the fifty-two weeks ended March 28, 1999 ("fiscal 1999") from $23,530,000 for the fifty-two weeks ended March 29, 1998 ("fiscal 1998"). Sales from the Branded Product

Program, which was first introduced in fiscal 1998, increased by $1,331,000 or 111% to $2,529,000 for fiscal 1999 as compared to $1,198,000 for fiscal 1998. Company-owned restaurant sales decreased 1.6% or $350,000 to $21,982,000 from $22,332,000. During fiscal 1999, we were forced to close two of our restaurants which had previously been operating under month-to-month leases, resulting in a sales decline of approximately $734,000 versus the prior year. Comparable unit sales increased by approximately 1.3% in fiscal 1999 versus fiscal 1998. Comparable unit sales are based on units operating for 18 months or longer as of the beginning of the fiscal year. We continue to emphasize local store marketing activities, new product introductions and value pricing strategies. These activities were supplemented with a radio and billboard campaign during the summer 1998. During fiscal 1999, we completed the renovation of our 86th Street restaurant in Brooklyn, NY, which included a drive- thru operation, and our restaurant in the Kings Plaza Shopping Center. Plans are currently being considered to renovate and modernize the appearance and design of certain other company-owned units. At March 28, 1999 and March 29, 1998, there were 25 and 27 company-owned Nathan's units, respectively.

Franchise fees and royalties increased by $168,000 or 5.5% to $3,230,000 in fiscal 1999 compared to $3,062,000 in fiscal 1998. Franchise royalties increased by $209,000 or 8.4% to $2,698,000 in fiscal 1999 as compared to $2,489,000 in fiscal 1998. Franchise restaurant sales, upon which royalties are based, increased by 9.1% or $5,376,000, to $64,178,000 in fiscal 1999, compared to $58,802,000 in fiscal 1998. The majority of the sales increase can be attributed to the additional franchised and licensed units operating during fiscal 1999. Franchise fee income was $532,000 in fiscal 1999, compared to $573,000 in fiscal 1998 due primarily to the difference in the amount of forfeitures and expirations recognized into income between the two years. During fiscal 1999, 21 new franchised or licensed units opened, including the second restaurant in Israel, and the first Kosher Nathan's restaurant in Brooklyn, New York. We also executed an agreement for international development within Egypt. At March 28, 1999, there were 163 franchised or licensed restaurants as compared to 156 at March 29, 1998.

License royalties decreased by $80,000 or 5.4% to $1,415,000 in fiscal 1999, compared to $1,495,000 in fiscal 1998. During fiscal 1999, we earned royalties of approximately $137,000 under a new license agreement for the sale of Nathans' home meal replacements in supermarkets. Fiscal 1998 results included $240,000 of income recognized from amortization of a deferred fee received from SMG, Inc., which was fully amortized in March 1998.

Investment and other income was $400,000 in fiscal 1999 versus $790,000 in fiscal 1998. Approximately $263,000 of the decrease is the result of lower earnings on our marketable investment securities resulting from the difference in the performance of the financial markets between the two years, the impact of the fiscal 1998 shift into tax exempt securities and lower investment earnings from the reduced principle amount of marketable investment securities after we made our equity investment in Miami Subs Corp. During fiscal 1998, we also recognized a gain of approximately $130,000 from the sale of an underperforming restaurant.

Costs and Expenses

Cost of sales increased by $899,000 from $14,468,000 in fiscal 1998 to $15,367,000 in fiscal 1999. Higher costs were incurred in conjunction with the growth of the Branded Product Program, the new restaurants opened in the fourth quarter fiscal 1998 that operated during fiscal 1999 and the higher costs of restaurant sales. The cost of restaurant sales was 61.0% of restaurant sales in fiscal 1999 as compared to 60.5% of restaurant sales in fiscal 1998. This increase is due primarily to higher food costs associated with our ongoing promotional activities and an increase in labor costs of 0.6% of restaurant sales due primarily to the impact of the minimum wage increase which took effect in September 1997. We continue to seek to operate more efficiently and expects to seek selective price adjustments wherever available to minimize the margin pressures which have become an integral part of competing in the current value conscious marketplace.

Restaurant operating expenses decreased by $631,000 from $6,411,000 in fiscal 1998 to $5,780,000 in fiscal 1999. This decrease can be primarily attributed to a four month cost hiatus during the renovation of our Kings Plaza restaurant of approximately $72,000, reduced costs of property taxes arising from successful tax certiorari proceedings of approximately $100,000, lower insurance costs of approximately $106,000, lower utility costs of approximately

$128,000 due primarily to reduced electric rates on Long Island and the impact of restaurants closed and other lower expenses resulting from the different restaurants operated between the two periods. As a percentage of restaurant sales, restaurant operating expenses were 26.3% in fiscal 1999 as compared to 28.4% in fiscal 1998.

Depreciation and amortization increased by $30,000 or 2.9% from $1,035,000 in fiscal 1998 to $1,065,000 in fiscal 1999. Amortization of intangibles was $384,000 in fiscal 1999 as compared to $384,000 in fiscal 1998.

General and administrative expenses decreased by $33,000 to $4,722,000 in fiscal 1999, compared to $4,755,000 in fiscal 1998. We incurred lower general & administrative expenses for professional fees of $236,000 and lower bad debts of approximately $36,000. Offsetting these savings were increases of approximately $133,000 relating to salaries for additional personnel primarily to support new growth initiatives, $42,000 relating to international development efforts and $82,000 associated with management incentive plans based upon the achievement of predetermined financial targets.

Impairment charge on long lived assets of $302,000 is associated with four underperforming stores pursuant to Statement of Financial Standard No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

Other expense (income) reflects the reversal of previous litigation accruals in the amount of ($349,000) resulting from the conclusion of the associated litigation.

Income Taxes

In fiscal 1999, the income tax benefit was ($418,000) or (18.1%) of income before taxes as compared to a provision of $290,000 in fiscal 1998. For each fiscal year we reduced our valuation allowance because management determined that, based upon the facts and circumstances at the time, it was more likely than not that a portion of its deferred tax assets would be realized. Accordingly, we reduced our valuation allowance by $1,443,000 in fiscal 1999 as compared to $523,000 in fiscal 1998 .The fiscal 1999 provision before adjustment for the valuation allowance was $1,025,000 or 44.4% of income before taxes as compared to the fiscal 1998 provision before adjustment for the valuation allowance of $814,000 or 44.8% of income before taxes. Management will continue to monitor the likelihood of continued realizability of our deferred tax asset and may, if deemed appropriate under the facts and circumstances at that time, recognize further adjustments to our deferred tax valuation allowance in accordance with Financial Accounting Standards Board Statement No. 109 "Accounting for Income Taxes".

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 26, 2000 aggregated $2,397,000, increasing by $232,000 during the fiscal 2000 period. At March 26, 2000, marketable securities and investment in limited partnership totalled $2,997,000 and the working capital deficit was $322,000 at March 26, 2000.

Cash provided by operations of $1,977,000 in the fiscal 2000 period is primarily attributable to net loss of $1,270,000, non-cash charges of $4,560,000, including depreciation and amortization of $2,074,000, impairment charges on notes receivable and long lived assets of $1,305,000, allowance for doubtful accounts of $895,000, equity in loss of unconsolidated affiliate of $163,000 and loss on disposal of fixed assets of $123,000. Other changes within the operating accounts, net of the assets and liabilities purchased in the merger, were decreases in marketable investment securities of $270,000, an increase in notes and accounts receivables of $504,000, an increase in prepaid expenses and other current assets of $187,000, a decrease in other assets of $182,000, decreases in accounts payable and accrued expenses of $158,000, a decrease in other noncurrent liabilities of $682,000 and an increase in deferred franchise fees and other revenue of $721,000.

Cash provided by investing activities of $184,000 includes cash acquired in connection with the Miami Subs merger of $3,429,000, net of acquisition costs and payments received on notes receivable of $320,000. Cash used in investing activities was $1,590,000 for the acquisition of the intellectual property of the Kenny Rogers Roasters restaurant system, including expenses and $1,975,000 primarily relating to our acquisition of two Kenny Rogers Roasters

restaurants and capital improvements of company-owned restaurants and other fixed asset additions. We plan to invest approximately $600,000 renovating the two recently acquired Kenny Rogers Roasters restaurants.

Cash used in financing activities of $1,929,000 represents repayments of assumed Miami Subs notes payable and capitalized lease obligations. We anticipate that we may further reduce the amount of Miami Subs notes payable in the future.

In connection with the acquisition of Miami Subs, we are in the process of closing up to 18 underperforming Miami Subs restaurants. Accordingly, we expect to incur future cash payments, consisting primarily of future lease payments including costs and expenses associated with terminating such leases. At present we have accrued $660,000 of lease termination costs, however, we are unable to reasonably estimate these final costs. At March 26, 2000, the minimum annual lease payments for the affected stores where no termination cost has been accrued was $1,322,000, with remaining lease terms ranging from 2 years up to approximately 18 years.

We expect that we will reinvest in certain existing restaurants in the future and that we will fund those investments from our operating cash flow. We do not currently expect to incur significant capital expenditures to develop new company-owned restaurants, which would require debt or equity financing.

Although we had a working capital deficit of $322,000 at March 26, 2000, we believe that available cash, marketable securities and investment in limited partnership and internally generated funds should provide sufficient capital to finance our operations through fiscal 2001. We maintain a $5,000,000 uncommitted bank line of credit and have not borrowed any funds to date under this line of credit.

SEASONALITY

Our business is affected by seasonal fluctuations, the effects of weather and economic conditions. Historically, sales and earnings have been highest during our first two fiscal quarters with the fourth fiscal quarter representing the slowest period. This seasonality is primarily attributable to weather conditions in our marketplace for our company-owned Nathan's stores, which is principally the New York metropolitan area. Miami Subs' restaurant sales have historically been strongest the period March through August, which approximates our first and second quarters, as a result of a heavy concentration of restaurants being located in Florida. As a result, we believe that future revenues may become slightly more seasonal.

IMPACT OF INFLATION

During the past several years our commodity costs have remained relatively stable. As such, we believe that inflation has not materially impacted earnings. Substantial increases in labor, food and other operating expenses could adversely affect our operations and those of the restaurant industry. In 1996, legislation was enacted which increased the Federal minimum wage, from $4.25 per hour to $4.75 on October 1, 1996 with another increase to $5.15 on September 1, 1997. We experienced higher labor costs on a relatively small proportion of our workforce as a result of the September 1997 increase. Currently, various legislators are re-examining additional changes to the minimum wage requirements. At this time, different bills have been passed by the Senate and the House of Representatives proposing to further increase the Federal minimum wage, which is expected to go to conference during the summer 2000. We believe that any further increases in the minimum wage could have a significant financial impact on us and we might have to reconsider our pricing strategy as a means to offset any legislated increase to avoid reducing operating margins.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, is effective for all fiscal years beginning after June 15, 2000 and will not require retroactive restatement of prior period financial statements. This statement requires the recognition of all derivative instruments as either assets or liabilities in the balance sheet, measured at fair value. Derivative instruments will be recognized as gains or losses

in the period of change. The Company does not expect the adoption of SFAS No. 133 to have a material impact on its financial position or results of its operations as the Company does not presently make use of derivative instruments.

In December 1999, the SEC staff released Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 explains the SEC staff's general framework for recognizing revenue, specific criteria to be met, along with required disclosures related to revenue recognition.

FORWARD LOOKING STATEMENTS

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: economic, weather, legislative and business conditions; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; ability to continue to attract franchisees; the ability to purchase its primary food and paper products at reasonable prices; no material increases in the minimum wage; and our ability to attract competent restaurant and managerial personnel. We generally identify forward-looking statements with the words "believe", "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have historically invested our cash and cash equivalents in short term, fixed rate, highly rated and highly liquid instruments which are reinvested when they mature throughout the year. Although our 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 or reinvestment as a result of intervening events.

We have invested our marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments and a highly liquid investment limited partnership that invests principally in equities. These investments are subject to fluctuations in interest rates and the performance of the equity markets.

The interest rate on our borrowings are generally determined based upon prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. We do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings.

The cost of commodities are subject to market fluctuation. 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, our future commodities purchases are subject to changes in the prices of such commodities.

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data is submitted as a separate section of this report beginning on Page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required in response to this item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to the Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this Item is incorporated herein by reference to our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements listed in the accompanying index to consolidated financial statements and schedule on Page F-1 are filed as part of this report.

(2) FINANCIAL STATEMENT SCHEDULE

The consolidated financial statement schedule listed in the accompanying index to consolidated financial statements and schedule on Page F-1 is filed as part of this report.

(3) EXHIBITS

Certain of the following exhibits (as indicated in the footnotes to the list), were previously filed as exhibits to other reports or registration statements filed by the Registrant under the Securities Act of 1993 or under the Securities Exchange Act of 1934 and are herein incorporated by reference.

Exhibit No.	Exhibit
3.1	Certificate of Incorporation.(Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 No. 33-56976.)
3.2	Amendment to the Certificate of Incorporation, filed December 15, 1992.(Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 No. 33-56976.)
3.3	By-Laws, as amended. (Incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K for the fiscal year ended March 28, 1999.)
4.1	Specimen Stock Certificate.(Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 No. 33-56976.)
4.2	Form of Warrant issued to Ladenburg, Thalmann & Co., Inc. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-1 No. 33-56976.)
4.3	Form of Warrant issued to Howard M. Lorber. (Incorporated by reference to Exhibit 4.3 to the Annual Report filed on form 10-K for the fiscal year ended March 27, 1994.)
4.4	Amendment to Warrant issued to Howard M. Lorber (Incorporated by reference to Exhibit 4.4 to the Annual Report filed on form 10-K for the fiscal year ended March 31, 1996.)
4.5	Specimen Rights Certificate (Incorporated by reference to Exhibit 4 to the Current Report on form 8-K dated July 14, 1995.)
10.1	Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 No. 33-56976.)
10.2	Leases for premises at Coney Island, New York, as follows: (Incorporated by reference Exhibit 10.3 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease, dated November 22, 1967, between Nathan's Realty Associates and the Company.
	b) Lease, dated November 22, 1967, between Ida's Realty Associates and the Company.
	c) Lease, dated November 17, 1967, between Ida's Realty Associates and the Company.
10.3	Leases for the premises at Yonkers, New York, as follows: (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease Modification of Land and Building Lease between the Yonkers Corp. and the Company, dated November 19, 1980;
	b) Lease Modification of Land and Building Lease between 787 Central Park Avenue, Inc., and the Company dated May 1, 1980.
10.4	Lease with NWCM Corp. for premises at Oceanside, New York, dated March 14, 1975. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)

Exhibit No.	Exhibit
10.5	1992 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-8 No. 33-93396.)
10.6	Area Development Agreement with Marriott Corporation, dated February 19, 1993. (Incorporated by reference to Exhibit 10.9(a) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993.)
10.7	Area Development Agreement with Premiere Foods, dated September 11, 1990. (Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1 No. 33-56976.)
10.8	Form of Standard Franchise Agreement. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 No. 33-56976.)
10.9	401K Plan and Trust. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)
10.10	Amendment dated November 8, 1993, to the Employment Agreement, dated December 28, 1992, with Wayne Norbitz. (Incorporated by reference to Exhibit 10.19 to the Annual Report filed on form 10-K for the fiscal year ended March 27, 1994.)
10.11	License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc., including amendments and waivers thereto. (Incorporated by reference to Exhibit 10.21 to the Annual Report filed on form 10-K for the fiscal year ended March 27, 1994.)
10.12	Outside Director Stock Option Plan. (Incorporated by reference to Exhibit 10.22 to Registration Statement on Form S-8 No. 33-89442.)
10.13	Home Depot Food Service Lease Agreement. (Incorporated by reference to Exhibit 10.24 to the Annual Report filed on form 10-K for the fiscal year ended March 26, 1995.)
10.14	Modification Agreement to the Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report filed on form 10-Q for the fiscal quarter ended December 29, 1996.)
10.15	Amendment to License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc. including waivers and amendments thereto. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report filed on form 10-Q for the fiscal quarter ended December 29, 1996.)
10.16	Warrant Agreement dated November 24, 1996 between the Company and Jerry Krevans. (Incorporated by reference to Exhibit 10.24 to the Annual Report filed on form 10-K for the fiscal year ended March 30, 1997.)
10.17	Second Amended and Restated Rights Agreement dated as of April 6, 1998 between Nathan's Famous, Inc. and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 2 to Form 8-A/A dated April 6, 1998.)
10.18	1998 Stock Option Plan. (Incorporated by reference to Exhibit 10.26 to the Annual Report filed on form 10-K for the fiscal year ended March 29, 1998.)
10.19	North Fork Bank Promissory Note.(Incorporated by reference to Exhibit 10.21 to the Annual Report filed on form 10-K for the fiscal year ended March 28, 1999.)
10.20	Amended and Restated Employment Agreement with Donald L. Perlyn effective September 30, 1999.
10.21	Third Amended and Restated Rights Agreement dated as of December 10, 1999 between Nathan's Famous, Inc. And American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 2 to Form 8-A/A dated December 10, 1999.
10.22	Employment Agreement dated as of January 31, 2000 with Ronald DeVos.
10.23	Master Distributor Agreement with U.S. Foodservice, Inc..
10.24	Employment Agreement dated as of January 1, 2000 with Howard M. Lorber.
21	List of Subsidiaries of the Registrant.
23.1	Consent of Arthur Andersen LLP.

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 23th day of June, 2000. Nathan's Famous, Inc.

/s/ WAYNE NORBITZ
- ----------------------------
Wayne Norbitz, President and
Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 23th day of June, 2000.

Signature	Title
/s/ HOWARD M. LORBER - ---------------------------- Howard M. Lorber	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ WAYNE NORBITZ - ---------------------------- Wayne Norbitz	President, Chief Operating Officer and Director
/s/ RONALD G. DEVOS - ---------------------------- Ronald G. DeVos	Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ DONALD L. PERLYN - ---------------------------- Donald L. Perlyn	Executive Vice President and Director
/s/ ROBERT J. EIDE - ---------------------------- Robert J. Eide	Director
/s/ BARRY LEISTNER - ---------------------------- Barry Leistner	Director
/s/ BRIAN GENSON - ---------------------------- Brian Genson	Director
/s/ A. F. PETROCELLI - ---------------------------- Attilio F. Petrocelli	Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated financial statement of Nathan's Famous, Inc. and subsidiaries are included in item 8:

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Nathan's Famous, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Nathan's Famous, Inc., (a Delaware Corporation) and subsidiaries as of March 26, 2000 and March 28, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended March 26, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nathan's Famous, Inc. and subsidiaries as of March 26, 2000 and March 28, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended March 26, 2000 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

New York, New York
June 21, 2000

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

ASSETS	March 26, 2000	March 28, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,397	$ 2,165
Marketable securities and investment in limited partnership	2,997	3,267
Notes and accounts receivables, net	2,618	1,578
Inventories	543	374
Prepaid expenses and other current assets	635	411
Deferred income taxes	1,578	622
Total current assets	10,768	8,417
Notes receivable, net	2,527	--
Property and equipment, net	13,977	6,293
Assets held for sale (Note 3)	945	--
Intangible assets, net	19,092	10,882
Investment in unconsolidated affiliate (Note 9)	--	4,441
Deferred income taxes	711	892
Other assets, net	563	325
	$ 48,583	$ 31,250
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable and capital lease obligations	$ 279	$ --
Accounts payable	1,727	1,053
Accrued expenses and other current liabilities	8,398	3,434
Deferred franchise fees	686	222
Total current liabilities	11,090	4,709
Notes payable and capital lease obligations, less current maturities	3,131	--
Other liabilities	1,015	193
Total liabilities	15,236	4,902
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; 30,000,000 and 20,000,000 shares authorized, 7,040,196 and 4,722,216 issued and outstanding at March 26, 2000 and March 28, 1999, respectively	70	47
Additional paid-in capital	40,669	32,423
Accumulated deficit	(7,392)	(6,122)
Total stockholders' equity	33,347	26,348
	$ 48,583	$ 31,250

The accompanying notes are an integral part of these consolidated balance sheets.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	For the Fiscal Year Ended		
	March 26, 2000	March 28, 1999	March 29, 1998
REVENUES:			
Sales	$ 30,463	$ 24,511	$ 23,530
Franchise fees and royalties	5,906	3,230	3,062
License royalties	1,722	1,415	1,495
Equity in (losses) earnings of unconsolidated affiliate	(163)	26	--
Investment and other income	600	400	790
Total revenues	38,528	29,582	28,877
COSTS AND EXPENSES:			
Cost of sales	19,614	15,367	14,468
Restaurant operating expenses	8,208	5,780	6,411
Depreciation and amortization	1,358	1,065	1,035
Amortization of intangible assets	716	384	384
General and administrative expenses	8,222	4,722	4,755
Interest expense	198	1	6
Impairment charge on notes receivable	840	--	--
Impairment charge on long lived assets	465	302	--
Other expense (income), (Note 12)	427	(349)	--
Total costs and expenses	40,048	27,272	27,059
(Loss) income before (benefit) provision for income taxes	(1,520)	2,310	1,818
(Benefit) provision for income taxes (Note 13)	(250)	(418)	290
Net (loss) income	$ (1,270)	$ 2,728	$ 1,528
PER SHARE INFORMATION (Note 4):			
Net (loss) income per share:			
Basic	$ (.22)	$ .58	$ .32
Diluted	$ (.22)	$ .57	$ .32
Weighted average shares used in computing net (loss) income:			
Basic	5,881	4,722	4,722
Diluted	5,881	4,753	4,749

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

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-In Capital
BALANCE, March 30, 1997	4,722,216	$ 47	$ 32,388
Amortization of deferred compensation relating to restricted stock	--	--	--
Fair value of stock warrants granted to non-employees	--	--	35
Net income	--	--	--
BALANCE, March 29, 1998	4,722,216	47	32,423
Amortization of deferred compensation relating to restricted stock	--	--	--
Net income	--	--	--
BALANCE, March 28, 1999	4,722,216	47	32,423
Common stock issued in connection with merger	2,317,980	23	7,367
Warrants issued in connection with merger	--	--	330
Options assumed in connection with merger	--	--	549
Net loss	--	--	--
BALANCE, March 26, 2000	7,040,196	$ 70	$ 40,669

	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity
BALANCE, March 30, 1997	$ (81)	$ (10,378)	$ 21,976
Amortization of deferred compensation relating to restricted stock	47	--	47
Fair value of stock warrants granted to non-employees	--	--	35
Net income	--	1,528	1,528
BALANCE, March 29, 1998	(34)	(8,850)	23,586
Amortization of deferred compensation relating to restricted stock	34	--	34
Net income	--	2,728	2,728
BALANCE, March 28, 1999	--	(6,122)	26,348
Common stock issued in connection with merger	--	--	7,390
Warrants issued in connection with merger	--	--	330
Options assumed in connection with merger	--	--	549
Net loss	--	(1,270)	(1,270)
BALANCE, March 26, 2000	$ --	$ (7,392)	$ 33,347

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

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Fiscal Year Ended		
	March 26, 2000	March 28, 1999	March 29, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$(1,270)	$ 2,728	$ 1,528
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	1,358	1,065	1,035
Loss on disposal of fixed assets	123	--	--
Impairment of long-lived assets	465	302	--
Impairment of notes receivable	840	--	--
Amortization of intangible assets	716	384	384
Issuance of stock warrants for services received	--	--	35
Provision for doubtful accounts	895	44	80
Amortization of deferred compensation	--	34	47
Gain on sale of restaurant	--	--	(130)
Equity in unconsolidated affiliate	163	(26)	--
Deferred income taxes	(958)	(1,036)	(63)
Changes in operating assets and liabilities, net of effects from acquisition of Miami Subs:			
Marketable securities and investment in limited partnership	270	5,247	(874)
Notes and accounts receivable	(504)	(646)	(17)
Inventories	3	(18)	(143)
Prepaid expenses and other current assets	(187)	(268)	252
Other assets	182	--	--
Accounts payable, accrued expenses and other current liabilities	(158)	(1,177)	296
Deferred franchise fees	721	97	(144)
Other non-current liabilities	(682)	50	--
Net cash provided by operating activities	1,977	6,780	2,286
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired in connection with merger, net of transaction costs	3,429	--	--
Purchases of property and equipment	(1,975)	(1,485)	(1,740)
Purchase of intellectual property	(1,590)	--	--
Investment of unconsolidated affiliate	--	(4,415)	--
Payments received on notes receivable	320	--	--
Proceeds from sale of property and equipment	--	--	130
Net cash (used in) provided by investing activities	184	(5,900)	(1,610)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal repayment of borrowings	(1,927)	--	--
Principal repayments of obligations under capital leases	(2)	(21)	(17)
Net cash used in financing activities	(1,929)	(21)	(17)
Net change in cash and cash equivalents	232	859	659
CASH AND CASH EQUIVALENTS, beginning of year	2,165	1,306	647
CASH AND CASH EQUIVALENTS, end of year	$ 2,397	$ 2,165	$ 1,306
CASH PAID DURING THE YEAR FOR:			
Interest	$ 207	$ 1	$ 6
Income taxes	$ 831	$ 218	$ 421
NONCASH FINANCING ACTIVITIES:			
Issuance of stock warrants for services received	$ --	$ --	$ 35
Common stock, warrants and options issued in connection with acquisition	$ 8,269	$ --	$ --

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

1. DESCRIPTION AND ORGANIZATION OF BUSINESS

Description of Business

Nathan's Famous, Inc. and Subsidiaries (collectively the "Company" or "Nathans") has historically operated a chain of retail fast food restaurants featuring Nathan's famous brand of all beef frankfurters, fresh crinkle-cut french fried potatoes, and a variety of other menu offerings. Since fiscal 1997, the Company has supplemented their Nathan's franchise program with their Nathans Branded Product Program which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, the Company acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. ("Roasters") the franchisor of Kenny Rogers Roasters. In addition, Nathans completed a merger with Miami Subs Corporation ("Miami Subs") whereby it acquired the remaining 70% of Miami Subs common stock not already owned. Miami Subs features a wide variety of lunch, dinner and snack foods, including hot and cold sandwiches and various ethnic foods. Roasters features home-style family foods based on a menu centered around wood-fire rotisserie chicken.

At March 26, 2000, the Company's restaurant system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 32 company-owned units concentrated in the New York metropolitan area, New Jersey and Florida, 415 franchised or licensed units, including 24 carts, kiosks, and counter units, 8 units operating pursuant to management agreements and over 1,000 branded product points of sale under the Nathan's Branded Product Program, operating in 44 states, the District of Columbia, and 16 foreign countries.

Organization of Business

In July 1987, all of the outstanding shares, options and warrants of Nathan's Famous, Inc. (the "Predecessor Company"), a then publicly held New York corporation, were acquired through a cash transaction, accounted for by the purchase method of accounting (the "Acquisition"). In connection with the Acquisition, a privately-held New York corporation (the "Acquiring Corporation") was merged into the Predecessor Company. The purchase price exceeded the fair value of the acquired assets of the Predecessor Company by $15,374, and such amount is recorded net of accumulated amortization in the accompanying consolidated balance sheets. In November 1989, the surviving corporation was merged with Nathan's Newco, Inc., a Delaware corporation which, upon the effectiveness of the merger, changed its name to Nathan's Famous, Inc. ("NFI").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Segment Disclosures

The Company has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 131 "Disclosures About Segments of an Enterprise and Related Information". Pursuant to this pronouncement, operating segments, are defined as components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources in assessing performance. Nathans considers their subsidiaries to be in the food service industry and as a result have one single reporting operating unit.

Fiscal Year

The Company's fiscal year ends on the last Sunday in March, which results in a 52 or 53 week reporting period. The results of operations for all periods presented are on the basis of a 52-week reporting period.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

Use of Estimates

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

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. Cash restricted for untendered shares associated with the Acquisition amounted to $83 at March 26, 2000 and March 28, 1999, respectively, and is included in cash and cash equivalents. At March 26, 2000, cash and cash equivalents included unexpended Miami Subs' advertising funds of $509 with the offset classified as current liabilities in the accompanying consolidated balance sheets.

Impairment of Notes Receivable

In accordance with SFAS No.114 "Accounting by Creditors for Impairment of a Loan", Nathans applies the provisions thereof to value notes receivable. Pursuant to SFAS No. 114, a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When evaluating a note for impairment, the factors that should be considered include; 1) indications that the borrower is experiencing business problems such as operating losses, marginal working capital, inadequate cash flow or business interruptions; 2) loans secured by collateral that is not readily marketable or 3) that are susceptible to deterioration in realizable value. When determining impairment, management's assessment includes its intention to extend certain leases beyond the minimum lease term and the note holders ability to meet its obligation over that extended term. In certain cases where Nathan's has determined that a loan has been impaired, it does not expect to extend or renew the underlying leases. Based on the Company's analysis it has determined that there are notes that have incurred such an impairment (Note 5). Following is a summary of the impaired notes receivable:

Total recorded investment in impaired notes receivable	$ 1,830
Allowance for impaired notes receivable	(840)
Recorded investment in impaired notes receivable, net	$ 990

Inventories

Inventories, which are stated at the lower of cost or market value, consist primarily of restaurant food items, supplies, marketing items and equipment for sale under the Branded Product Program. Cost is determined using the first-in, first-out method.

Marketable Securities and Investment in Limited Partnership

The Company classifies its investments in marketable securities as "trading" in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Such securities are reported at fair value, with unrealized gains and losses included as a component of net income. Gains and losses on the disposition of securities are recognized on the specific identification method in the period in which they occur. Investment income in the trading limited partnership is based upon Nathans proportionate share of the change in the underlying net assets of the partnership. The partnership invests primarily in publicly traded common stocks with a concentration in securities traded on exchanges in the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

Sales of Restaurants

The Company observes the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," which establishes accounting standards for recognizing profit or loss on sales of real estate. This Statement provides for profit recognition by the full accrual method, provided (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and other methods of profit recognition shall be followed. In accordance with this Statement, the Company recognizes profit on sales of restaurants under both the installment method and the deposit method, depending on the specific terms of each sale.

During 1999, the Company entered into contracts to sell 6 restaurants in two separate transactions, for an aggregate sales price of $1,775. The sales price consists of down payments totaling $230, and the issuance of notes receivable by the buyers totaling $1,545. In accordance with the SFAS No. 66, profit from these sales is being recognized under the deposit method. For the fiscal year ended March 26, 2000, no revenue related to these sales has been recognized and the notes receivable have not been recorded. The Company continues to record depreciation expense on the property subject to the sales contracts and records any principal payments received as a deposit until such time that the transaction meets the sales criteria of SFAS No. 66. The deposits are included in accrued expenses in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated primarily on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The Company suspends depreciation and amortization on assets related to restaurants that are held for sale. The estimated useful lives are as follows:

Building and improvements	5 - 25 years
Machinery, equipment, furniture and fixtures	5 - 15 years
Leasehold improvements	5 - 20 years

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," impairment losses are recorded on long-lived assets on a restaurant by restaurant basis whenever impairment factors are determined to be present. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. The Company has identified three and four units that have been impaired, and recorded charges of $465 and $302 to the statements of operations for the fiscal years ended March 26, 2000 and March 28, 1999, respectively.

Intangible Assets

Intangible assets consist of (i) the goodwill resulting from the Acquisition; (ii) trademarks and tradenames, franchise rights and recipes in connection with Roasters and (iii) goodwill and certain identifiable intangibles resulting from the Miami Subs acquisition (Note 3). These intangible assets are being amortized over periods from 10 to 40 years. The Company periodically reviews intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable. Management believes that there is no impairment with respect to such intangible assets as of March 26, 2000.

Investment in Unconsolidated Affiliate

The Company accounted for its initial investment in Miami Subs under the equity method of accounting until the completion of the merger. Accordingly, the carrying value of the investment, prior to the acquisition, was equal to the Company's initial cash investment in Miami Subs, plus its share of the loss of Miami Subs through September 30, 1999 (Note 9).

Fair Value of Financial Instruments

The Company accounts for the fair value of its financial instruments in accordance with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The carrying value of all financial instruments reflected in the accompanying balance sheets approximated fair value at March 26, 2000 and March 28, 1999, respectively, with the exception of the investment in unconsolidated affiliate which had a fair value of $3,109 at March 28, 1999.

Stock-Based Compensation

The Company complies with the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. The provisions of SFAS No. 123 encourage entities to adopt a fair value based method of accounting for stock compensation plans; however, these provisions also permit the Company to continue to measure compensation costs under pre-existing accounting pronouncements. If the fair value based method of accounting is not adopted, SFAS No. 123 requires pro forma disclosures of net income and net income per share in the notes to the financial statements (Note 14).

Comprehensive Income

The Company follows the provisions of SFAS No. 130, "Reporting Comprehensive Income", which requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, for the period in which they are recognized. Comprehensive income is the total of net income and all other nonowner changes in equity (or other comprehensive income), such as unrealized gains or losses on securities classified as available-for-sale, foreign currency translation adjustments and minimum pension liability adjustments. Comprehensive income must be reported on the face of the consolidated statements of operations or the consolidated statements of stockholders' equity. The Company's operations did not give rise to items includable in comprehensive income, which were not already in net (loss) income for the three fiscal years in the period ended March 26, 2000. Accordingly, the Company's comprehensive income is the same as its net income for all years presented.

Start-up Costs

The Company accounts for pre-opening and similar costs in accordance with Statement of Position ("SOP") 98-5 "Reporting on the Costs of Start-up Activities" which required companies to write-off all such costs as a "cumulative effect of accounting change" upon adoption and to expense all those costs as incurred in the future. The Company implemented the SOP during fiscal 1998, and the impact was not material to the results of operations.

Franchise and Area Development Fee Revenue Recognition

In connection with its franchising operations, the Company receives initial franchise fees, development fees, royalties, contributions to marketing funds, and in certain cases, revenue from sub-leasing restaurant properties to franchisees. Initial franchise fees are recognized as income when substantially all services and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations. Development fees are non-refundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled. Royalties, which are based upon a percentage of the franchisee's gross sales, are recognized as income when the fees are earned and become receivable and collectible. Revenue from sub-leasing properties to franchisees is recognized as income as the revenue is earned and becomes receivable and collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated financial statements. Franchise and area development fees received prior to completion of the revenue recognition process are recorded as deferred revenue. At March 26, 2000 and March 28, 1999, $686 and $222, respectively, of deferred franchise fees are included in the accompanying consolidated balance sheets.

Concentrations of Credit Risk

The Company's accounts receivable consist principally of receivables from franchisees for royalties and advertising contributions and from sales under the Branded Product Program. At March 26, 2000, two franchisees represented approximately 11% each of franchise royalties receivable and at March 28, 1999, one franchisee, represented approximately 12%, of franchise royalties receivable (Note 5).

Advertising

The Company administers various advertising funds on behalf of its subsidiaries to coordinate the marketing efforts of the Company. Under these arrangements, the Company collects and disburses fees paid by franchisees and Company-owned stores for national and regional advertising, promotional and public relations programs. Contributions are based on specified percentages of net sales, generally ranging up to 3%. Advertising contributions from Company-owned stores are included in restaurant operating expenses in the accompanying consolidated statements of operations. Net Company-owned store advertising expense was $700, $436 and $424 for the fiscal years ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively.

Income Taxes

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, is effective for all fiscal years beginning after June 15, 2000 and will not require retroactive restatement of prior period financial statements. This statement requires the recognition of all derivative instruments as either assets or liabilities in the balance sheet, measured at fair value. Derivative instruments will be recognized as gains or losses in the period of change. The Company does not expect the adoption of SFAS No. 133 to have a material impact on its financial position or results of its operations as the Company does not presently make use of derivative instruments.

In December 1999, the SEC staff released Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 explains the SEC staff's general framework for recognizing revenue, specific criteria to be met, along with required disclosures related to revenue recognition. SAB No. 101 did not have a material impact on the financial position or results of its operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

3. ACQUISITIONS

On February 19, 1999, the U. S. Bankruptcy Court for the Middle District of North Carolina, Durham Division, confirmed the Joint Plan of Reorganization of the Official Committee of Franchisees of Roasters Corp. and Roasters Franchise Corp., operators of Kenny Rogers Roasters Restaurants. Under the Joint Plan of Reorganization, on April 1, 1999, Nathan's acquired the intellectual property rights, including trademarks, recipes and franchise agreements, of Roasters Corp. and Roasters Franchise Corp. for $1,250 in cash plus related expenses of approximately $340. NF Roasters Corp., a wholly-owned subsidiary, was created for the purpose of acquiring these assets. The acquired assets are recorded as intangibles in the accompanying consolidated balance sheet and are being amortized on a straight-line basis over periods of 10 to 20 years. No company-owned restaurants were acquired in this transaction. Results of operations are included in these consolidated financial statements as of April 1, 1999. On November 17, 1999, Roasters acquired two restaurants from a franchisee for approximately $400, which opened in March and April 2000, respectively.

On November 25, 1998, the Company acquired 8,121,000 (2,030,250 after giving effect to a 4 for 1 reverse stock split) shares, or approximately 30% of the then outstanding common stock, of Miami Subs Corporation for $4,200, excluding transaction costs. On January 15, 1999, the Company and Miami Subs entered into a definitive merger agreement pursuant to which Nathan's would acquire the remaining outstanding shares of Miami Subs in exchange for shares of and warrants to purchase Nathan's common stock.

On September 30, 1999, Nathan's completed the acquisition of Miami Subs and acquired the remaining outstanding common stock of Miami Subs in exchange for 2,317,980 shares of Nathan's common stock, 579,040 warrants to purchase Nathan's common stock, and the assumption of existing employee options and warrants to purchase 542,284 shares of Miami Subs' common stock in connection with the merger. The total purchase price was approximately $13,000 including acquisition costs. The acquisition was accounted for as a purchase under Accounting Principles Board ("APB") Opinion No. 16, "Accounting for Business Combinations". In accordance with APB No. 16, the Company allocated the purchase price of Miami Subs based on the estimated fair value of the assets acquired and liabilities assumed. Portions of the purchase price allocations were determined by professional appraisers utilizing recognized valuation procedures and techniques. Goodwill of $2,087 resulted from the acquisition of Miami Subs is being amortized over a period of 20 years.

In connection with the acquisition of Miami Subs, Nathan's plans to permanently close 18 under performing company-owned restaurants. Nathan's expects to sell the related assets at amounts below the historical carrying amounts recorded by Miami Subs. In accordance with APB No. 16, the write-down of these assets was reflected as part of the purchase price allocation. The estimated disposal value is included in assets held for sale in the accompanying consolidated balance sheet.

As of March 26, 2000, the Company has accrued approximately $660 for lease termination costs, as part of the acquisition. Nathan's expects to accrue additional lease termination costs related to restaurants to be closed for which the amounts cannot be reasonably estimated at this time. Accordingly, goodwill associated with this acquisition will increase based upon the additional accruals recorded to close these remaining restaurants. As of March 26, 2000, future annual minimum lease payments related to the stores for which no accrual has yet been recorded, are $1,322 with remaining lease terms ranging from 2 to 18 years.

The preliminary allocation of purchase price is as follows:

Current assets	$ 5,481
Property and equipment	7,730
Assets held for sale	945
Intangibles	5,249
Goodwill	2,087
Notes receivable - long-term	3,860
Other assets	393
Liabilities assumed	(12,734)
Total	$ 13,011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

As indicated earlier, some allocations are based on studies and valuations which are currently being finalized. Management does not believe that the final purchase price allocation will produce materially different results than those reflected herein, except as it relates to the final lease acquisition reserve.

The consolidated results of operations for Miami Subs are included in the consolidated financial statements as of the date of acquisition. Summarized below are the unaudited pro forma results of operations for the fifty-two weeks ended March 26, 2000 and March 28, 1999 of Nathan's as though the Miami Subs acquisition had occurred as of the beginning of the periods presented. Adjustments have been made for amortization of goodwill based upon a preliminary allocation of the purchase price, salary expense based on employment agreements, reversal of Miami Subs merger costs, elimination of Nathan's 30% equity earnings in Miami Subs, reduction of interest income on marketable securities used to purchase the initial 30% of Miami Subs' common stock and issuance of common stock.

	Fifty-two weeks ended	
	March 26, 2000	March 28, 1999
	Unaudited	
Total revenues	$ 50,455	$ 53,278
Net (loss) income	$ (1,466)	$ 3,436
Net (loss) income per share:		
Basic	$ (.21)	$ 0.49
Diluted	$ (.21)	$ 0.49
Weighted average shares used in computing net (loss) income per share		
Basic	7,040	7,040
Diluted	7,040	7,071

The unaudited pro forma information for the fifty-two weeks ended March 28, 1999 combines Nathan's results of operations for the fifty-two weeks ended March 28, 1999 with Miami Subs' results of operations for the twelve months ended May 31, 1999.

These pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of actual results of operations that would have occurred had the acquisition been made at the beginning of the periods presented or of the results which may occur in the future.

4. NET (LOSS) INCOME PER SHARE

The Company complies with the provisions of SFAS No. 128, "Earnings Per Share". Under SFAS No. 128, Basic Earnings Per Share is computed based on weighted average shares outstanding and excludes any potential dilution; Diluted Earnings Per Share reflects potential dilution from the exercise or conversion of securities into common stock or from other contracts to issue common stock.

The following chart provides a reconciliation of information used in calculating the per share amounts for the years ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively:

	Net (Loss) Income			Shares			Net (Loss) Income Per Share		
	2000 (1)	1999	1998	2000 (1)	1999	1998	2000 (1)	1999	1998
Basic EPS									
Basic calculation	$(1,270)	$ 2,728	$ 1,528	5,881	4,722	4,722	$(.22)	$.58	$.32
Effect of dilutive employee stock options and warrants	--	--	--	--	31	27	--	(.01)	--
Diluted EPS									
Diluted calculation	$(1,270)	$ 2,728	$ 1,528	5,881	4,753	4,749	$(.22)	$.57	$.32

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

(1) Common stock equivalents have been excluded from the computation for earnings per share for the year end March 26, 2000 as their would be anti-dilutive.

5. NOTES AND ACCOUNTS RECEIVABLE, net

Notes and accounts receivable, net, consists of the following:

	2000	1999
Notes receivable, net of impairment charges	$3,226	$ --
Franchise and license royalties	2,110	1,192
Branded product sales	365	460
Other	253	393
	5,954	2,045
Less: allowance for doubtful accounts	809	467
Notes receivable due after one year	2,527	--
Notes and accounts receivable	$2,618	$1,578

Notes receivable at March 26, 2000 principally resulted from sales of restaurant businesses to franchisees by Miami Subs and are generally guaranteed by the purchaser and collateralized by the restaurant businesses and assets sold. The notes are generally due in monthly installments of principal and interest with a balloon payment at the end of the term, with interest rates ranging principally between 8% and 12%.

6. MARKETABLE SECURITIES AND INVESTMENT IN LIMITED PARTNERSHIP

Marketable securities at March 26, 2000 and March 28, 1999 consisted of trading securities with aggregate fair values of $2,997 and $3,267, respectively. Fair values of corporate and municipal bonds are based upon quoted market prices. Investment income in trading limited partnerships is based on the Company's proportionate share of the change in the underlying net assets of the partnership.

The gross unrealized holding gains and fair values of trading securities by major security type at March 26, 2000, March 28, 1999 and March 29, 1998 were as follows:

	2000		1999		1998	
	Gross Unrealized Holding Gain	Fair Value of Investments	Gross Unrealized Holding Gain	Fair Value of Investments	Gross Unrealized Holding Gain	Fair Value of Investments
Commercial paper	$ --	$ --	$ --	$ --	$ --	$ --
Corporate bonds	--	--	1	219	6	563
Municipal bonds	3	1,539	63	2,011	29	6,936
Investment in trading limited partnerships*	420	1,458	23	1,037	212	1,015
	$ 423	$ 2,997	$ 87	$ 3,267	$ 247	$ 8,514

* Subject to the terms of the partnership, the Company has the right to liquidate its investment in the trading limited partnerships without penalty.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

7. PROPERTY AND EQUIPMENT, net

Property and equipment, net, consists of the following:

	2000	1999
Construction in progress	$ 1,055	$ 94
Land	3,631	896
Building and improvements	4,149	1,630
Machinery, equipment, furniture and fixtures	6,258	4,703
Leasehold improvements	6,891	6,659
	21,984	13,982
Less: accumulated depreciation and amortization	8,007	7,689
	$13,977	$ 6,293

Included in property and equipment, net is approximately $1,459 of assets subject to sales contracts (Note 2).

8. INTANGIBLE ASSETS, net

Intangible assets consist of the following:

	2000	1999
Goodwill	$17,477	$15,390
Trademark, tradename, franchise rights and recipes	6,839	--
	24,316	15,390
Less: accumulated amortization	5,224	4,508
Intangible assets, net	$19,092	$10,882

Amortization expense related to these intangible assets was $716, $384 and $384 for each of the three fiscal years in the period ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively.

9. INVESTMENT IN UNCONSOLIDATED AFFILIATE

On November 25, 1998, Nathan's acquired 8,121,000 (2,030,250 after giving effect to a 4 for 1 reverse stock split) shares of Miami Subs in a private purchase transaction from the former Chairman and CEO of Miami Subs in consideration of the sum of $4,200. The 2,030,250 shares represent approximately 30% of the then issued and outstanding shares of Miami Subs.

Condensed summarized financial data for Miami Subs as of and for the six months ended May 31, 1999, is as follows:

Condensed Balance Sheet Data	
Current assets	$ 6,513
Non-current assets	22,675
Current liabilities	5,949
Non-current liabilities	6,632
Condensed Statements of Income Data	
Revenue	$11,771
Net income	51

At March 28, 1999, the Company did not record in its investment balance the results of operations of Miami Sub's for the month ended March 31, 1999, and accordingly a one-month reporting lag existed in the investment in unconsolidated affiliate balance in the accompanying balance sheet at that time. Nathan's recorded its equity in loss up through the date of the acquisition of the remaining 70% of Miami Subs.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	2000	1999
Professional fees	$ 813	$ 492
Legal costs	427	41
Wages & bonuses	1,006	464
Vacation & sick	530	412
Lease termination closed restaurants	660	--
Insurance	837	719
Untendered shares	83	83
Sales and payroll taxes payable	170	291
Rent, occupancy and sublease termination costs	1,186	341
Restaurant sales deposit	235	--
Marketing fund	509	--
Income taxes payable	273	129
Other	1,669	462
	$8,398	$3,434

11. NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS

A summary of notes payable and capitalized lease obligations is as follows:

	2000
Note payable to bank at 8.5% through January 2003 and adjusting to prime plus 0.25% in 2003, 2006, and 2009 and maturity in 2010	$ 1,667
Note payable to bank at 8.0% through January 2002 adjusting to prime plus 0.25% in 2002 and 2005 and maturing in 2008	869
Note payable to bank at 1.5% over prime (9.0% at March 26, 2000) and maturing in 2001	389
Note payable to bank at 8.75% and maturing in 2003	406
Capital lease obligations and other	79
Total	3,410
Less current portion	(279)
Long-term portion	$ 3,131

The above notes are secured by property and equipment with a book value of approximately $2,589 at March 26, 2000, and notes and accounts receivable of approximately $1,000.

At March 26, 2000, the approximate annual maturities of notes payable and capitalized lease obligations for each of the five years are $279, $605, $620, $235 and $236, respectively, and $1,435 thereafter.

The Company also maintains a $5,000 line of credit with its primary banking institution. Borrowings under the line of credit are intended to be used to meet the normal short-term working capital needs of the Company. The line of credit is not a commitment and, therefore, credit availability is subject to ongoing approval. The line of credit expires on October 1, 2000, and bears interest at the prime rate. There were no borrowings outstanding under this line of credit at March 26, 2000.

12. OTHER (EXPENSE) INCOME

Included in other (expense) income, in the accompanying consolidated statements of operations is (i) $236 in connection with the satisfaction of certain financial guarantees and $191 in lease expense resulting from the default of subleases for the year ended March 26, 2000 and (ii) the reversal of a previous litigation accrual of $349 (Note 15) for the year ended March 28, 1999.

13. INCOME TAXES

Income tax (benefit) expense consists of the following for the years ended March 26, 2000, March 28, 1999 and March 29, 1998:

	2000	1999	1998
Federal:			
Current	$ 461	$ 453	$ 255
Deferred	(719)	297	331
	(258)	750	586
State and local:			
Current	247	165	98
Deferred	(239)	110	129
	8	275	227
Adjustment to valuation allowance relating to opening net deferred tax asset	--	(1,443)	(523)
	$ (250)	$ (418)	$ 290

Total income tax (benefit) expense for fiscal years ended March 26, 2000, March 28, 1999 and March 29, 1998 differed from the amounts computed by applying the United States Federal income tax rate of 34% to income before income taxes as a result of the following:

	2000	1999	1998
Computed "expected" tax (benefit) expense	$ (516)	$ 785	$ 618
Nondeductible amortization	212	131	131
State and local income taxes, net of Federal income tax benefit	8	181	149
Tax-exempt investment earnings	(30)	(112)	(55)
Change in the valuation allowance for net deferred tax assets	--	(1,443)	(523)
Meals and entertainment and other	76	40	(30)
	$ (250)	$ (418)	$ 290

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	2000	1999
Deferred tax assets:		
Accrued expenses	$ 601	$ 591
Allowance for doubtful accounts	409	196
Impairment of notes receivable	352	--
Deferred revenue	501	43
Depreciation expense and impairment of long-lived assets	898	1,292
Expenses not deductible until paid	789	--
Net operating loss and other carryforwards	2,326	--
Other	181	11
Total gross deferred tax assets	6,057	2,133
Deferred tax liabilities:		
Amortization of intangibles	297	--
Unrealized gain on marketable securities and income on investment in limited partnership	402	219
Other	343	--
Total gross deferred tax liabilities	1,042	219
Net deferred tax asset	5,015	1,914
Less: Valuation allowance	(2,726)	(400)
	$ 2,289	$ 1,514

In both fiscal year 1999 and 1998, management of the Company determined that, more likely than not, a significant portion of its previously-reserved deferred tax assets would be realized and, accordingly, reduced the related valuation allowance. The reduction in the valuation allowance is included in the income tax (benefit) provision in the accompanying consolidated statement of operations for fiscal 1999 and 1998. The determination that the net deferred tax asset of $1,514 at March 28, 1999 was realizable was based on the Company's profitability during the past three fiscal years. The determination that the net deferred tax asset of $2,289 at March 26, 2000 is realizable is based on projected future taxable income.

As of the date of the acquisition, Miami Subs' had net operating loss carry-forwards of approximately $5.7 million which are available to reduce future taxable income through 2019 subject to limitations imposed under the Internal Revenue Code regarding changes in ownership which limits utilization of the carry-forwards on an annual basis. Miami Subs also has general business credit carry-forwards of approximately $274, which can be used to offset tax liabilities through 2010. Miami Subs' federal income tax returns for fiscal years 1991 through 1996, inclusive, have been examined by the Internal Revenue Service ("IRS"). The reports of the examining agent issued in connection with these examinations indicate that additional taxes and penalties totaling approximately $2.4 million are due for such years. Miami Subs is appealing substantially all of the proposed adjustments. The Company has recorded a liability of $345 for this matter and believes that such accruals are adequate. Due to the uncertain outcome of the IRS examination and the Section 382 limitations, the Company has recorded a valuation allowance for the Miami Subs the carryforwards. In accordance with SFAS No. 109 "Accounting for Income Taxes" any future reduction in the acquired Miami Subs valuation allowance will reduce goodwill.

14. STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS

Stock Option Plans

On December 15, 1992, the Company adopted the 1992 Stock Option Plan (the "Plan") which provides for the issuance of incentive stock options (ISO's) to officers and key employees and non-qualified stock options to directors, officers and key employees. Up to 525,000 shares of common stock have been reserved for issuance under the Plan. The terms of the options are generally ten years, except for ISO's granted to any employee, whom prior to the granting of the option, owns stock representing more than 10% of the voting rights, for which the option term will be five years. The exercise price for non-qualified stock options outstanding under the Plan can be no less than the fair market value, as defined, of the Company's common stock at the date of grant. For ISO's, the exercise price can generally be no less than the fair market value of the Company's common stock at the date of grant, with the exception of any employee who prior to the granting of the option, owns stock representing more than 10% of the voting rights, for which the exercise price can be no less than 110% of fair market value of the Company's common stock at the date of grant.

On May 24, 1994, the Company adopted the Outside Director Stock Option Plan (the "Directors' Plan") which provides for the issuance of non-qualified stock options to non-employee directors, as defined, of the Company. Under the Directors' Plan, 200,000 shares of common stock have been authorized and issued pursuant to the Directors' Plan. Options awarded to each non-employee director are fully vested, subject to forfeiture under certain conditions and shall be exercisable upon vesting. There were no options granted under the provisions of the Directors Plan during the years ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively. During the year, 50,000 options that were previously issued were canceled which are not available for reissuance.

In April 1998, the Company adopted the Nathan's Famous Inc. 1998 Stock Option Plan (the "New Plan"), which provides for the issuance of non-qualified stock options to directors, officers and key employees. Up to 500,000 shares of common stock have been reserved for issuance under the New Plan. In April 1998, the Company granted 120,000 ISO's under the 1992 Stock Option Plan and the Company also issued 30,000 stock options to its non-employee directors under the New Plan. In October 1999, the Company granted 465,000 stock options under the New Plan.

The Plan, the New Plan and the Directors' Plan expire on December 2, 2002, April 5, 2008 and December 31, 2004, respectively, unless terminated earlier by the Board of Directors under conditions specified in the Plan.

The Company issued 478,584 stock options to employees of Miami Subs Corporation to replace 957,168 of previously issued Miami Subs options pursuant to the merger agreement and issued 47,006 new options. All options were fully vested upon consummation of the merger. Exercise prices range from a low of $3.1875 to a high of $22.2517 per share and expire at various times through September 30, 2009.

Warrants

In November 1996, the Company granted to a non-employee consultant a warrant to purchase 50,000 shares of its common stock at an exercise price of $3.94 per share, which represented the market price of the Company's common stock on the date of grant. Upon the date of grant, one-third of the shares vested immediately, one-third on the first anniversary thereof, and the remaining one-third on the second anniversary thereof. The warrant expires on November 24, 2001.

On July 17, 1997, the Company also granted an additional warrant to purchase 150,000 shares of its common stock at an exercise price of $3.25 per share, the actual market price of the Company's common stock on the date of grant, to its Chairman and Chief Executive Officer.

In connection with the merger with Miami Subs, the Company issued 579,040 warrants to purchase common stock to the former shareholders of Miami Subs. These warrants expire on September 30, 2004 and have an exercise price of $6.00 per share. The Company also issued 63,700 warrants to purchase common stock to the former warrant holders of Miami Subs. Exercise prices range between $16.55 per share and $49.63 per share expiring through March 2006.

A summary of the status of the Company's stock option plans and warrants excluding warrants issued to former shareholders of Miami Subs at March 26, 2000, March 28, 1999 and March 29, 1998 and changes during the years then ended is presented in the tables and narrative below:

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of year	707,667	$5.08	600,167	$5.03	601,167	$5.54
Granted	512,006	3.34	150,000	4.83	-	-
Exercised	-		-			
Replacement options - Miami Subs	478,584	6.04	-	-	-	-
Canceled	(83,333)	5.50	(42,500)	5.08	(1,000)	7.00
Options outstanding - end of year	1,614,924	4.79	707,667	5.08	600,167	5.03
Options exercisable - end of year	1,086,424		528,167		485,503	
Weighted average fair value of options granted		$2.10		$1.77		
Warrants outstanding - beginning of year	350,000	$3.88	350,000	$3.88	200,000	$4.36
Granted	-	-	-	-	150,000	3.25
Replacement warrants - Miami Subs	63,700	24.09	-	-	-	-
Expired	(12,500)	49.63	-	-	-	-
Warrants outstanding - end of year	401,200	5.66	350,000	3.88	350,000	3.88
Warrants exercisable - end of year	401,200		237,500		145,834	
Weighted average fair value of warrants granted				$1.68		$1.56

At March 26, 2000, 85,666 common shares were reserved for future stock option issuance.

The following table summarizes information about stock options and warrants (excluding warrants issued to the Miami Subs shareholders as part of the merger consideration) at March 26, 2000:

	Options and Warrants Outstanding			Options and Warrants Exercisable	
Range of Exercise Prices	Number Outstanding at 3/26/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 3/26/00	Weighted Average Exercise Price
$ 3.19 to $ 4.00	1,227,558	8.6	$ 3.41	699,058	$ 3.40
4.01 to 7.00	614,903	4.6	5.46	614,903	5.46
7.01 to 22.25	173,663	2.5	15.16	173,663	15.16
$ 3.19 to $ 22.25	2,016,124	6.7	$ 5.04	1,487,624	$ 5.62

The fair value of each option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999
Expected life (years)	6.3	6.5
Interest rate	6.22%	5.58%
Volatility	59.3%	32.77%
Dividend yield	0%	0%

The Company has adopted the pro forma disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Accordingly, no compensation cost has been recognized in the accompanying financial statements for the stock option plans. Had compensation cost for the Company's stock option plans been determined under SFAS No. 123, the Company's net income and earnings per share would approximate the pro forma amounts below:

		(in thousands, except per share amounts) 2000	1999
Net (loss) income:	As reported	$ (1,270)	$ 2,728
	Pro forma	(1,907)	2,247
Net (loss) income per share:	Basic		
	As reported	$ (.22)	$ .58
	Pro forma	(.32)	.48
	Diluted		
	As reported	$ (.22)	$ .57
	Pro forma	(.32)	.47

Because the SFAS No. 123 method of accounting is not applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Common Stock Purchase Rights

On June 20, 1995, the Board of Directors declared a dividend distribution of one common stock purchase right (the "Rights") for each outstanding share of Common Stock of the Company. The distribution was paid on June 20, 1995 to the shareholders of record on June 20, 1995. The terms of the Rights were amended on April 6, 1998 and December 8, 1999. Each Right, as amended, entitles the registered holder thereof to purchase from the Company one share of the Common Stock at a price of $4.00 per share (the "Purchase Price"), subject to adjustment for anti-dilution. New Common Stock certificates issued after June 20, 1995 upon transfer or new issuance of the Common Stock will contain a notation incorporating the Rights Agreement by reference.

The Rights are not exercisable until the Distribution Date. The Distribution Date is the earlier to occur of (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of the Common Stock, as amended, or (ii) ten business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person becomes an Acquiring Person) following the commencement, or announcement of an intention to make a tender offer or exchange offer by a person (other than the Company, any wholly-owned subsidiary of the Company or certain employee benefit plans) which, if consummated, would result in such person becoming an Acquiring Person. The Rights will expire on June 19, 2005, unless earlier redeemed by the Company.

At any time prior to the time at which a person or group or affiliated or associated persons has acquired beneficial ownership of 15% or more of the outstanding shares of the Common Stock of the Company, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.001 per Right. In addition, the Rights Agreement, as amended, permits the Board of Directors, following the acquisition by a person or group of beneficial ownership of 15% or more of the Common Stock (but before an acquisition of 50% or more of Common Stock), to exchange the Rights (other than Rights owned by such 15% person or group), in whole or in part, for Common Stock, at an exchange ratio of one share of Common Stock per Right.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. The Company has reserved 6,297,216 shares of Common Stock for issuance upon exercise of the Rights.

Restricted Stock Grants

In December 1992, the Company awarded an aggregate of 50,016 shares of common stock to two executive officers. Pursuant to the terms of the agreement, the shares were subject to certain restrictions. Compensation expense, based upon the fair market value of the stock on the date of grant, was determined by the Company to be $7 per share. Aggregate compensation expense of $280 has been recognized ratably over the six year period in which the restrictions lapse and has been included as deferred compensation as a component of stockholders' equity in the accompanying consolidated statement of stockholders' equity. Compensation expense was approximately $0, $34 and $47 for the fiscal years ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively. The restrictions lapsed for all shares in December 1998.

Employment Agreements

The Company and its Chairman and Chief Executive Officer entered into a new employment agreement effective as of January 1, 2000. The new employment agreement expires December 31, 2004. Pursuant to the agreement, the officer receives a base salary of $1.00 and an annual bonus equal to 5% of the company's consolidated pre-tax earnings for each fiscal year, with a minimum bonus of $250. The new employment agreement further provides for a three-year consulting period after termination of employment during which the officer will receive consulting payments in an annual amount equal to two thirds of the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination of his employment. The employment agreements also provide for the continuation of certain benefits following death or disability. In connection with the agreement, the Company agreed to issue to the officer 25,000 shares of common stock.

In the event that the officer's employment is terminated without cause, he is entitled to receive his salary and incentive payment, if any, for the remainder of the contract term. The employment agreement further provides that in the event there is a change in control of the Company, as defined therein, the officer has the option, exercisable within one year after such an event, to terminate his employment agreement. Upon such termination, he has the right to receive a lump sum payment equal to the greater of (i) his salary and annual bonuses for the remainder of the employment term (including a prorated bonus for any partial fiscal year), which bonus shall be equal to the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination; or (ii) 2.99 times his salary and annual bonus for the fiscal year immediately preceding the fiscal year termination, as well as a lump sum cash payment equal to the difference between the exercise price of any exercisable options having an exercise price of less than the current market price of the Company's common stock and such then current market price. In addition, the Company will provide the officer with a tax gross-up payment to cover any excise tax due.

The Company and its President and Chief Operating Officer entered into an employment agreement on December 28, 1992 for a period commencing on January 1, 1993 and ending on December 31, 1996. The employment agreement has been extended annually through December 31, 1998, based on the original terms, and no non-renewal notice has been given as of June 21, 2000. The agreement provides for annual compensation of $275 plus certain other benefits. In November 1993, the Company amended this agreement to include a provision under which the officer shall have the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and the President of Miami Subs, pursuant to the merger agreement, entered into an employment agreement on September 30, 1999 for a period commencing on September 30, 1999 and ending on September 30, 2002. The agreement provides for annual compensation of $200 plus certain other benefits and automatically renews annually unless 180 days prior written notice is given to the employee. The agreement includes a provision under which the officer shall have the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and its Vice President - Finance and Chief Financial Officer entered into an employment agreement on January 31, 2000 that ends on January 31, 2002. The agreement provides for annual compensation of $155 plus certain other benefits. This agreement includes a provision under which the officer shall have the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and two executives of Miami Subs, pursuant to the merger agreement, entered into employment agreements on September 30, 1999 for a period commencing on September 30, 1999 and ending on September 30, 2000 or September 30, 2001. The agreements provide for total annual compensation of $260 plus certain other benefits and automatically renew annually unless 180 days prior written notice is given to the employee. The agreement includes a provision under which the officer shall have the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

Each employment agreement terminates upon death or voluntary termination by the respective employee or may be terminated by the Company upon 30 days prior written notice by the Company in the event of disability or "cause", as defined in each agreement.

401(k) Plan

In March 1992, the Company adopted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all non-union employees over age 21 who have been employed by the Company for at least one year. Employees may contribute to the plan, on a tax-deferred basis, up to 15% of their total annual salary. Company contributions are discretionary. Beginning with the plan year ending February 28, 1994, the Company elected to match contributions at a rate of $.25 per dollar contributed by the employee on up to a maximum of 3% of the employee's total annual salary. Employer contributions for the fiscal years ended March 26, 2000, March 28, 1999 and March 29, 1998 were $21, $13 and $12, respectively.

Other Benefits

The Company provides, on a contributory basis, medical benefits to active employees. The Company does not provide medical benefits to retirees.

15. COMMITMENTS AND CONTINGENCIES

Commitments

The Company's operations are principally conducted in leased premises. The leases generally have initial terms ranging from 5 to 20 years and usually provide for renewal options ranging from 5 to 20 years. Most of the leases contain escalation clauses and common area maintenance charges (including taxes and insurance). Certain of the leases require additional (contingent) rental payments if sales volumes at the related restaurants exceed specified limits. As of March 26, 2000, the Company has non-cancelable operating lease commitments, net of certain sublease rental income, as follows:

	Lease Commitments	Sublease Income	Net lease Commitments
2001	7,179	3,715	3,464
2002	6,630	3,327	3,303
2003	5,872	2,897	2,975
2004	5,222	2,543	2,679
2005	4,746	2,327	2,419
Thereafter	24,266	13,774	10,492

The Company also owns or leases sites, which it leases or subleases to franchisees. The Company remains liable for all lease costs when properties are subleased to franchisees. In addition, the Company guarantees the lease payments of two franchised locations, aggregating approximately $82,000 through June 2000.

The Company also subleases non-Miami Subs locations to third parties. Such sub-leases provide for minimum annual rental payments by the Company aggregating approximately $118,000 and expire on various dates through 2004 exclusive of renewal options.

Contingent rental payments on building leases are typically made based on the percentage of gross sales on the individual restaurants that exceed predetermined levels. The percentage of gross sales to be paid and related gross sales level vary by unit. Contingent rental expense was approximately $123, $113 and $124 for the fiscal years ended March 26, 2000, March 28, 1999 and March 29, 1998, respectively.

Contingencies

On February 28, 1995, an action entitled Textron Financial Corporation v. 1045 Rush Street Associates, Stephen Anfang, and Nathan's Famous, Inc. was instituted in the Circuit Court of Cook County, Illinois County Department, Chaucery Division. The complaint alleges that the Company conspired to perpetrate a fraud upon the plaintiff and alleges that the Company breached its lease with 1045 Rush Street associates and the estoppel agreement delivered to the plaintiff in connection therewith by subleasing these premises and thereafter assigning the lease with respect to the premises to a third party franchisee, and further by failing to pay rent under this lease on and after July 1990. This complaint seeks damages in the amount of at least $1,500. The Company has filed its answer to this complaint denying the material allegations of the complaint and asserting several affirmative defenses to liability including, but not limited to, the absence initially or subsequent failure of consideration for the estoppel agreement, equitable estoppel, release, failure to mitigate and other equitable and legal defenses. The plaintiff has added as additional parties defendant, the attorney who represented the landlord in the financing transaction in connection with which the Estoppel Agreement was required. The Company and some of the named defendants entered into a Settlement with Textron whereby all of the plaintiff's claims against the Company and the other defendants were resolved under a Settlement Agreement and Mutual Release that provide for payments to be made jointly by all of the defendants on or before December 30, 1998 and January 15, 1999, which payments were made (Note 12).

On or about December 1996, Nathan's Famous Systems, Inc. ("Systems") instituted an action in the Supreme Court of New York, Nassau County, against Philli Foods, Inc. a franchisee, and Calvin Danzig as a guarantor of Foods' payment and performance obligations, to recover royalty fees and advertising contributions due to Systems in the aggregate amount of $36 under a franchise agreement between Systems and Phylli Foods dated June 1, 1994. In their answer, the defendants essentially denied the material allegations of the complaint and interposed counterclaims against Systems in which they alleged essentially that Systems fraudulently induced the defendants to purchase the franchise from Systems or did so by means of negligent misrepresentation. Defendants also alleged that by reason of Systems' allegedly fraudulent and deceitful conduct, Systems violated the General Business Law of New York. As a consequence of the foregoing, the defendants are seeking damages in excess of five million dollars, as well as statutory relief under the General Business Law. Systems has moved to dismiss the counterclaims on the grounds that they are insufficiently pleaded and otherwise fail to state a sustainable claim against Systems upon which relief may be granted. During fiscal 1998, Systems' motion was granted except for the claim seeking statutory relief under the General Business Law.

The Company was named as one of three defendants in an action commenced in June 1997, in the Supreme Court of New York, Queens County. According to the complaint, the plaintiff, a dentist, is seeking injunctive relief and damages in an amount exceeding $5,000 against the landlord, one of the Company's franchisees and the Company claiming that the operation of a restaurant in a building in Long Island City created noxious and offensive fumes and odors that allegedly were injurious to the health of the plaintiff and his employees and patients, and interfered with, and irreparably damaged his practice. Plaintiff also claims that the landlord fraudulently induced him to enter a lease extension by representing that the first floor of the building would be occupied by a non-food establishment. As a result of a motion for summary judgement by the Company and Nathans Famous Systems, Inc. ("Systems") which, as the actual franchisor was added to the action as a defendant, the Company was dismissed from the action. Neither the Company or Systems believes that there is any merit to the plaintiff's claims against Systems inasmuch as Systems never was a party to the lease, and the restaurant, which closed in or about August 1995, was operated by a franchisee exclusively. By stipulation, the plaintiff has recently agreed to limit his damages only to the costs associated with relocating his practice which are less than $500. The Company is defending the action vigorously.

On January 5, 1999, Miami Subs was served with a class action lawsuit entitled Robert J. Feeney, on behalf of himself and all other similarly situated vs. Miami Subs Corporation, et al., in Broward County Circuit Court, which was filed against Miami Subs, its directors and Nathan's in a Florida state court by a shareholder of Miami Subs. Since that time, the Company and its designees to the Miami Subs board have also been served. The suit alleges that the proposed merger between Miami Subs and the Company, as contemplated by the companies' non-binding letter of intent, is unfair to Miami Subs' shareholders and constitutes a breach by the defendants of their fiduciary duties to the shareholders of Miami Subs. The plaintiff seeks among other things: (i) class action status; (ii) preliminary and permanent injunctive relief against consummation of the proposed merger; and (iii) unspecified damages to be awarded to the shareholders of Miami Subs. On April 7, 2000, the plaintiff filed his dismissal without prejudice of the action, effectively ending the case against all the defendants.

The Company is involved in various other litigation in the normal course of business, none of which, in the opinion of management, will have a significant adverse impact on its financial position or results of operations.

16. RELATED PARTY TRANSACTIONS

As of March 26, 2000, Miami Subs leased five restaurant properties from Kavala, Inc., a private company owned by Gus Boulis, a former shareholder of Miami Subs. Future minimum rental commitments due to Kavala at March 26, 2000 under these existing leases was approximately $1.5 million. In 1997, Miami Subs leased a then vacant, non-Miami Subs property to a company owned by Boulis. In connection with the acquisition of Miami Subs in November 1998, Nathans purchased all of the shares of Miami Subs Common Stock owned by Boulis for $4,200 and he resigned all positions therein.

Mr. Donald L. Perlyn has been an officer of Miami Subs since 1990, a Director since 1997 and President and Chief Operating Officer since July 1998. Mr. Perlyn has been a director of Nathans since October 1999. Mr. Perlyn serves as a member of the Board of Directors of Arthur Treachers Inc. Miami Subs has been granted certain exclusive co-branding rights by Arthur Treachers, Inc. and Mr. Perlyn has been granted options to acquire approximately 175,000 shares of Arthur Treachers' common stock.

17. SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of fiscal 2000, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable, and certain fixed assets. In connection therewith, additional allowances for doubtful accounts of $399, impairment charges on certain notes receivable of $273 and impairment charges on fixed assets of $465 were recorded in the fourth quarter. Additionally, Nathans recorded a $191 lease rental reserve resulting from the default of subleases for space which is not expected to be utilized by Nathans and $236 in connection with the satisfaction of certain financial guarantees. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	(In thousands, except share data)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2000				
Revenues	$ 8,074	$ 8,219	$ 12,048	$ 10,187
Gross profit (a)	2,528	2,585	3,152	2,584
Net (loss) income	469	616	(227)	(2,128)
Per share information:				
Net (loss) income per share:				
Basic (b)	$ .10	$ .13	$ (.03)	$ (.30)
Diluted (b)	$ .10	$ .13	$ (.03)	$ (.30)
Shares used in computation of net income per share:				
Basic (b)	4,722	4,722	7,040	7,040
Diluted (b)	4,744	4,722	7,040	7,040
Fiscal Year 1999				
Revenues	$ 7,821	$ 8,166	$ 7,215	$ 6,380
Gross profit (a)	2,560	2,650	2,181	1,753
Net income	574	751	412	991
Per share information:				
Net income per share:				
Basic	$ .12	$ .16	$ .09	$ .21
Diluted	$ .12	$ .16	$ .09	$ .21
Shares used in computation of net income per share:				
Basic	4,722	4,722	4,722	4,722
Diluted	4,762	4,754	4,750	4,753

(a) Gross profit represents the difference between sales and the cost sales.

(b) The sum of the quarters does not equal the full year per share amounts included in the accompanying consolidated statements of operations due to the effect of the weighted average number of shares outstanding during the fiscal years as compared to the quarters.

REPORT OF INDEPENDENT PUBLIC ACCOUTANTS ON SCHEDULE

To Nathan's Famous, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Nathan's Famous, Inc. and subsidiaries, included in this Form 10-K and have issued our report thereon dated June 21, 2000. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

New York, New York
June 21, 2000

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	COL. C	COL. D	COL. E
Description	Balance at beginning of period	Additions charged to costs and expenses	Additions charged to other accounts	Deductions	Balance at end of period
YEAR ENDED MARCH 29, 2000					
Allowance for doubtful accounts - notes and accounts receivable	$ 467	$ 895	404 (e) $ 32 (c)	$ 989 (a)	$ 809
Lease termination cost	$ -	$ -	$ 660 (d)	$ -	$ 660
YEAR ENDED MARCH 28, 1999:					
Allowance for doubtful accounts - notes and accounts receivable	$ 543	$ 44	$ 29 (c)	$ 79 (a) $ 70 (b)	$ 467
YEAR ENDED MARCH 26, 1998:					
Allowance for doubtful accounts - notes and accounts receivable	$ 581	$ 80	$ -	$ 85 (a) $ 33 (b)	$ 543

(a) Uncollectible amounts written off

(b) Uncollectible advertising fund receivables

(c) Provision charged to advertising fund

(d) Lease termination charge to purchase accounting

(e) Acquired

EXHIBIT 10.20

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement made as of the 15th day of January, 1999 ("Agreement"), by and between MIAMI SUBS CORPORATION, a corporation incorporated under the laws of the State of Florida, with its principal place of business at 6300 Northwest 31st Avenue, Fort Lauderdale, Florida 33309 (the "Company"), and Donald L. Perlyn, residing at 2798 N.W. 27th Terrace, Boca Raton, Fl. 33434 (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive are parties to that certain Employment Agreement made as of December 1, 1998 (the "Initial Employment Agreement");

WHEREAS, the Company and the Executive desire to amend and restate the Initial Employment Agreement as a condition to and in connection with consummation of the merger of Miami Acquisition Corp. ("Merger Sub"), a wholly owned subsidiary of Nathan's Famous, Inc. ("Parent"), with and into the Company, whereby the Company will become a wholly owned subsidiary of Parent (the "Merger") pursuant to that certain Agreement and Plan of Merger dated as of January 15, 1999 (the "Merger Agreement"), among the Parent, Merger Sub and the Company;

WHEREAS, on the Effective Date (as hereinafter defined), the Company and Executive intend this Agreement to supersede any existing employment agreement among the parties, including the Initial Employment Agreement;

WHEREAS, the Parent desires to comply with, and be bound by the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and Executive agree that on the Effective Date the Initial Employment Agreement shall be amended and restated as follows:

1. Recitals: The foregoing recitals are true and correct and are incorporated herein by reference thereto.

2. Employment

The Company hereby agrees to continue to employ Executive, and Executive agrees to continue to be employed by the Company, on the terms and conditions herein contained, to serve as the President and Chief Operating Officer of the Company and a member of the Board of Directors of each of the Company and the Parent. In addition, the Executive hereby agrees to be involved in the day-to-day operations of Parent (including any of its other affiliated entities) as the Board of Directors of Parent shall reasonably require from time to time. The Executive shall devote substantially all of his business time, energy, skill and efforts to the performance of his duties hereunder and shall faithfully and diligently serve the Company. The foregoing shall not prevent Executive from participating in not-for-profit activities or from managing his passive personal investments provided that these activities do not materially interfere with Executive's obligations hereunder.

3. Term of Employment.

Executive's employment under this Agreement shall be for a term commencing on the effective date of the Merger (the "Effective Date") and, subject to earlier termination as provided in Section 8 below, terminating on the third anniversary of the Effective Date (the "Initial Term"). The Initial Term shall be automatically extended for successive one-year periods (the "Additional Terms") unless terminated at the end of the Initial Term or any Additional Term by either party upon one hundred eighty (180) days' prior written notice given

to the other party (the Initial Term and any Additional Terms shall be referred to as the "Employment Term"). Notwithstanding anything else herein, the provisions of Section 9 hereof shall survive and remain in effect notwithstanding the termination of the Employment Term.

4. Compensation.

(a) As compensation for his services under this Agreement, the Company shall pay Executive a salary at the rate of Two Hundred Thousand Dollars ($200,000) per year (the "Base Salary"), payable in equal installments (not less frequently than monthly) and subject to withholding in accordance with the Company's normal payroll practices. The Executive's Base Salary shall be reviewed annually by the Company and may be increased, but not decreased, in the Company's sole discretion.

(b) In addition to the Base Salary, Executive shall participate in any executive bonus program established by the Company and Parent from time to time. Notwithstanding the foregoing, the Company will pay Executive a bonus of not less than three percent (3%) of the pre-tax income of the Company for each fiscal year, payable within forty-five (45) days after the end of each such year. In the event that Executive's employment under this Agreement is terminated pursuant to Section 8(a)(v) prior to December 31, 2001, Executive agrees to reimburse the Company for the pro-rata portion of the bonus paid to him in January 1999 pursuant to Section 3(b)(i) of the Initial Employment Agreement computed by dividing the number of months from the date of termination to December 31, 2001 by 37 months, and multiplying such ratio by the amount of the bonus.

5. Benefits and Fringes.

During the Employment Term, Executive shall be entitled to such benefits and fringes, if any, as are generally provided from time to time by the Company and/or Parent to its executive employees of a comparable level, including any life, medical or dental insurance plans for the benefit of Executive and members of his immediate family, and pension, profit-sharing, 401(k) and other similar plans and on the same terms as so provided. Notwithstanding the foregoing, the Executive shall be provided with long-term disability insurance providing for payment of a minimum monthly benefit of $6,896 and with life insurance, payable to his designated beneficiary, at least equal to $1,000,000; and provided, further that Executive shall be furnished a Company automobile.

6. Expenses.

The Company shall reimburse Executive in accordance with its expense reimbursement policy as in effect from time to time for all reasonable expense, including without limitation, Executive's professional dues, license fees, continuing educational courses, professional association membership fees, airplane travel and other travel expenses and all reasonable expenses related to his Company automobile (including, without limitation, repairs, maintenance, insurance and gasoline), incurred by Executive in connection with the performance of his duties under this Agreement upon the presentation by Executive of an itemized account of such expenses and appropriate receipts.

7. Vacation.

During the Employment Term, Executive shall be entitled to vacation in accordance with the Company's practices, provided that Executive shall not be entitled to less than four (4) weeks paid vacation in each full contract year. Any vacation not taken in any year shall be deemed to be forfeited by the Executive as of January 1 of the succeeding year.

8. Termination.

(a) Executive's employment under this Agreement and the Employment Term shall terminate as follows:

(i) automatically on the date of Executive's death.

(ii)Upon written notice given by the Company to the Executive if Executive is unable to perform his material duties hereunder for 180 days (whether or not continuous) during any period of 360 consecutive days by reason of physical or mental disability.

(iii)Upon written notice by the Company to the Executive for Cause. Cause shall mean (A) the Executive's conviction of a felony involving moral turpitude (after exhaustion or lapse of all rights of appeal); (B) willful refusal to perform his duties as President and Chief Operating Officer or director of the Company and as otherwise set forth in Section 2 hereof, which is not remedied promptly after receipt by the Executive of written notice from the Company specifying the details thereof; and (C) Executive's dishonesty in the performance of his duties. Upon a termination for Cause, Executive (and his representative) shall be given the opportunity to appear before the Board of Directors of the Company (the "Board") to explain why the Executive believes that Cause did not occur. Such appearance shall be scheduled on no less than twenty (20) and no more than forty (40) days written notice to Executive. In the event the Board agrees with the Executive, which shall be a determination made in its sole discretion, the Executive shall be retroactively reinstated in his position. The removal pending such Board meeting shall not be deemed Good Reason under (vi) below.

(iv)Upon written notice by the Company without Cause.

(v)Upon the voluntary resignation of the Executive without Good Reason upon sixty (60) days prior written notice to the Company (which the Company may in its sole discretion make effective earlier).

(vi)Upon the written resignation of the Executive for Good Reason stating with specificity the details of the Good Reason, if the stated Good Reason is not cured within thirty (30) days of the giving of such notice. "Good Reason" shall mean (A) relocation of the Executive's office, or materially change the location at which Executive is required to perform his duties, from within the Territory, (B) any material reduction in his authority, duties or responsibilities or (C) any other material breach of any provision of this Agreement by the Company. For purposes hereof, "Territory" shall mean Broward, Miami-Dade and Palm Beach Counties, Florida.

(vii)Upon written notice of non-renewal by the Company or Executive pursuant to Section 3 hereof.

(b)Upon any termination of the Employment Term Executive shall be entitled to receive any unpaid salary and accrued vacation through his date of termination and any benefits under any benefit plan in accordance with the terms of said plan. In addition, (i) if the termination is pursuant to (a)(iv) or (a)(vi) above, Executive shall receive (without a duty to mitigate) severance pay in a lump sum equal to three (3) times the amount of Executive's Base Salary in effect at the time of termination, and (ii) if termination is by the Company pursuant to (a)(vii) above, Executive shall receive (without a duty to mitigate) severance pay in a lump sum equal to Executive's Base Salary in effect at the time of termination. Such lump sum severance payments shall be paid within thirty (30) and fifteen (15) days, respectively, after the date of termination. In the event termination is pursuant to (a)(ii) alone, Executive shall receive in monthly payments for one (1) year thereafter Executive's Base Salary in effect at the time of termination reduced by any disability benefits or worker's compensation salary replacement he receives from any program sponsored or made available by the Company or a governmental entity. In the event of termination other than pursuant to (a)(i), (a)(iii) or (a)(v), to the extent the Executive or his dependents are eligible for COBRA coverage, the Company shall pay the cost of such coverage for the maximum period permitted under federal law. The Company shall have no other obligations to the Executive.

9.Confidential Information and Non-Competition.

(a)Executive acknowledges that as a result of his employment by the Company, Executive will obtain secret and confidential information as to the Company and its affiliated entities, that the Company and its affiliated

entities will suffer substantial damage, which would be difficult to ascertain, if Executive shall enter into Competition (as defined below) with the Company or any of its affiliated entities and that because of the nature of the information that will be known to Executive it is necessary for the Company and its affiliated entities to be protected by the prohibition against Competition set forth herein, as well as the confidentiality restrictions set forth herein. Executive acknowledges that the provisions of this Agreement are reasonable and necessary for the protection of the business of the Company and its affiliated entities and that part of the compensation paid under this Agreement is in consideration for the agreements in this Section 9.

(b)Competition shall mean:

(i)Participating, directly or indirectly, as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, consultant or in any capacity whatsoever in the State of Florida in a business in competition with the quick-service restaurant business conducted by the Company or its affiliated entities during the Employment Term; provided, however, that such prohibited participation shall not include: (A) the mere ownership of not more than one percent (1%) of the total outstanding stock of a publicly held company; (B) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in the aforesaid Competition; or (C) any activity engaged in with the prior written approval of the Board.

(ii)recruiting, soliciting or inducing any nonclerical employee or employees of the Company or its affiliated entities to terminate their employment with, or otherwise cease their relationship with, the Company or its affiliated entities or hiring or assisting another person or entity to hire any nonclerical employee of the Company or its affiliated entities. Notwithstanding the foregoing, if requested by an entity with which Executive is not affiliated, Executive may serve as a reference for any person who at the time of the request is not an employee of the Company or any of its affiliated entities.

If any restriction set forth in above items (i) and/or (ii) is found by any court of competent jurisdiction, or an arbitrator, to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographical area, it shall be intrepreted to extend over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c)During and after the Employment Term, Executive shall hold in a fiduciary capacity for the benefit of the Company and its affiliated entities all secret or confidential information, knowledge or data relating to the Company and its affiliated entities, and their respective businesses, including any confidential information as to customers or vendors of the Company or its affiliated entities, (i) obtained by Executive during his employment by the Company or its affiliated entities; and (ii) not otherwise public knowledge or known within the Company's or its affiliated entities' industries. Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other governmental or legal body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In the event Executive is compelled by order of a court anyone other than the Company and those designated by it, Executive shall promptly notify the Company of any such order and shall cooperate fully with the Company in protecting such information to the extent possible under applicable law.

(d)Upon termination of Executive's employment with the Company, or at any other time as the Company may request, Executive will promptly deliver to the Company all documents which Executive may possess or have under his direction or control (whether prepared by the Company, an affiliated entity, Executive or a third party) relating to the Company or its affiliated entities or any of their respective businesses or properties.

(e)During the Employment Term and for a period of one (1) year following termination thereof (except for termination pursuant to Section 8(a)(iv) or (vi)), Executive shall not enter into Competition with the Company

or any of its affiliated entities.

(f) In the event of a breach or potential breach of this Section 9, Executive acknowledges that the Company and its affiliated entities will be caused irreparable injury and that money damages may not be an adequate remedy and agree that the affiliated entities shall be entitled to injunctive relief (in addition to its other remedies at law) to have the provisions of this Section 9 enforced.

10. Executive Representation.

Executive represents and warrants that he is under no contractual or other limitation from entering into this Agreement and performing his obligations hereunder.

11. Indemnification.

The Executive shall be entitled to be indemnified by the Company for his actions as an officer, director, employee, agent or fiduciary of the Company or its affiliated entities to the fullest extent permitted by applicable law and shall, to the extent the Company does not or is unable as a result of a conflict between the parties to undertake his defense, have reasonable legal fees (including, but no limited to, a retainer fee) and other reasonable expenses paid to him in advance of final disposition of a proceeding, provided that he has actually incurred such expenses and he executes an undertaking to repay such amounts if, and to the extent, required to do so by applicable law. The Company shall cover the Executive under any directors' and officers' liability insurance policy to the same extent as its other senior officers.

12. Stock Options.

On the Effective Date, Parent shall grant to Executive, in exchange for the cancellation of the Executive's options (assumed by Parent pursuant to the Merger) to purchase 385,116 shares of the Company's common stock under the Company's 1990 Executive Option Plan, immediately exercisable stock options under a stock option plan of the Parent (the "Plan") to purchase 192,558 shares of Parent's common stock, $.01 par value per share (the "Common Stock"). Such options shall continue to be exercisable for a term of ten (10) years, irrespective of whether Executive remains employed by the Company, at an exercise price equal to the fair market value per share on the date of grant, subject to adjustment as provided in the Plan. Parent shall file within ten business days of the Effective Date, and shall maintain in effect, a registration statement on Form S-8 under the Securities Act of 1933, as amended, registering the shares of Common Stock issuable upon exercise of all stock options held by Executive and the resale thereof by him.

13. Change of Control.

Upon a "Change of Control" (as defined below) of the Company or Parent, the Company shall pay Executive, within thirty (30) days of such event, a lump sum equal to three (3) times the amount of his Base Salary in effect at the time of such event, together with a pro rata portion of the bonus accrued through the date of such Change of Control. As used herein "Change of Control" means (a) a change in control as such term is presently defined in Regulation 250.12b-2 under the Securities Exchange Act of 1934 ("Exchange Act"); or (b) if any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) in either the case of the Company or Parent (other than the Parent or any "person" who on the date of this Agreement is a director or officer of the Parent or Company, as the case my be), becomes the "beneficial owner" (as defined in Rule 13(d)-3 under the Exchange Act), directly or indirectly, of securities of the Company or Parent, as the case may be, representing twenty (20%) percent of the voting power of the Company's or Parent's then outstanding securities, as the case may be; or (c) if during any period of two (2) consecutive years during the term of Executive's employment, individuals who at the beginning of such period constitute the Board of Directors of either the Company or Parent cease for any reason to constitute at least a majority thereof.

14. Entire Agreement: Modification.

This Agreement constitutes the full and complete understanding of the parties hereto and will supersede all prior agreements and understandings, oral or written, with respect to the subject matter hereof. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended except by an instrument in writing signed by the party against whom or which enforcement may be sought.

15. Severability.

Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms of provisions of this Agreement in any other jurisdiction.

16. Waiver of Breach.

The waiver by any party of a breach of any provisions of this Agreement, which waiver must be in writing to be effective, shall not operate as or be construed as a waiver of any subsequent breach.

17. Notices.

All notices hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, or one day after sending by express mail or other "overnight mail service," or three days after sending by certified or registered mail, postage prepaid, return receipt requested. Notice shall be sent as follows: if to Executive, to the address listed in the Company's records; and if to the Company, to the Company at its office as set forth at the head of this Agreement, to the attention of its Vice President and Chief Financial Officer. Either party may change the notice address by notice given as aforesaid.

18. Assignability: Binding Effect.

This Agreement shall be binding upon and inure to the benefit of Executive and Executive's legal representatives, heirs and distributees, and shall be binding upon and inure to the benefit of the Company, its successors and assigns. This Agreement may not be assigned by the Executive. This Agreement may not be assigned by the Company except in connection with a merger or a sale by the Company of all or substantially all of its assets and then only provided the assignee specifically assumes in writing all of the Company's obligations hereunder.

19. Governing Law.

(a) All issues to the validity, construction, execution and performance of this Agreement shall be construed and governed in accordance with the laws of the State of New York, without giving effect to the conflict or choice of law provisions thereof.

(b) Any dispute or controversy with regard to this Agreement, other than injunctive relief pursuant to Section 9, shall be settled by arbitration in New York, New York before the American Arbitration Association ("AAA") in accordance with the Rules of Commercial Arbitration of the AAA. The decision of the arbitrators shall be final and binding upon the parties hereto and may be entered in any court having jurisdiction. The Company shall advance all of the Executive's expenses (including, without limitation, reasonable counsel fees) incurred in connection with such arbitration, provided that Executive shall repay the same in the event he is not, to any extent, the prevailing party.

20. Headings.

The headings in this Agreement are intended solely for convenience of reference and shall be given no effect

in the construction or interpretation of this Agreement.

21. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

22. Guarantee and Joinder.

Parent hereby unconditionally and irrevocably guarantees, as primary obligor not merely as surety: (i) the punctual payment when due of all obligations of the Company arising under this Agreement: and (ii) the due and punctual performance and observance by the Company of all covenants, agreements and conditions on its part to be performed and observed under this Agreement. Parent hereby agrees to comply with, and be bound by this Agreement.

IN WITNESS WHEREOF, the Company and Parent have each caused this Agreement to be duly executed by an authorized officer and Executive has hereunto set his hand as of the date first set forth above.

MIAMI SUBS CORPORATION

By: /s/ Jerry Woda Sr. V.P.

Name: Jerry Woda
Title: Vice President
/s/ Donald L. Perlyn
- ------------------------------

Donald L. Perlyn

NATHAN'S FAMOUS, INC.

By: /s/ Wayne Norbitz, Pres

Name: /s/ Wayne Norbitz

Title: President

EXHIBIT 10.22

EMPLOYMENT AGREEMENT

This Employment Agreement made as of the 31 day of January, 2000, ("Agreement"), by and between Nathan's Famous Services, Inc., a corporation incorporated under the laws of the State of Delaware, with its principal place of business at 1400 Old Country Road, Westbury, New York 11590 (the "Company"), and Ronald DeVos, residing at 14 Winmere Place, Dix Hills, NY 11746 (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company has determined that it is in its best interests of the Company to enter into an employment agreement setting forth the obligations and duties of both the Company and the Executive (this "Agreement"); and

WHEREAS, the Company wishes to assure itself of the continued services of the Executive for the period hereinafter provided, and Executive is willing to be employed by the Company for said period, upon the terms and conditions provided in this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and Executive hereby agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by reference thereto.

2. Employment.

The Company hereby agrees to employ Executive, and Executive agrees to be employed by the Company, on the terms and conditions herein contained, to serve as its Vice President of Finance, Chief Financial Officer and Secretary. Executive shall devote substantially all of his business time, energy, skill and efforts to the performance of his duties hereunder and shall faithfully and diligently serve the Company. The foregoing shall not prevent Executive from participating in not-for-profit activities or from managing his passive personal investments provided that these activities do not materially interfere with Executive's obligations hereunder.

3. Term of Employment.

Executive's employment under this Agreement shall be for a term commencing on the date hereof (the "Effective Date") and, subject to earlier termination as provided in Section 8 below, terminating on the second anniversary of the Effective Date (the "Employment Term"). Notwithstanding anything else herein, the provisions of Section 9 hereof shall survive and remain in effect notwithstanding the termination of the Employment Term.

4. Compensation.

(a) As compensation for his services under this Agreement, the Company shall pay Executive a salary at the rate of One Hundred Fifty-Five Thousand Dollars ($155,000) per year (the "Base Salary"), payable in equal installments (not less frequently than monthly) and subject to withholding in accordance with the Company's normal payroll practices. The Executive's Base Salary shall be reviewed annually by the Company.

(b) In addition to the Base Salary, Executive shall be entitled to receive bonuses from time-to-time during the Employment Term in such amounts as may be determined by the Board of Directors of Nathan's Famous, Inc. ("Parent") in its discretion.

5. Benefits and Fringes.

During the Employment Term, Executive shall be entitled to such benefits and fringes, if any, as are generally provided from time to time by the Company and/or Parent to its officers, including any life, medical or dental insurance plans for the benefit of Executive, and pension, profit-sharing, 401(k) and other similar plans and on the same terms as so provided. In addition to the foregoing, Executive shall also be entitled to a car allowance of no more than $800 per month to be applied to the cost of leasing or purchasing an automobile of Executive's choice.

6. Expenses.

The Company shall reimburse Executive in accordance with its expense reimbursement policy as in effect from time to time for all reasonable expenses, including, without limitation, Executive's professional dues, license fees, continuing educational courses, professional association membership fees, airplane travel and other travel expenses (including, without limitation, repairs, maintenance, insurance and gasoline), incurred by Executive in connection with the performance of his duties under this Agreement upon the presentation by Executive of an itemized account of such expenses and appropriate receipts.

7. Vacation.

During the Employment Term, Executive shall be entitled to vacation in accordance with the Parent's practices, provided that Executive shall not be entitled to less than four (4) weeks paid vacation in each full contract year. Any vacation not taken in any year shall be deemed to be forfeited by the Executive as of the first day of the succeeding contract year.

8. Termination.

(a) Executive's employment under this Agreement and the Employment Term shall terminate as follows:

(i) upon the expiration of the Employment Term pursuant to Section 3.

(ii) automatically on the date of Executive's death.

(iii) Upon written notice given by the Company to the Executive if Executive is unable to perform his material duties hereunder for 180 days (whether or not continuous) during any period of 360 consecutive days by reason of physical or mental disability.

(iv) Upon written notice by the Company to the Executive for Cause. Cause shall mean (A) the Executive's conviction of a felony involving moral turpitude (after exhaustion or lapse of all rights of appeal); (B) willful refusal to perform his duties as any of Vice President of Finance, Chief Financial Officer and Secretary of the Company, which is not remedied promptly after receipt by the Executive of written notice from the Company specifying the details thereof; and (C) Executive's dishonesty in the performance of his duties. Upon a termination for Cause, Executive (and his representative) shall be given the opportunity to appear before the Board of Directors of the Company (the "Board") to explain why the Executive believes that Cause did not occur. Such appearance shall be scheduled on no less than twenty (20)

and no more than forty (40) days written notice to Executive. In the event the Board agrees with the Executive, which shall be a determination made in its sole discretion, the Executive shall be retroactively reinstated in his position. The removal pending such Board meeting shall not be deemed Good Reason under (vi) below.

(v) Upon written notice by the Company without Cause.

(vi) Upon the voluntary resignation of the Executive without Good Reason upon sixty (60) days prior written notice to the Company (which the Company may in its sole discretion make effective earlier).

(vii) Upon the written resignation of the Executive for Good Reason stating with specificity the details of the Good Reason, if the stated Good Reason is not cured within thirty (30) days of the giving of such notice. "Good Reason" shall mean (A) relocation of the Executive's office, or materially change the location at which Executive is required to perform his duties, from within the Territory, (B) any material reduction in his authority, duties or responsibilities or (C) any other material breach of any provision of this Agreement by the Company. For purposes hereof, "Territory" shall mean within sixty miles of Westbury, New York.

(b) Upon any termination of the Employment Term, Executive shall be entitled to receive any unpaid salary and accrued vacation through his date of termination and any benefits under any benefit plan in accordance with the terms of said plan. In addition, (i) if the termination is pursuant to (a)(v) or (a)(vii) above, Executive shall receive (without a duty to mitigate) severance pay in a lump sum equal to the amount of Executive's Base Salary in effect at the time of termination for the period from the date of termination to the second anniversary of the Effective Date. Such lump sum severance payment shall be paid within thirty (30) days after the date of termination. In the event termination is pursuant to (a)(iii) alone, Executive shall receive in monthly payments for one (1) year thereafter Executive's Base Salary in effect at the time of termination reduced by any disability benefits or worker's compensation salary replacement he receives from any program sponsored or made available by the Company or a governmental entity. In the event of termination other than pursuant to (a)(ii), (a)(iv) or (a)(vi), to the extent the Executive or his dependents are eligible for COBRA coverage, the Company shall pay the cost of such coverage for the maximum period permitted under federal law. The Company shall have no other obligations to the Executive.

9. Confidential Information and Non-Competition.

(a) Executive acknowledges that as a result of his employment by the Company, Executive will obtain secret and confidential information as to the Company and its affiliated entities, that the Company and its affiliated entities will suffer substantial damage, which would be difficult to ascertain, if Executive shall enter into Competition (as defined below) with the Company or any of its affiliated entities and that because of the nature of the information that will be known to Executive it is necessary for the Company and its affiliated entities to be protected by the prohibition against Competition set forth herein, as well as the confidentiality restrictions set forth herein. Executive acknowledges that the provisions of this Agreement are reasonable and necessary for the protection of the business of the Company and its affiliated entities and that part of the compensation paid under this Agreement is in consideration for the agreements in this Section 9.

(b) Competition shall mean:

(i) participating, directly or indirectly, as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, consultant or in any capacity whatsoever in the State of New York in a business in competition with the quick-service restaurant business conducted by the Company or its affiliated entities during the Employment Term; provided, however, that such prohibited participation shall not include: (A) the mere ownership of not more than one percent (1%) of the total outstanding stock of a publicly held company; (B) the performance of services for any enterprise to the extent such services are not performed, directly or indirectly, for a business in the aforesaid Competition; or (C) any activity engaged in with the prior written approval of the Board.

(ii) recruiting, soliciting or inducing any nonclerical employee or employees of the Company or its affiliated entities to terminate their employment with, or otherwise cease their relationship with, the Company or its affiliated entities or hiring or assisting another person or entity to hire any nonclerical employee of the Company or its affiliated entities. Notwithstanding the foregoing, if requested by an entity with which Executive is not affiliated, Executive may serve as a reference for any person who at the time of the request is not an employee of the Company or any of its affiliated entities.

If any restriction set forth in above items (i) and/or (ii) is found by any court of competent jurisdiction, or an arbitrator, to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(c) During and after the Employment Term, Executive shall hold in a fiduciary capacity for the benefit of the Company and its affiliated entities all secret or confidential information, knowledge or data relating to the Company and its affiliated entities, and their respective businesses, including any confidential information as to customers or vendors of the Company or its affiliated entities, (i) obtained by Executive during his employment by the Company or its affiliated entities; and (ii) not otherwise public knowledge or known within the Company's or its affiliated entities' industries. Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other governmental or legal body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In the event Executive is compelled by order of a court or other governmental or legal body to communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it, Executive shall promptly notify the Company of any such order and shall cooperate fully with the Company in protecting such information to the extent possible under applicable law.

(d) Upon termination of Executive's employment with the Company, or at any other time as the Company may request, Executive will promptly deliver to the Company all documents which Executive may possess or have under his direction or control (whether prepared by the Company, an affiliated entity, Executive or a third party) relating to the Company or its affiliated entities or any of their respective businesses or properties.

(e) During the Employment Term and for a period of one (1) year following termination thereof (except for termination pursuant to Section 8(a)(iv) or (vi)), Executive shall not enter into Competition with the Company or any of its affiliated entities.

(f) In the event of a breach or potential breach of this Section 9, Executive acknowledges that the Company and its affiliated entities will be caused irreparable injury and that money damages may not

be an adequate remedy and agree that the affiliated entities shall be entitled to injunctive relief (in addition to its other remedies at law) to have the provisions of this Section 9 enforced.

10. Executive Representation.

Executive represents and warrants that he is under no contractual or other limitation from entering into this Agreement and performing his obligations hereunder.

11. Indemnification

The Executive shall be entitled to be indemnified by the Company for his actions as an officer, director, employee, agent or fiduciary of the Company or its affiliated entities to the fullest extent permitted by applicable law and shall, to the extent the Company does not or is unable as a result of a conflict between the parties to undertake his defense, have reasonable legal fees (including, but not limited to, a retainer fee) and other reasonable expenses paid to him in advance of final disposition of a proceeding, provided that he has actually incurred such expenses and he executes an undertaking to repay such amounts if, and to the extent, required to do so by applicable law. The Company shall cover the Executive under any directors' and officers' liability insurance policy to the same extent as its other senior officers.

12. Change of Control.

Upon a "Change of Control" (as defined below) of the Company or Parent, the Company shall pay Executive, within thirty (30) days of such event, a lump sum equal to three (3) times the amount of his Base Salary in effect at the time of such event, together with a pro rata portion of any bonus accrued through the date of such Change of Control. As used herein "Change of Control" means (a) a change in control as such term is presently defined in Regulation 240.12b-2 under the Securities Exchange Act of 1934 ("Exchange Act"); or (b) if any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) in either the case of the Company or Parent (other than the Parent or any "person" who on the date of this Agreement is a director or officer of the Parent or Company, as the case may be), becomes the "beneficial owner" (as defined in Rule 13(d)-3 under the Exchange Act), directly or indirectly, of securities of the Company or Parent, as the case may be, representing twenty (20%) percent of the voting power of the Company's or Parent's then outstanding securities, as the case may be; or (c) if during any period of two (2) consecutive years during the term of Executive's employment, individuals who at the beginning of such period constitute the Board of Directors of either the Company or Parent cease for any reason to constitute at least a majority thereof.

13. Entire Agreement; Modification.

This Agreement constitutes the full and complete understanding of the parties hereto and will supersede all prior agreements and understandings, oral or written, with respect to the subject matter hereof. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended except by an instrument in writing signed by the party against whom or which enforcement may be sought.

14. Severability.

Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall,

as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms of provisions of this Agreement in any other jurisdiction.

15. Waiver of Breach.

The waiver by any party of a breach of any provisions of this Agreement, which waiver must be in writing to be effective, shall not operate as or be construed as a waiver of any subsequent breach.

16. Notices.

All notices hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, or one day after sending by express mail or other "overnight mail service," or three days after sending by certified or registered mail, postage prepaid, return receipt requested. Notice shall be sent as follows: if to Executive, to the address as listed in the Company's records; and if to the Company, to the Company at its office as set forth at the head of this Agreement, and if to the attention of Parent, to the attention of its President and Chief Operating Officer. Either party may change the notice address by notice given as aforesaid.

17. Assignability; Binding Effect.

This Agreement shall be binding upon and inure to the benefit of Executive and Executive's legal representatives, heirs and distributees, and shall be binding upon and inure to the benefit of the Company, its successors and assigns. This Agreement may not be assigned by the Executive. This Agreement may not be assigned by the Company except in connection with a merger or a sale by the Company of all or substantially all of its assets and then only provided the assignee specifically assumes in writing all of the Company's obligations hereunder.

18. Governing Law.

(a) All issues pertaining to the validity, construction, execution and performance of this Agreement shall be construed and governed in accordance with the laws of the State of New York, without giving effect to the conflict or choice of law provisions thereof.

(b) The Company and Executive each irrevocably consent that any legal action or proceeding against any of them under, arising out of or in any manner relating to, this Agreement or any other document delivered in connection herewith, may be brought in any court of the State of New York located within Nassau County or Suffolk County or in the United States District Court for the Eastern District of New York. The Company and Executive by the execution and delivery of this Agreement, expressly and irrevocably consent and submit to the personal jurisdiction of any of such courts in any such action or proceeding. The Company and Executive further irrevocably consent to the service of any complaint, summons, notice or other process relating to any such action or proceeding by delivery thereof to it by hand or by any other manner provided for in Section 16. The Company and Executive hereby expressly and irrevocably waive any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue or forum non convenient or any similar basis. Nothing in this Section shall affect or impair in any manner or to any extent the right of the Company to commence legal proceedings or otherwise proceed against the Executive in any jurisdiction or to serve process in any manner permitted by law.

19. Headings.

The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

20. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

21. Guarantee and Joinder.

Parent hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety: (i) the punctual payment when due of all obligations of the Company arising under this Agreement; and (ii) the due and punctual performance and observance by the Company of all covenants, agreements and conditions on its part to be performed and observed under this Agreement. Parent hereby agrees to comply with, and be bound by this Agreement.

IN WITNESS WHEREOF, the Company and Parent have each caused this Agreement to be duly executed by an authorized officer and Executive has hereunto set his hand as of the date first set forth above.

NATHAN'S FAMOUS SERVICES, INC.

By:/s/ Wayne Norbitz

Name: Name: Wayne Norbitz

Title: President

/s/ Ronald DeVos

Ronald DeVos

NATHAN'S FAMOUS, INC.

By:/s/ Wayne Norbitz

Name: Wayne Norbitz

Title: President

Exhibit 10.23

MASTER DISTRIBUTION AGREEMENT

THIS MASTER DISTRIBUTION AGREEMENT (the "AGREEMENT") is made as of the __ day of December 1999 by and between U.S. Foodservice, Inc., d/b/a U.S. Foodservice(TM), a Delaware corporation with its principal place of business located at 9755 Patuxent Woods Drive, Columbia, MD 21046, on its own behalf and on behalf of its subsidiaries ("USF"), Nathan's Famous Systems, Inc. ("NFSI"), Nathan's Famous Operating Corp. ("NFOC"), NF Roasters Corp. ("NFR"), and Miami Subs Corp. ("MSC"). As used in this Agreement, the term "CUSTOMER" is meant to refer to NFSI, NFOC, NFR, and MSC, individually, together, and in any combination. The Customer maintains its principal offices at 1400 Old Country Road, Westbury, NY 11590.

RECITALS:

A. WHEREAS, Customer owns and operates, and grants franchises to third parties to own and operate, restaurants under the marks "Kenny Rogers Roasters", "Miami Subs", and "Nathan's Famous";

B. WHEREAS, USF operates a food distribution business;

C. WHEREAS, USF wishes to be designated as a "Master Distributor" to perform a substantial portion of the purchasing, warehousing, and distribution functions for food and related non-food products for Customer's "Kenny Rogers Roasters", "Miami Subs", and "Nathan's Famous" restaurant systems (the "SYSTEMS"), and in turn, Customer wishes to so designate USF, all on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the agreements and promises herein contained, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

AGREEMENT:

1) THE APPOINTMENT.

a) Customer hereby appoints USF as its Master Distributor in the United States, and USF hereby accepts such appointment. In connection therewith, Customer agrees to purchase from USF, and USF agrees to purchase, warehouse, sell and distribute to Customer and to the Systems certain products in accordance with the terms and conditions contained herein.

b) Customer agrees to designate to its franchisees that USF is Customer's principal Master Distributor for food and related non-food products (the "PRODUCT(S)") at "Kenny Rogers Roasters", "Miami Subs", and "Nathan's Famous" restaurants (collectively, the "RESTAURANTS"). As used in this Agreement the term "FRANCHISEE(S)" refers to a franchisee or licensee operating one or more Restaurants pursuant to a franchise agreement or license agreement from NFSI, MSC, and/or NFR. Also, as used in this Agreement, the term "COMPANY-OWNED UNIT(S)" refers to a Restaurant owned and operated by the Customer.

c) An initial list of the Restaurants to be serviced by USF are outlined on ATTACHMENT A. USF agrees to render service under the Master Distributor Program outlined in Attachment A to any

Restaurant in the U.S., so long as the operator of that Restaurant (whether the Customer or a Franchisee) meets the requirements (e.g., payment on time and in accordance with credit standards) set out in this Agreement.

d) USF understands and agrees that:

i) Franchisees are permitted to buy Products from USF or another source that has been approved by the Customer;

ii) The prices and other terms set out under this Agreement shall be offered to Franchisees, who shall be able to purchase Products under the terms of the program outlined in this Agreement or who may purchase the same Products from USF or on terms and conditions more favorable to the Franchisee (provided that Franchisee and USF mutually agree);

iii) Purchases made by Franchisees for Restaurants shall count toward the volume levels established under this Agreement (notwithstanding Section 1.d.ii above);

iv) The Customer does not guarantee that it will operate any particular number of Company-Owned Units;

v) The Customer makes no representations, is not responsible for, does not guarantee, and shall not be in any manner whatsoever responsible for its Franchisees' decision to purchase (or not purchase) Products in any quantity;

vi) Even though there are references to volumes in this Agreement and the attachments, there have been no representations or guarantees made regarding the sales volume to be anticipated; and

vii) Except as specifically provided in Section 5.d below, the Customer does not guarantee, and shall not be responsible for, its Franchisees' financial obligations to USF or any other party.

2. PRODUCTS.

a) Product Categories. USF shall sell to Franchisees and Customer's Company-Owned Units (together, the "OPERATOR(S)") those Products ordered by the Operators and that are within the categories of products listed in Section 4 below, and such additional categories of products as USF and the Customer may agree to in writing (collectively, "SPECIFIED PRODUCTS"). With respect to the categories of products to be distributed to Operators, USF offers a wide variety of Private and Signature Brand Products that offer quality and value. A list of these items can be found on ATTACHMENT B.

b) Specified Products. USF will maintain an appropriate inventory of all Specified Products under the following conditions:

i) Customer purchases from USF a minimum of five (5) cases per week per item, per warehouse or twelve (12) turns per year, per Distribution Center. (This requirement shall not apply to parmesan cheese, feta cheese, chicken philly, logo'ed sub bags, placemats, and deli paper.)

ii) A minimum of thirty (30) days written notice is required for new products to be brought into USF inventory for distribution. Every effort will be made to expedite special request with a shorter turnaround notice.

iii) Customer will notify USF at least fourteen (14) days in advance of special promotions that may cause unusual or excessive demand on inventory.

iv) If USF does not presently transact business with a supplier/packer designated by Customer, a complete Continuing Guaranty and Indemnity Agreement from that supplier/packer is required before any product is brought into inventory. This process may take up to sixty (60) days. The current insurance requirement under the Continuing Guaranty and Indemnity Agreement of $2,000,000 is intended to protect Customer and USF from costs associated with product defect and other third party acts or omissions.

v) USF will purchase Specified Products only from Customer and/or manufacturers approved by the Customer ("APPROVED SUPPLIERS"), and the arrangements between Approved Suppliers and Customer will be honored by USF. If Customer has contracts with a given manufacturer for products not stocked by USF, Customer will give consideration (in Customer's sole and absolute determination, taking into account such matters as customer preference and previous association of any particular product with the Restaurants in the respective System(s)) to similar products stocked by USF (but Customer shall have no obligation to buy such products), provided that the stocking manufacturer will equalize the pricing (moreover, nothing in this Agreement shall require Customer to violate the terms of any agreement Customer has with a manufacturer).

c. Proprietary or Special Order Products. At Customer's direction, USF will maintain an appropriate inventory of proprietary or special order products ("SPECIFIED PRODUCTS") under the following circumstances:

i) USF may obtain Specified Products only from the Customer and/or Approved Suppliers, as directed by Customer. Customer will be responsible for the disposition of items showing no movement for thirty-five (35) days ("DEAD INVENTORY"), if USF has sent Customer adequate prior written notice that there is Dead Inventory. If such Dead Inventory is not distributed within ten (10) days thereafter, and the Dead Inventory is in good condition, USF will be reimbursed for any loss on the cost of said product that is returned to vendors or disposed of in any manner other than distribution through normal channels. If said product is distributed through normal channels, the normal mark-up will apply. Customer will be responsible for re-stocking charges or freight cost incurred.

ii) In the event this Agreement is terminated, Customer will remain liable for proprietary or special order products purchased at its direction. In such instance, Customer will coordinate the transfer of such products to the new distributor, or make full payment to USF for such products, within thirty (30) days after the last delivery to Customer.

iii) During each year of the Term during which this Agreement is effective, USF agrees to purchase from NFSI an annual minimum of Four Hundred Fifty Thousand Pounds (450,000) pounds of Nathan's brand hot dogs ("BRANDED FRANKS") for resale pursuant to NFSI's "Branded Product Program" (the "PURCHASING COMMITMENT"). Purchases of Branded Franks by Bradlee's department store shall not count toward USF's Purchasing Commitment. USF and NFSI agree that each of the following terms shall apply to the Purchasing Commitment and USF's sale of hot dogs to Branded Product Program:

(1) If USF purchases more than the Purchasing Commitment in any one year, the excess of the amount purchased over the Purchasing Commitment shall be credited towards the subsequent year's Purchasing Commitment.

(2) If this Agreement is terminated by USF prior to the Expiration Date other than due to Breach (as defined below) by NFSI (and assuming that the Purchasing Commitment as applied towards the Term of the Agreement has not otherwise been satisfied), USF shall, within thirty (30) days following the termination date, pay to NFSI an amount equal to the following: sixty-five cents ($0.65) times the difference between the amount of Branded Franks actually purchased during the year in which termination occurs and the Purchasing Commitment for such year.

(3) If this Agreement is terminated by USF prior to the Expiration Date for Breach by NFSI, or if this Agreement is terminated by NFSI for any reason, USF shall have no further obligation with respect to the Purchasing Commitment. USF will notify NFSI, in writing, of the last shipment date.

(4) USF agrees to complete its Purchasing Commitment for the first year of the Term of this Agreement no later than March 24, 2000. Thereafter, the Purchasing Commitment will be met in full-year increments (from one anniversary of this Agreement to the next anniversary) over the course of the remaining years of the Term of this Agreement. On or before March 24, 2000, USF shall either: (a) completed its Purchasing Commitment for the first full year of this Agreement; or (b) paid NFSI the Differential Payment (calculated as below) in addition to the purchases of Branded Franks, if any, completed before March 24, 2000. A sale will be only considered completed for the purpose of this Section 2(c)(iii)(4) if the payment is made to NFSI on or before May 1, 2000. The term "DIFFERENTIAL PAYMENT" is intended to mean:

	Purchasing Commitment for 2000
-	Purchases of Branded Franks Completed by March 24, 2000
	Subtotal
X	(sixty-five cents) $0.65
=	Differential Payment

Following either satisfaction of the Purchasing Commitment for the first year of the Term or payment of the Differential Payment by USF to NFSI, USF shall have no further obligation with respect to the Purchasing Commitment for the first year of the Term of this Agreement

(5) At the end of the first Year of this Agreement, the parties shall reconcile the amount of Branded Franks for which purchases were completed during the first Year compared to the Purchasing Commitment. If USF completed its Purchasing Commitment during the first Year of the Agreement, then NFSI shall refund any Differential Payment USF may have paid.

(6) All offers and sales of hot dogs by USF shall be conducted pursuant to the terms of the "Branded Product Program Agreement" and BPP Distribution Agreement set forth as Attachments [B(1) and B(2)] to this Agreement.

d. Customer will be required to complete the New Product/Special Order Notification and Agreement attached hereto as Attachment C for all proprietary or special order products.

e. Substitutions. If a Specified Product is out of stock or otherwise can not be delivered to an Operator as ordered, the following procedures shall be followed:

i. A Designated Substitute Product shall be delivered to the Operator. A "DESIGNATED SUBSTITUTE PRODUCT" is a product identified by Customer's designated representative as a permissible substitution for a specified Product.

ii. If there is not a Designated Substitute Product for the Specified Product ordered (or the Designated Substitute Product is unavailable), a product of like or greater quality will be delivered. Only if a Designated Substitute Product or a product of like or greater quality cannot be delivered and upon prior consent from the Operator, will a product of lesser quality be delivered. USF will obtain the Operator's permission as to all acceptable substitutions.

iii. In the event of any substitutions, USF shall promptly contact the Operator and advise the Operator of the substitutions. Any substitutions other than a Designated Substitute Product shall only be made with Operator's prior approval.

iv. All substitutions will be made at the same category mark-up percentage if the substitution is a result of increased movement without notification fourteen (14) days prior to increased movement from the Customer. Should USF fail to have adequate inventories to meet the Customer's normal usage requirements, substitute products will be sold at the same or less cost of the approved item.

v. USF shall re-ship out-of-stock Specified Items and critical items by sending the out-of-stock item to the unit(s) affected within twenty-four (24) hours, if necessary by reputable overnight delivery service (e.g., FedEx).

f. Title and Risk of Loss. Title to all goods shall pass upon delivery to the Operator's receiving dock and acceptance by the Operator's authorized representative, subject to rejection of certain items by notation on the invoice. All deliveries may be checked in jointly by the driver of the delivery vehicle and the Operator's authorized representative, both of whom shall note on the invoice any shortages and damaged or rejected goods. The Operator shall have forty-eight (48) hours from the time of delivery to notify USF: (i) of any concealed damage or rejected goods; or (ii) with respect to products not jointly checked in, to note any shortages, damages, or rejected goods. USF shall ensure that all billings reflect all shortages and damaged or rejected goods noted on the invoice. The Operator shall make arrangements through USF order department for any goods to be returned to USF. USF shall issue a receipt to the Operator for any goods picked up for return to ensure that Customer receives a proper credit therefor. USF shall bear all risk of loss, damage, or destruction until title passes to the Operator.

g. USF shall distribute Products only to Restaurants that are approved by the Customer and, upon the Customer's written request, USF agrees to immediately discontinue the distribution of Products to any and all parties as directed by the Customer.

3. SERVICE ARRANGEMENTS. USF shall maintain and operate an order entry system (the "OES") for processing orders, deliveries, and credit memoranda. Procedures with respect to the "OES" are included as ATTACHMENT D hereto. In addition:

a. USF and each Operator shall mutually agree upon a delivery schedule for the Operator.

b. USF's OES through USF's Customer units service departments or USF's direct order entry system provides complete order information, including confirmation and reservation of inventory as well as notification of out of stock products, prior to completion of an order.

c. A next day or skip-day order delivery schedule will be mutually determined by USF and each Operator to achieve optimum service levels.

d. USF must deliver to each unit within one (1) hour of the pre-arranged and mutually-agreed upon delivery window. USF may not deliver to any unit between the hours of 11AM and 2PM (local time).

4. PRICING STRUCTURE.

a. Cost. The price of Products sold to the Operators shall be such that USF will derive a margin on sell equal to seven and one-quarter percent (7.25%). The margin on sell is to be derived using USF's invoice cost. The term "invoice cost" as used in this Agreement is defined as the manufacturer's (supplier or packer) delivered cost or f.o.b. unit price plus normal freight (as hereinafter defined) to USF's distribution center, less off-invoice discounts or off-invoice allowances. Invoice cost shall not be adjusted for, and Customer shall not be entitled to, promotional allowances, cash discounts, prompt pay discounts, growth programs or any other supplier incentives; provided that Customer (and, where applicable, Operators) shall have the sole right to collect such financial benefits (including without limitation rebates, advertising support payments, program payments) as may be provided for (and as may be negotiated in the future) under arrangements between Customer and any such vendors). Normal freight is defined as manufacturer or common carrier published rates charged to deliver similar quantities of product for similar distances. It is expressly acknowledged and agreed that USF may utilize its internal logistics or branch generated back-haul program, provided that freight cost charged to Customer does not exceed normal freight (as defined above). Where manufacturers handle their own freight, actual freight invoiced cost will be used.

b. Price Guarantees and Adjustments.

1. Except as in the next sentence, pricing will be guaranteed for each entire month, with prices to take effect on the first calendar day of each month. Exceptions to monthly pricing will include eggs, dairy, fresh produce, oil and oil based products, seafood, meat, poultry and other items mutually deemed as commodity in nature, which will be priced weekly.

2. In the event extreme or volatile market conditions develop, USF may request pricing consideration from Customer.

3. Price increases and decreases will be limited to the amount of cost change and/or freight changes only. Any proposed increase in price on proprietary and specified products must be as negotiated and approved by Customer.

5. FINANCIAL. Credit terms for Customer corporate units are net 30. All payments should be received 30 days from the date of invoice.

Any Franchisee buying from USF under the terms of this Agreement shall be required to complete a credit application. Credit terms for Franchisees will not exceed net 30 days, subject to ongoing credit approval. Franchisees not qualified for credit will be shipped on a C.O.D. basis.

Notwithstanding anything contained herein or in any other agreement to the contrary, to the extent there is any change in the creditworthiness or financial capabilities of the Customer or any of its franchisees, or to the extent the Customer or any of its franchisees experience other circumstances which affect their ability to meet the payment terms established hereunder, as determined by USF in its good faith discretion, USF shall have the right to change credit terms as needed.

a. Volume Growth Incentives and Initial Payment. In recognition of the services that Customer has provided (including without limitation setting up the distribution arrangement outlined under this Agreement), as well as the obligations undertaken under Section 5.d below, USF agrees to make the following payments:

1. Within thirty (30) days following each annual anniversary of the date on which the first order placed under this Agreement was shipped by USF to the Operator (the "ANNIVERSARY DATE"), USF shall pay to Customer a volume incentive equal to one percent (1.00%) of the portion of the prior year's total annual sales that exceeded the previous year's total annual sales (the "VOLUME INCENTIVE"). The base year sales amount (i.e., the amount of purchases deemed as the basis for determining any Volume Incentive to be earned during Year 1 of this Agreement) shall be the current volume of annual sales purchased by Restaurants and distributed through USF's distribution centers located in California, Pennsylvania, Nevada, Indiana, Connecticut and Oregon from January 1, 1999 through December 31, 1999.

2. In addition, within thirty (30) days after the end of every month during the term of this Agreement, USF shall pay Customer a secondary volume inventive in an amount equal to one-quarter or one percent (0.25%) of the total sales during the preceding month.

b. In connection with the Volume Incentive, USF agrees to pay to Customer, within thirty (30) days following the initial shipment of product as provided for herein, a payment equal to Two Hundred Fifty Thousand Dollars ($250,000) (the "INITIAL PAYMENT"), which amount represents an advance of the amount anticipated to be earned as a portion of the Volume Incentive. The amount of the Initial Payment shall be deducted by USF from any subsequent payment of the Volume Incentive earned by Customer. The Initial Payment shall be earned at the rate of one percent (1%) of sales made to Restaurants and shall be fully-earned at such time, if any, when the aggregate amount of USF's sales to the Restaurants equals Twenty-Five Million Dollars ($25,000,000). If this Agreement is terminated (other than by USF without cause) before the Initial Fee has been fully-earned, as described above, then Customer shall refund the unearned portion of the Initial Fee to USF within thirty (30) days after the effective date of termination.

c. USF understands that information about the Customer can be obtained by reviewing the NFI financial statements that are publicly-available from the U.S. Securities and Exchange Commission ("SEC") and on the SEC's website at http://www.sec.gov.

d. Miami Subs Guarantee. In order to induce the current Miami Subs Franchisees to do business with USF, USF agrees to extend credit to those Franchisees operating Miami Subs restaurants on the date of this Agreement ("MS FRANCHISEES") on the same terms and conditions as are being offered to said Franchisees by their current distributor (the "SAME CREDIT TERMS", as described in ATTACHMENT D to this Agreement). The following provisions shall apply to said terms:

(i) MSC shall only be obligated to extend the Same Credit Terms to the MS Franchisees for the first six (6) weeks following the date of this Agreement.

(ii) MSC will guarantee to USF the payment obligations of the MS Franchisees for said MS Franchisees' purchases of Products from USF during the first six (6) weeks of this Agreement, excluding any interest and/or penalties (the "SIX WEEK GUARANTEE").

(iii) At the end of the first year of this Agreement, MSC shall pay USF the amount, if any, necessary to pay the balance due on all sums due from MS Franchisees for Products purchased during the Six Week Guarantee.

(iv) USF shall use commercially reasonable efforts to diligently collect all balances due from MS Franchisees to which the Six Week Guarantee applies.

(v) USF shall apply payments made by MS Franchisees to the oldest invoice first.

(vi) USF shall provide MSC, each month, with such written reports as MSC may reasonably request relating to obligations that are subject to the Six Week Guarantee.

6. ACCOUNT MANAGEMENT.

a. Personnel.

(vii) USF will assign a Corporate Account Manager to coordinate the management of Customer's needs.

(viii) USF will also appoint a division Chain Account Manager to coordinate activities and ensure program integrity at the unit level.

(ix) Each participating division will assign a non-commissioned telephone Customer Service Representative to Customer.

(x) USF's corporate headquarters in Columbia, Maryland will serve as a resource for all divisions involved in this program.

b. Program Review. The parties shall conduct a quarterly, semi-annual and/or annual review (as requested by the Customer) to discuss and monitor the implementation of this program and evaluate ways of improving its day to day operation and achieving additional operational and cost efficiencies. Participants in such reviews shall include Customer's designated representative and USF's National Account representatives, together with other representatives of both parties as mutually agreed.

c. MIS Capabilities. USF agrees to generate and make available to Customer certain reports concerning USF's sales of the Products and purchase/sale of Branded Franks.

Various computer generated reports are available to Customer utilizing USF's data programs and formats. Three such reports are described below and may be printed on a monthly and/or quarterly basis.

* PRODUCT USAGE
  Ranks products ordered and shipped in descending dollar sales. Provides number of cases ordered/shipped, total dollar sales and average delivered price of each product. Amount totals are summarized.

* PRODUCT USAGE BY VENDOR
  Provides a recap of products shipped and the associated vendor. Products are sequenced in descending dollar sales with the number of cases ordered/shipped reported.

* MIS REPORTS

  * Product usage by Restaurant

  * Monthly cost report by Item

  * A report showing price changes as they occur

  * A quarterly case volume report by specific vendor by product

  * A monthly BPP sales report by location and dollars

7. PRICE VERIFICATION. USF extends price verification privileges to the Customer's management. Price verification will be scheduled at a time that is mutually agreed upon by both parties. The following procedures apply to a price verification:

a. Customer will provide USF with at least four (4) weeks written notice to include:

   i. All products to be verified; and

   ii. Time period for price verification, i.e., previous month or previous week, depending on product in question, not to exceed previous three (3) months.

b. Price verification is limited to twice annually and is limited to twenty-five (25) items per verification.

c. Customer will keep confidential that information provided by USF that is, in fact, confidential.

d. Credit memos for any adjustments determined by a price verification process will be processed at Customer's direction within one (1) week. Details of this procedure are listed in ATTACHMENT E hereto.

8. TERM AND TERMINATION.

a. The "TERM" of this Agreement shall commence on the Effective Date and shall continue for a period ending December 31, 2004, unless sooner terminated in accordance with the provisions of this Agreement.

b. Upon the occurrence of a Breach (as defined below) of this Agreement, the non-breaching party may terminate this Agreement, at its option and upon written notice of termination to the breaching party, and except as provided herein, may seek any and all remedies available at law or in equity in connection with the Breach; provided, that the breaching party shall have thirty (30) days (but only ten (10) days for defaults with respect to payments) after receipt of said notice of termination within which to remedy and cure the default to the reasonable satisfaction of the non-breaching party and, if said remedy or cure is so completed within the thirty-day (or ten-day) period, termination at that time shall be avoided.

c. A Breach of this Agreement is defined as USF's or Customer's, as the case may be, failure to perform any material term, covenant or agreement contained herein or in any document or instrument delivered pursuant to or in connection with this Agreement, which failure continues uncured for thirty (30) days (but only ten (10) days for defaults with respect to payments) after written notice of such failure has been delivered by the non-breaching party; provided, however, that if such failure has previously occurred during the preceding six (6) months, the cure period shall be fifteen (15) days (but only ten (10) days for defaults with respect to payments).

d. Customer or USF may terminate this Agreement with sixty (60) days written notice, without cause.

9. CONFIDENTIALITY. USF and Customer agree that all information as to source, quantity, and price of goods and services shall be maintained in confidence and not be released to any private third party (other than a Franchisee, as well as each party's professional advisors) for any reason whatsoever other than pursuant to a validly issued subpoena from a court or governmental authority having jurisdiction over the party, pursuant to the rules, regulations or requirements of any state or federal agency or department or pursuant to a discovery request made under applicable court rules and to which the party is required to respond.

10. WARRANTY AND LIMITATION OF LIABILITY. USF shall use reasonable efforts to obtain warranties or representations from its suppliers that the goods to be furnished hereunder are pure, unadulterated, and of first rate quality and that they shall be merchantable and fit for the ordinary purpose for which they are intended. EXCEPT AS SPECIFICALLY SET FORTH IN THIS SECTION 10, ALL WARRANTIES, GUARANTEES, AND REPRESENTATIONS, EITHER EXPRESSED OR IMPLIED, WHETHER ARISING UNDER ANY STATUTE, COMMON LAW, USAGE OF TRADE, COURSE OF DEALING OR OTHERWISE, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY EXCLUDED. USF SHALL IN NO WAY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, EXEMPLARY OR RELIANCE DAMAGES, EVEN IF USF IS ADVISED OF THE POSSIBLITY OF SUCH DAMAGES.

11. PRODUCT STANDARDS

a. Products shall be received, inspected, handled, stored, retained, shipped, and delivered by USF in strict compliance with all requirements of applicable local, state, and federal laws. Upon its receipt of any citation issued by any governmental or other regulatory authority

(or of process of citation issued by any court of law or equity) which might result in an interruption in service to any Restaurant, USF shall immediately provide both oral and written notice thereof to the Customer and to all Restaurants that may be affected thereby.

b. USF shall promptly submit to the Customer (or to an independent laboratory, if so requested by the Customer), in accordance with a testing schedule established from time-to-time by the Customer, samples of any of the Products handled by USF or samples of any ingredients or components thereof.

c. The Customer (or its designated agents) shall have the right (at the Customer's sole cost and expense) to inspect any facilities and any delivery vehicles used by USF, at all reasonable times, and with prior notice to USF (which may be given in writing or by telephone, but which must be given not less than three (3) hours before any such inspection). USF shall fully cooperate with the Customer in connection with such inspections. If the Customer invokes such right to inspect, the Customer shall hold harmless and defend USF, its employees, officers, directors, and agents from any and all claims, losses, costs and expenses, including reasonable attorneys' fees, relating to injuries sustained or damage caused by the Customer, its agents, or its employees, while conducting any such inspection, except to the extent caused by the negligence or willful misconduct of USF.

d. USF agrees to defend, indemnify and hold harmless the Customer, its Franchisees, and their respective past, present, and future officers, directors, employees, and agents, from all claims, demands, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees) resulting from, or alleged to have resulted from injury, illness, and/or death to the extent such injury, illness, and/or death is caused by the negligence and/or willful misconduct of USF, unless (and then only to the extent) such injury, illness, and/or death is caused by the Customer, its Approved Suppliers, or Franchisees. The Customer shall advise USF in the event the Customer receives notice that a claim has been or may be filed with respect to a matter covered by this indemnity and USF shall be given the opportunity to assume the defense thereof at USF's sole expense. If USF fails to assume such defense, the Customer may defend, settle, and litigate the action in the manner it deems appropriate in its sole discretion, and USF shall pay to the Customer all costs (including reasonable attorneys' fees) incurred by the Customer in effecting such defense, in addition to any sum which the Customer may pay by reason of any settlement or judgment against the Customer. The Customer's right to indemnity hereunder shall exist notwithstanding that joint or several liability may be imposed upon the Customer by statute, ordinance, regulation, or judicial decision.

e. USF shall maintain, during the entire term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), comprehensive liability insurance, including adequate product liability coverage for damage, injury, and/or death to persons and for damage and/or injury to property. All such insurance policies shall contain a provision that the Customer and its Franchisees be an additional insured party thereunder, and that the Customer and its Franchisees shall be entitled to recover under said policies on any loss occasioned to the Customer, its Franchisees, or their respective servants, agents, or employees. USF shall promptly provide the Customer with certificates of insurance evidencing such coverage and each certificate shall indicate that the coverage represented thereby shall not be cancelled nor modified until at least ten (10) days prior written notice has been given to the Customer.

f. If it is deemed necessary by either the Customer or any of the Approved Suppliers to recall from USF and/or from the Restaurants any quantity of any of Products, either as a result of failure of such Products to satisfy the proprietary manufacturing specifications issued to Approved Suppliers by the Customer (the "SPECIFICATIONS"), or for any other reason bearing on the quality and/or safety of such Products, USF shall comply diligently with all product recall procedures then in effect and communicated to USF, as established from time-to-time by the Customer and/or manufacturers. USF shall not be required to bear the costs associated with the recall of any Product unless such recall is the result of the negligence of USF. In such event, USF agrees to bear all costs and expenses incurred by it, and/or the Customer, and/or any of the Approved Suppliers in complying with such recall procedures, if (and then only to the extent) such recall is the result of the negligence of USF. Recall procedures shall be communicated to USF by either Customer or the relevant Approved Supplier. If USF fails or refuses to comply with the recall of such Products hereunder upon request by the Customer, the Customer shall be authorized to take such action as it deems necessary to recall such Products from the System and USF shall promptly reimburse the Customer for its costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred in such recall procedure to the extent such recall is the result of the negligence of USF; any such action taken by the Customer shall not relieve USF of its other obligations hereunder.

g. USF shall not sell, offer to sell, or donate any Products that are out-of-date, recalled, damaged, or otherwise unfit for distribution to the System, for human or animal consumption. USF shall remove all such Products from the Facilities, delivery vehicles, and from Restaurants, and shall destroy the same.

12. NOTICE. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown below, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given at the date and time of receipt or rejected delivery. Neither party shall fail to accept delivery of a notice from the other party.

TO Customer:	TO USF:
Nathan's Famous, Inc.	U.S. Foodservice
1400 Old Country Road	9755 Patuxent Woods Drive
Westbury, NY 11590	Columbia, MD 21046
Attn: President	Attn: Mr. Mark Natale

Senior Vice President
Business Development

With Copy to:

U.S. Foodservice
9755 Patuxent Woods Drive
Columbia, MD 21046
Attn: David M. Abramson, Esq.
Executive Vice President
and General Counsel

Copies of notices to the "copy" recipient(s) noted above shall not be considered when determining when notice has been given under this Agreement.

13 MISCELLANEOUS.

a. Entire Agreement. This Agreement (including Exhibits [A-D] hereto) constitutes the entire agreement between the Customer and USF, and supersedes any and all prior negotiations, understandings, and/or agreements, oral or written, between the parties hereto with respect to the subject matter hereof. The parties are relying only on the words of this document in deciding to enter into this Agreement. Neither this Agreement nor any of its provisions may be waived, modified, or amended, except by an instrument in writing signed by duly authorized officer of the parties hereto. Where the consent of either party is required hereunder, such consent shall not be deemed given unless in written form and signed by a duly authorized officer of the party whose consent is required.

b. The Customer's Trademarks. USF shall not use, in any manner whatsoever, any of the tradenames, logos, trademarks, or service marks owned by the Customer or associated with the Systems, without the Customer's express prior written consent as to each instance of use and the manner of such use. USF acknowledges that any unauthorized use of the Customer's tradenames, logos, trademarks, or service marks, or use thereof in a manner inconsistent with the Customer's permission, shall constitute an infringement of the Customer's rights in and to said tradenames, logos, trademarks, or service marks. Under no circumstances shall USF use any mark or name of the Customer as a part of Distributor's trade name, nor shall USF register or attempt to register any of the Customer's tradenames, logos, trademarks, or service marks with any government authority or as an internet domain name or other electronic address or identifier.

c. Force Majeure. Neither party will be in default in the performance of its obligations under this agreement if such performance is prevented or delayed because of war, hostilities, revolution, civil commotion, strike, labor dispute, epidemic, shortage in supply, fire, wind, earthquake or flood, use of any law, order, proclamation, regulation or ordinance of any government, or of any subdivision thereof, because of Acts of God or for any other cause, whether similar or dissimilar to those enumerated, that is beyond the reasonable control and without the fault or negligence of the party whose performance is affected. If a force majeure event prevents USF from supplying all of the product needs of its Customer's, USF shall allocate such product as is available to USF among its Customer's in such manner as USF reasonably determines. No force majeure event shall excuse Customer from its payment obligations contained herein.

d. Choice of Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland without reference to the conflicts of laws principles thereof.

e. Attorneys' Fees. In the event this Agreement is breached, the breaching party shall pay any and all reasonable attorneys' fees and relevant costs incurred by the non-breaching party as a result of the breach.

f. Assignment. The rights and responsibilities of each party under this Agreement shall not be assigned, sold, subcontracted, or otherwise transferred without the prior written consent of the other party. In the event this Agreement is assigned, the assignor shall in no event be relieved of or be released from its obligations contained herein.

g. No Agency. Nothing contained in this Agreement shall be construed or interpreted as creating an agency, partnership, co-partnership or joint venture relationship between the parties. USF acknowledges that it is an independent contractor and neither the Customer nor USF is or shall be construed as an agent, joint venturer, franchisee, nor employee of the other. USF shall have no authority to negotiate on Customer's behalf, to bind or otherwise obligate the Customer in any manner, nor shall USF represent to anyone that it has a right to do any of these things.

h. Year 2000 Warranty.

  i. Products Warranty. USF represents and warrants to Customer that all technology associated with the account management, MIS systems, and otherwise used by USF to support its performance under this Agreement is Year 2000 Compliant. "YEAR 2000 COMPLIANT" means, unless otherwise stated in specifications for the products that have been agreed to and signed by the parties, that the technology associated with the products, including, but not limited to, information technology, embedded systems, or any other electro-mechanical or processor-based system, accurately processes, provides, and receives date data from, into and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations (which leap year calculations must include, without limitation, calculation of February 29, 2000 as a leap day).

  ii. Services Warranty. USF represents and warrants that the provision of services under this Agreement shall not be delayed, interrupted, degraded, or otherwise adversely affected by the failure of any technology used by USF, including, but not limited to, information technology, embedded systems, or any other electro-mechanical or processor-based system, to accurately process, provide and receive data from, into and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations (which leap year calculations must include, without limitation, calculation of February 29, 2000 as a leap day).

i. The Customer and USF represent and warrant to the other that:

  i. It has all the necessary legal capacity, right, power, and authority to enter into, execute, deliver, carry out its obligations and exercise its rights, and be bound by this Agreement.

  ii. Its execution and delivery of this Agreement and performance of its obligations do not breach, and will not result in a breach or violation of, any agreement, lien, security interest, or understanding or obligation to which said party is a party or by which said party is bound.

  iii. The person signing this Agreement on its behalf, by his/her signature below, is authorized to sign this Agreement on behalf of said party, and to bind said party to the terms hereof.

NOW THEREFORE, the parties, intending to be legally bound, have entered into this Agreement on the date first written above.

NATHAN'S FAMOUS OPERATING CORP.

By: /s/ Wayne Norbitz, Pres.

Name: Wayne Norbitz

Title: President

U.S. FOODSERVICE, INC.

By: /s/ Mark A. Natale

Name: Mark A. Natale

Title: Senior VP Business Development

NATHAN'S FAMOUS SYSTEMS, INC.

By: /s/ Wayne Norbitz, Pres.

Name: Wayne Norbitz

Title: President

NF ROASTERS CORP.

By: /s/ Richard Buckley, Pres.

Name: Richard Buckley

Title: President

MIAMI SUBS CORP.

By: /s/ Donald L. Perlyn

Name: Donald L. Perlyn

Title: President and COO

ATTACHMENT "A"

LIST OF CUSTOMER UNITS

SEE ATTACHED

ATTACHMENT "B"

[U.S. FOODSERVICE(TM), LOGO]

PRIVATE & SIGNATURE BRAND PRODUCTS

18

U.S. FOODSERVICE(TM) BRANDS

ALLOWANCE(TM)
ALLOWANCE II(TM)

Under the ALLOWANCE(TM) and ALLOWANCE II(TM) brands are found a sugar substitute (Allowance(TM)) and an artificial sweetener (Allowance II(TM)).

CHEF'S VARIETY(R)

This brand offers value and a wide product selection for creating menus and recipes for almost any need. [CHEF'S VARIETY(R) LOGO]

HARVEST VALUE(R)

Offering a wide product selection, HARVEST VALUE(R) is the quality source for fine ingredients at an extraordinary value. [HARVEST VALUE(R) LOGO]

MAGNIFRY(R)

The MAGNIFRY(R) brand is associated with the marketing of a wide assortment of frying oils. [MAGNIFRY(R) LOGO]

MAGNIFRIES(TM)

The MAGNIFRIES(TM) brand is associated with the marketing of prepared French fries.[MAGNIFRIES(TM) LOGO]

TO YOUR TASTE(R)

The TO YOUR TASTE(R) brand encompasses a line of prepared foods including frozen entrees, salad dressings, soups and other prepared items. Each group has its distinct color combination. [TO YOUR TASTE(R) LOGO]

U.S.(TM) BLUE
U.S.(TM) RED

With strict quality standards, U.S.(TM) BLUE & U.S.(TM) RED is packed to specifications that meet and exceed the competition. A complete selection of products is offered to provide the consistent quality of ingredients that is expected from U.S. Foodservice(TM). [U.S. FOODSERVICE(TM) LOGO]

U.S. FOODSERVICE CATTLEMAN'S CHOICE(TM)

Under this label a wide selection of Prime and Choice grade beef products are available. [U.S. FOODSERVICE CATTLEMAN'S CHOICE(TM) LOGO]

[U.S. FOODSERVICE CATTLEMAN'S SELECTION(TM) LOGO]

U.S. FOODSERVICE CATTLEMAN'S SELECTION(TM)

Very fine quality beef products are available under this brand.

SIGNATURE BRANDS
EXCLUSIVELY DISTRIBUTED BY U.S. FOODSERVICE(TM)

CROSS VALLEY FARMS(R)

Under this brand are found top quality fresh produce and fresh salads and Grade A California frozen fruits and vegetables.
[CROSS VALLEY FARMS LOGO]

EL PASADO AUTHENTIC MEXICAN CUISINE WITH A TOUCH OF THE PAST(TM)

Authentic Mexican products featuring traditional food items and ingredients for this cuisine are marketed by El Pasado, Inc.
[EL PASADO LOGO]

HARBOR BANKS(R)

Under the HARBOR BANKS(R) brand are found a variety of fresh, canned and frozen seafood products.
[HARBOR BANKS LOGO]

HILLTOP HEARTH(R)

Under this brand are found a fine source of desserts and wholesome breads for all meals, along with a selection of bakery supplies from the Hilltop Hearth(R) Bakery.
[HILLTOP HEARTH LOGO]

PATUXENT FARMS(R)

A wide assortment of specialty meat products, including pork, lamb, and poultry, and dairy products can be found under the PATUXENT FARMS(R) brand.
[PATUXENT FARMS LOGO]

RITUALS(R)

A complete line of coffee and coffee products for the foodservice and retail industries display the RITUALS(R) brand name. This program includes coffee-related products, equipment, and service from the Rituals(R) Coffee Company.
[RITUALS LOGO]

ROSELI(R)

[ROSELI LOGO]

The best Italian products are marketed under the ROSELI(R) brand to answer the specialized need for foundational ingredients in Italian menus from the Roseli(R) Products Corporation.

ATTACHMENT "C"

[U.S. FOODSERVICE LOGO]

NEW PRODUCT/SPECIAL ORDER NOTIFICATION AND AGREEMENT

_____________________________ (Customer) requests U.S. Foodservice, Inc., d/b/a U.S. Foodservice ("USF") to stock on a regular basis the following product which is not presently in inventory at USF's distribution center:

Product:_____________________________________Pack Size:_________________________

Mfg. ID Code:_______________________________Cost:______________________________

Minimum Shipment:___________________________Case Cube:_________________________

Case Gross Wgt.:_____________________________Net Wgt.:__________________________

Date Product Needed:______________________Sequence No.:_________________________

Initial Order:_____________________ Estimated Monthly Usage:___________________

If replacing another product, what item:_____________________Code #____________

Is this product restricted to selective units?______If so, please identify:_____

USF Division Involved:_________________Representative:_________________________

Order Guides Affected: Hotels____ F.S.M._______ Hospital_______ Education______

Additional Instructions:

Customer will be responsible for the disposition of Dead Inventory in accordance with the provisions of Section 2.c.i of this Agreement.

____
By:
Its:

ATTACHMENT "E"

[U.S. FOODSERVICE LOGO]

OPERATING PROCEDURES

FOODSERVICE DISTRIBUTION
PROGRAM
FOR

NATHAN'S FAMOUS, INC.
NF OPERATING CORP.
NF ROASTERS CORP.
MIAMI SUBS CORP.

ORDERING, DELIVERY, RECEIVING PROCEDURES

ORDERING PROCEDURES

1. To facilitate ordering, a pre-printed, standardized order/inventory control form will be provided for those products/categories so defined and distributed at the beginning of each month. All weekly price changes will be mailed, faxed or electronically sent to your units.

2. Your USF Customer Service Representative will initiate the order process with each unit by calling your unit at a predetermined order day and hour. Please have your orders ready to allow for proper processing.

3. It assists USF in the scheduling of our vehicles when you order a "delivery to delivery" consistent number of cases, as business permits.

4. The following ordering procedures should be used when placing your orders.

   a. Confirm the date of the current order form and control number. Your order guide control number is very important.

   b. Order by line item number.

   c. State quantity desired.

   d. The Customer Service Representative will verify your order by:

      - Recapping the order back by giving line number, product and quantity; or

      - Giving only total lines and cases.

   e. Substitutions will be offered when there are out of stocks.

   f. Verify the expected delivery dates for the order.

5. ORDER DAY (S) ORDER TIME (S) DELIVERY DAY (S)

ORDER DAY (S)	ORDER TIME (S)	DELIVERY DAY (S)
______________	________________	
______________	________________	
______________	________________	

ORDERING, DELIVERY, RECEIVING PROCEDURES

ORDERING PROCEDURES
(CONTINUED)

6. Order dates that fall on a holiday will be scheduled by prior arrangements with Customer and USF. Notification of holiday delivery schedules will be given prior to the holiday.

7. The Branch Account Manager is responsible for coordinating issues or changes to order schedules.

DELIVERY PROCEDURE

1. Your delivery will be made by USF in accordance with a pre-arranged delivery schedule by Customer and USF.

2. At the time of delivery, either the Unit Manager, the assistant Manager or a designated person should receive the shipment and sign for the product.

3. Delivery dates that fall in a holiday week will be rescheduled by prior arrangements with USF at least two weeks in advance.

4. The Branch Account Manager is responsible to coordinate issues or changes to delivery schedules.

RECEIVING PROCEDURES

1. You will receive a completely priced extended original and two (2) duplicate copies of your invoice with your order, which should be checked by an authorized person upon receipt.

2. All copies of the invoice must be signed. The driver will keep one (1) duplicate copy and you are to retain the original and one (1) duplicate for your records.

3. Freezer and refrigerated products should be stored immediately upon receipt.

4. Make sure that all cases are counted before you sign the invoice. Once you have signed for a specific quantity of cases and the driver has left the premises, the shipment is your responsibility. You will not be given credit for any shortages once the invoice has been signed and the driver has gone.

ORDERING, DELIVERY, RECEIVING PROCEDURES

RECEIVING PROCEDURES
(CONTINUED)

5. Please assist in providing a clear path for the truck to gain entrance to the designated loading area.

6. Due to insurance requirements and your own safety, Customer employees are not permitted on the USF truck.

UNLOADING PROCEDURES

1. The driver will unload and place all orders in designated areas.

2. The driver is not responsible for placing cases on storage shelves.

PAYMENTS-CREDITS

SHORTAGES/VISIBLE DAMAGE

1. At the time of delivery, should any product ordered be shorted or damaged, the driver will issue an instant credit by notation on the original invoice of shortages, damaged or returned goods.

2.

CONCEALED DAMAGE

If you should discover damaged merchandise after the driver leaves, you should notify your USF Customer Service Representative when placing your next order. Damaged or defective merchandise should not be disposed of as we may need to inspect.

Please indicate the following:

1. Invoice number under which the product was delivered.
2. Product code number.
3. Quantity of item.
4. Price of product delivered.
5. Description of product.

ORDERING, DELIVERY, RECEIVING PROCEDURES

PICK-UPS AND/OR RETURNS

1. Pick-ups and/or returns may occasionally be necessary. In order for credit to be issued, product must be in the original shipping carton and in reasonable condition, unless there is concealed damage. In the event that a pick-up and/or returns are in order, advise the Customer Service Representative at the time the next order is placed. Be prepared to provide the following information:

    a. Reason for the return. (Concealed damage to the product, etc.)

    b. Invoice number for the delivered product.

    c. Product code number, quantity, price and description.

OUT-OF-STOCKS/SHORTS/SUBSTITUTIONS

Contact the Customer Service Representative so the corrective steps can be taken

All credit memos will be processed at direction within one (1) week.

WE THANK YOU FOR THE OPPORTUNITY TO PROVIDE YOU WITH THE TYPE OF SERVICE YOU HAVE COME TO KNOW AND EXPECT.

[U.S. FOODSERVICE LOGO]

USF'S GENERAL CREDIT POLICY AND PROCEDURES

THIS IS NOT TO BE ATTACHED TO THE AGREEMENT - DIVISIONS MAY ADD THE APPROPRIATE DEFINITION FOR CREDIT TERMS (SECTION 5) TO BE APPLIED TO A GIVEN CUSTOMER

Terms of Sale:

The herein established Terms of Sale for Customer will be followed as applied to all transactions with Customer. All requests for terms which are different from stated terms must be made through USF's Corporate Credit Manager.

After completing a thorough credit evaluation, the division Credit Manager is authorized to determine the Terms of Sale on an account-by-account basis.

C.O.D. - Cash Code (01)
The Customer must pay the driver with cash, certified check or money order when the order is delivered.

C.O.D. - Check Code (02)
The Customer must pay the driver with cash or by check when the order is delivered.

C.O.D. - Customer Request Code (03)
The Customer may charge one order. Payment for the order must be received when the salesman takes the next order or when the driver makes his next delivery, providing that takes place within 5 working days.

Weekly Code (07)
All merchandise purchased in one week is due and payable on Monday of the following week.

Semi-Weekly Code (05)
Payment for Customer purchases from the 1st to the 15th of the month will be received by the 20th of the month. Payment for Customer purchases from the 16th to the end of the month will be received by the 5th of the following month.

Bi-Weekly Code (06)
Payment for Customer purchases for the first two weeks will be received by the end of the third week. Thereafter, bi-weekly payments will be received for the corresponding prior two weeks purchases.

Monthly Code (04)
All invoices for the month are due and payable by the 10th of the following month.

Weekly, Net 21 Code (21)
Payment for Customer purchases of the first week are to be received by the end of the third week. Payment for purchases of the second week will be received by the end of the fourth week. Thereafter, weekly payments will be based on the established pattern.

Weekly, Net 31 Code (30)
Payment for Customer purchases of the first week are to be received by the end of the fourth week. Payment for purchases of the second week will be received by the end of the fifth week. Thereafter, weekly payments will be based on the established pattern.

Net 14 Days Code (50)
The payment for an invoice is due 13 days after the invoice date.

Net 21 Days Code (51)
The payment for an invoice is due 20 days after the invoice date.

Net 28 Days Code (52)
The payment for an invoice is due 27 days after the invoice date.

Net 30 Days Code (53)
The payment for an invoice is due 29 days after the invoice date.

Defined terms:

SYSTEMS shall mean the "Kenny Rogers Roasters", "Miami Subs", and "Nathan's Famous" franchise and company-owned system of restaurants.

RESTAURANT shall mean a "Kenny Rogers Roasters", "Miami Subs", or "Nathan's Famous" franchised or licensed restaurant.

FRANCHISEE shall mean a licensee or franchisee that operates a Restaurant under the applicable System.

EXHIBIT 10.24

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), made and entered into as of January 1, 2000 (the "Effective Date"), by and between Nathan's Famous, Inc., a Delaware corporation, with its principal office located at 1400 Old Country Road, Westbury, New York 11590 (together with its successors and assigns permitted under this Agreement, "Nathan's") and Howard M. Lorber, who resides at 8061 Fisher Island, Miami, Florida 33109 ("Lorber"), amends and restates in its entirety the original agreement made and entered into as of November 8, 1993 between Nathan's and Lorber, as subsequently amended through the date hereof (the "Prior Agreement").

WITNESSETH:

WHEREAS, Nathans' has determined that it is in the best interests of Nathan's and its stockholders to continue to employ Lorber and to set forth in this Agreement the obligations and duties of both Nathan's and Lorber; and

WHEREAS, Nathan's wishes to assure itself of the services of Lorber for the period hereinafter provided, and Lorber is willing to be employed by Nathan's for said period, upon the terms and conditions provided in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, Nathan's and Lorber (individually a "Party" and together the "Parties") agree as follows:

1. DEFINITIONS.

(a) "BENEFICIARY" shall mean the person or persons named by Lorber pursuant to Section 19 below or, in the event that no such person is named who survives Lorber, his estate.

(b) "BOARD" shall mean the Board of Directors of Nathan's.

(c) "CAUSE" shall mean:

(i) Lorber's conviction of a felony involving an act or acts of dishonesty on his part and resulting or intended to result directly or indirectly in gain or personal enrichment at the expense of Nathan's;

(ii) willful and continued failure of Lorber to perform his obligations under this Agreement, resulting in demonstrable material economic harm to Nathan's; or

(iii) a material breach by Lorber of the provisions of Sections 16 or 17 below to the demonstrable and material detriment of Nathan's.

Notwithstanding the foregoing, in no event shall Lorber's failure to perform the duties associated with his position caused by his mental or physical disability constitute Cause for his termination.

For purposes of this Section 1(c), no act or failure to act on the part of Lorber shall be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that his action or omission was in the best interests of Nathan's. Any act or failure to act based upon authority given pursuant to a resolution adopted by the Board or based upon the advice of counsel for Nathan's shall be conclusively presumed to be done, or omitted to be done, by Lorber in good faith and in the best interests of Nathan's.

(d) "CHANGE IN CONTROL" shall mean the occurrence of any of the following events:

(I) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting

securities of Nathan's when such acquisition causes such Person to own 15 percent or more of the combined voting power of the then outstanding voting securities of Nathan's entitled to vote generally in the election of directors (the "Outstanding Nathan's Voting Securities"); provided, however, that for purposes of this subsection (I), the following acquisitions shall not be deemed to result in a Change in Control: (A) any acquisition directly from Nathan's, (B) any acquisition by Nathan's, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Nathan's or any corporation controlled by Nathan's or (D) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) below; and provided, further, that if any Person's beneficial ownership of the Outstanding Nathan's Voting Securities reaches or exceeds 15 percent as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of Nathan's, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 15 percent or more of the Outstanding Nathan's Voting Securities; or

(ii) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by Nathan's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Nathan's or the acquisition of assets of another entity ("Business Combination"); excluding, however, such a Business Combination pursuant to which (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Nathan's Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60 percent of, respectively, the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns Nathan's or all or substantially all of Nathan's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Nathan's Voting Securities, (B) no Person (excluding any employee benefit plan (or related trust) of Nathan's or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the stockholders of Nathan's of a complete liquidation or dissolution of the Company.

(e) "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "COMMITTEE" shall mean the Compensation Committee of the Board.

(g) "CONSOLIDATED PRETAX EARNINGS" of the Company shall mean, with respect to any fiscal year, the net consolidated income, if any, of Nathan's for such fiscal year as set forth in the audited, consolidated financial statements of Nathan's and its subsidiaries included in its Annual Report to Stockholders, increased by the sum of the following: (w) the provision for income taxes in respect of such fiscal year as shown on such financial statements; and (x) all amounts paid or accrued during such fiscal year as incentive compensation to Lorber under this Agreement.

(h) "CONSULTING FEE" shall mean the compensation paid to Lorber pursuant to Section 13.

(i) "CONSULTING PERIOD" shall mean the period specified in Section 13 during which Lorber serves as a consultant to Nathan's.

(j) "DISABILITY" shall mean the illness or other mental or physical disability of Lorber, as determined by a physician acceptable to Nathan's and Lorber, resulting in his failure during the Employment Term, (I) to perform substantially his applicable material duties under this Agreement for a period of nine consecutive months and (ii) to return to the performance of his duties within 30 days after receiving written notice of termination.

(k) "EMPLOYMENT TERM" shall mean the period specified in Section 2(b) below.

(l) "FISCAL YEAR" shall mean the 12-month period ending on the last Sunday in March, or such other 12-month period as may constitute Nathan's fiscal year at any time hereafter.

(m) "GOOD REASON" shall mean, at any time during the Employment Term, without Lorber's prior written consent or his acquiescence:

(I) diminution, reduction or other adverse change in the bonus or incentive compensation opportunities available to Lorber (with respect to the level of bonus or incentive compensation opportunities, the applicable performance criteria and otherwise the manner in which bonuses and incentive compensation are determined) in the aggregate from those available as of the Effective Date in accordance with Section 4(a) below;

(ii) Nathan's failure to pay Lorber any amounts otherwise vested and due him hereunder or under any plan or policy of Nathan's;

(iii) diminution of Lorber's titles, position, authorities or responsibilities, including not serving on the Board;

(iv) assignment to Lorber of duties incompatible with his position of Chief Executive Officer;

(v) imposition of a requirement that Lorber report other than directly to the full Board;

(vi) a material breach of the Agreement by Nathan's that is not cured within 10 business days after written notification by Lorber of such breach; or

(vii) relocation of Nathan's corporate headquarters to a location more than 35 miles from the location first above described, other than to its office at 6300 N.W. 31st Avenue, Fort Lauderdale, Florida, or more than 35 miles from such Florida office.

(n) "RETIREMENT" shall mean termination of Lorber's employment, other than due to death, with eligibility to receive a benefit under the terms of Nathan's Supplemental Executive Retirement Plan as then in effect.

(o) "SALARY" shall mean the annual Salary provided for in Section 3 below, as adjusted from time to time.

(p) "SUBSIDIARY" shall mean any corporation of which Nathan's owns, directly or indirectly, more than 50 percent of its voting stock.

2. Employment Term, Positions And Duties.

(a) Employment of Lorber. Nathan's hereby continues to employ Lorber, and Lorber hereby accepts continued employment with Nathan's, in the positions and with the duties and responsibilities set forth below and upon such other terms and conditions as are hereinafter stated. Lorber shall render services to Nathan's principally at Nathan's's corporate headquarters, but he shall do such traveling on behalf of Nathan's as shall be reasonably required in the course of the performance of his duties hereunder.

(b) Employment Term. The Employment Term shall terminate on December 31, 2004.

3. TITLES AND DUTIES.

(a) Until the date of termination of his employment hereunder, Lorber shall be employed as Chief Executive Officer, reporting to the full Board. In his capacity as Chief Executive Officer, Lorber shall have the customary powers, responsibilities and authorities of chief executive officers of corporations of the size, type and nature of Nathan's including, without limitation, authority, in conjunction with the Board as appropriate, to hire and terminate other employees of Nathan's.

(b) During the Employment Term, Nathan's shall uses its best efforts to secure the election of Lorber to the Board and to the chairmanship thereof. During the Employment Term, if the Board forms an executive or similar committee, Lorber shall serve thereon.

4. TIME AND EFFORT.

(a) Lorber agrees to devote his best efforts and abilities, and such of his business time and attention as he determines is reasonably necessary, to the affairs of Nathan's in order to carry out his duties and responsibilities under this Agreement. The Parties hereby acknowledge that Lorber is President and Chief Operating Officer of New Valley Corporation and Chairman and Chief Executive Officer of Hallman & Lorber and that during the Employment Term he will be devoting time and attention to those and other business activities.

(b) Notwithstanding the foregoing, nothing shall preclude Lorber from (A) serving on the boards of a reasonable number of trade associations, charitable organizations and/or businesses not in competition with Nathan's, (B) engaging in charitable activities and community affairs and (C) managing his personal investments and affairs; provided, however, that, such activities do not materially interfere with the proper performance of his duties and responsibilities specified in Section 3(a) above.

5. SALARY.

Lorber shall receive from Nathan's a Salary, at the rate of $1.00 per annum.

6. BONUSES.

(a) Annual Bonus. Commencing with Fiscal Year 2000, and for each succeeding Fiscal Year during the Employment Term, Lorber shall be eligible to receive an annual bonus equal to 5 percent of Nathan's Consolidated Pretax Earnings for such Fiscal Year; provided, that such bonus shall in no event be less than $250,000. Any such bonus payable with respect to a portion of a Fiscal Year shall be prorated accordingly.

(b) Special Bonus. Lorber shall be eligible to receive additional bonuses during the Employment

Term. The Committee shall determine, in its discretion, the occasion for payment, and the amount, of any such bonus.

7. LONG-TERM INCENTIVE.

During the Employment Term, Lorber shall be eligible for an award under any long-term incentive compensation plan established by Nathan's for the benefit of Lorber or, in the absence thereof, under any such plan established for the benefit of members of the senior management of Nathan's.

8. EQUITY OPPORTUNITY.

(a) Simultaneously with the execution and delivery of this Agreement, Nathan's shall issue to Lorber 25,000 shares of Nathan's Common Stock, par value $.01 per share. Lorber's rights to such shares will vest immediately.

(b) During the Employment Term and any Consulting Period, Lorber shall be eligible to receive grants of options to purchase shares of Nathans' stock and awards of shares of Nathans' stock, either or both as determined by the Committee, under and in accordance with the terms of applicable plans of Nathan's and related option and award agreements. It is the intention of Nathan's to grant stock options to Lorber during the Employment Term. Also, to the extent permitted by any such plan, Lorber shall be eligible during any Consulting Period to receive grants of options and awards of shares of Nathan's stock in the same manner.

9. EXPENSE REIMBURSEMENT; CERTAIN OTHER COSTS.

During the Employment Term and any Consulting Period, Lorber shall be entitled to prompt reimbursement by Nathan's for all reasonable out-of-pocket expenses incurred by him in performing services under this Agreement, upon his submission of such accounts and records as may be reasonably required by Nathan's. In addition, Lorber shall be entitled to payment by Nathan's of all reasonable costs and expenses, including attorneys' and consultants' fees and disbursements, incurred by him in connection with adoption of this Agreement and any related compensatory arrangements that Nathan's adopts solely for his benefit.

10. PERQUISITES.

During the Employment Term and any Consulting Period, Nathan's shall provide Lorber with the use of an automobile and payment of related expenses on the same terms as are in effect on the Effective Date or, if more favorable to Lorber, as are made available generally to other executive officers of Nathan's at any time thereafter.

11. EMPLOYEE BENEFIT PLANS.

(a) General. During the Employment Term and any Consulting Period, Lorber shall be entitled to participate in all employee benefit plans and programs that are made available to Nathan's senior executives or to its employees generally, as such plans or programs may be in effect from time to time, including, without limitation, pension and other retirement plans, profit-sharing plans, savings and similar plans, group life insurance, accidental death and dismemberment insurance, travel accident insurance, hospitalization insurance, surgical insurance, major and excess major medical insurance, dental insurance, short-term and long-term disability insurance, sick leave, holidays, vacation (not less than four weeks in any calendar year) and any other employee benefit plans or programs that may be sponsored by Nathan's from time to time, including plans that supplement the above-listed types of plans, whether funded or unfunded.

(b) Disability Benefit. In consideration of the benefit payable to Lorber in the event of termination of his employment due to Disability, as provided in Section 12(e) below, Nathan's shall not be obligated to provide Lorber with long-term disability insurance. Notwithstanding the foregoing, if Nathan's does provide Lorber with such insurance, he shall be the owner of any individual policies obtained and shall pay the premiums thereon.

12. TERMINATION OF EMPLOYMENT.

(a) Termination by Mutual Agreement. The Parties may terminate this Agreement by mutual agreement at any time. If they do so, Lorber's entitlements shall be as the Parties mutually agree.

(b) General. Notwithstanding anything to the contrary herein, in the event of termination of Lorber's employment under this Agreement, he or his Beneficiary, as the case may be, shall be entitled to receive (in addition to payments and benefits under, and except as specifically provided in, subsections (C) through (h) below, as applicable):

(I) his Salary through the date of termination;

(ii) any unused vacation from prior years;

(iii) any annual bonus for the current Fiscal Year, prorated to the date of termination;

(iv) any annual or special bonus previously awarded but not yet paid to him;

(v) any deferred compensation under any incentive compensation plan of Nathan's or any deferred compensation agreement then in effect; and

(vi) any other compensation or benefits, including without limitation long-term incentive compensation described in Section 7 above, benefits under equity grants and awards described in Section 8 above and employee benefits under plans described in Section 11 above, that have vested through the date of termination or to which he may then be entitled in accordance with the applicable terms and conditions of each grant, award or plan.

(C) Termination due to Retirement. In the event that Lorber's employment terminates due to Retirement, he shall be entitled to the compensation and benefits specified in Section 12(b).

(d) Termination due to Death. In the event that Lorber's employment terminates due to his death, his Beneficiary shall be entitled, in addition to the compensation and benefits specified in Section 12(b), to his Salary and annual bonuses payable for the remainder of the Employment Term. For the purposes hereof, such annual bonus shall be equal to the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination.

(e) Termination due to Disability. In the event of Disability, Nathan's or Lorber may terminate Lorber's employment. If Lorber's employment terminates due to Disability, he shall be entitled, in

addition to the compensation and benefits specified in Section 12(b), to his Salary and annual bonuses payable for the remainder of the Employment Term, offset by any long-term disability insurance benefit that Nathan's has provided for him and for which it has paid the applicable group or individual insurance premiums. For the purposes hereof, such annual bonus shall be equal to the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination.

(f) Termination by Nathan's for Cause. Nathan's may terminate Lorber's employment hereunder for Cause only upon written notice to Lorber not less than 30 days prior to any intended termination, which notice shall specify the grounds for such termination in reasonable detail. Cause shall in no event be deemed to exist except upon a finding reflected in a resolution approved by a majority (excluding Lorber) of the members of the Board (whose findings shall not be binding upon or entitled to any deference by any court, arbitrator or other decision-maker ruling on this Agreement) at a meeting of which Lorber shall have been given proper notice and at which Lorber (and his counsel) shall have a reasonable opportunity to present his case.

In the event that Lorber's employment is terminated for Cause, he shall be entitled only to the compensation and benefits specified in Sections 12(b)(I), (ii) and (iv) .

(g) Termination Without Cause or by Lorber for Good Reason.

(I) Termination without Cause shall mean termination of Lorber's employment by Nathan's and shall exclude termination (A) due to Retirement, death, Disability or Cause or (B) by mutual agreement of Lorber and Nathan's. Nathan's shall provide Lorber 15 days prior written notice of termination by it without Cause, and Lorber shall provide Nathan's 15 days prior written notice of his termination for Good Reason.

(ii) In the event of termination by Nathan's of Lorber's employment without Cause or of termination by Lorber of his employment for Good Reason, he shall be entitled, in addition to the compensation and benefits specified in Section 12(b), to:

(A) his Salary, payable for the remainder of the Employment Term at the rate in effect immediately before such termination;

(B) annual bonuses for the remainder of the Employment Term (including a

prorated bonus for any partial Fiscal Year) equal to the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination, such bonuses to be paid at the same time annual bonuses are regularly paid by Nathan's to Lorber;

(C) continued participation in all employee benefit plans or programs available to Nathan's employees generally in which Lorber was participating on the date of termination of his employment until the end of the Employment Term; provided; however, that (x) if Lorber is precluded from continuing his participation in any employee benefit plan or program as provided in this clause (E), he shall be entitled to the after-tax economic equivalent of the benefits under the plan or program in which he is unable to participate until the end of the Employment Term, and (y) the economic equivalent of any benefit foregone shall be deemed to be the lowest cost that Lorber would incur in obtaining such benefit on an individual basis;

(D) the perquisites provided to Lorber pursuant to Section 10 hereof until the end of the Employment Term;

(E) other benefits in accordance with applicable plans and programs of the Company until the end of the Employment Term.

Prior written consent by Lorber to any of the events described in Section 1(k) above shall be deemed a waiver by him of his right to terminate for Good Reason under this Section 12(g) solely by reason of the events set forth in such waiver.

(h) Change in Control. In the event of any termination of Lorber's employment within a one-year period following a Change in Control for any reason other than Cause, Retirement, death or Disability, Lorber shall be entitled, in addition to the compensation and benefits specified in Section 12(b) to:

(I) a lump sum cash payment equal to the greater of:

(A) his Salary and annual bonuses for the remainder of the Employment Term (including a prorated bonus for any partial fiscal year), which bonus shall be equal to the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination; or

(B) 2.99 times his Salary and annual bonus for the Fiscal Year immediately preceding the Fiscal Year of termination;

(ii) continued participation in all employee benefit plans or programs available to Nathan's employees generally in which Lorber was participating on the date of termination of his employment until the end of the Employment Term; provided; however, that (x) if Lorber is precluded from continuing his participation in any employee benefit plan or program as provided in this clause (E), he shall be entitled to the after-tax economic equivalent of the benefits under the plan or program in which he is unable to participate until the end of the Employment Term, and (y) the economic equivalent of any benefit foregone shall be deemed to be the lowest cost that Lorber would incur in obtaining such benefit on an individual basis;

(iii) the perquisites provided to Lorber pursuant to Section 10 hereof until the end of the Employment Term;

(Iv) a lump sum cash payment equal to the difference between the exercise price of any exercisable options having an exercise price of less than the then current market price of Nathan's common stock and such then current market price; and

(v) other benefits in accordance with applicable plans and programs of the Company for the remainder of the Employment Term.

13. CONSULTING PERIOD.

(a) General. Effective upon the end of the Employment Term (but only if the Employment Term ends by reason of its expiration or, if earlier, upon termination of Lorber's employment (I) by

mutual agreement, (ii) by Retirement or (iii) due to a Change in Control), Lorber shall become a consultant to Nathan's, in recognition of the continued value to Nathan's of his extensive knowledge and expertise. Unless earlier terminated, as provided in Section 13(e), the Consulting Period shall continue for three years.

(b) Duties and Extent of Services.

(I) During the Consulting Period, Lorber shall consult with Nathan's and its senior executive officers regarding its business and operations. Such consulting services shall not require more than 50 days in any calendar year, nor more than one day in any week, it being understood and agreed that during the Consulting Period Lorber shall have the right, consistent with the prohibitions of Sections 16 and 17 below, to engage in full-time or part-time employment with any business enterprise that is not a competitor of Nathan's.

(ii) Lorber's service as a consultant shall only be required at such times and such places as shall not result in unreasonable inconvenience to him, recognizing his other business commitments that he may have to accord priority over the performance of services for Nathan's. In order to minimize interference with Lorber's other commitments, his consulting services may be rendered by personal consultation at his residence or office wherever maintained, or by correspondence through mail, telephone, fax or other similar mode of communication at times, including weekends and evenings, most convenient to him.

(iii) During the Consulting Period, Lorber shall not be obligated to serve as a member of the Board or to occupy any office on behalf of Nathan's or any of its Subsidiaries.

(C) Compensation. During the Consulting Period, Lorber shall receive from Nathan's each year as a Consulting Fee an amount equivalent to two-thirds of the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination.

(d) Disability. In the event of Disability during the Consulting Period, Nathan's or Lorber may terminate Lorber's consulting services. If Lorber's consulting services are terminated due to Disability, he shall be entitled to compensation, in accordance with Section 13(c), for the remainder of the Consulting Period.

(e) Termination. The Consulting Period shall terminate after three years or, if earlier, upon Lorber's death or upon his failure to perform consulting services as provided in Section 13(b), pursuant to 30 days' written notice by Nathan's to Lorber of the grounds constituting such failure and reasonable opportunity afforded Lorber to cure the alleged failure. Upon any such termination, payment of consulting fees and benefits shall cease.

(f) Other. During the Consulting Period, Lorber shall be entitled to expense reimbursement, perquisites and benefits pursuant to the terms of Sections 9, 10 and 11, respectively.

14. NO DUTY TO MITIGATE; NO OFFSET.

Lorber shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor will any payment hereunder be subject to offset in the event Lorber does receive compensation for services from any other source.

15. PARACHUTES.

(a) Application. If all, or any portion, of the payments provided under this Agreement, and/or any other payments and benefits that Lorber receives or is entitled to receive from Nathan's or a Subsidiary, whether or not under an existing plan, arrangement or other agreement, constitutes an "excess parachute payment" within the meaning of Section 280G(b) of the Code (each such parachute payment, a "Parachute Payment") and will result in the imposition on Lorber of an excise tax under Section 4999 of the Code, then, in addition to any other benefits to which Lorber is entitled under this Agreement, Nathan's shall pay him an amount in cash equal to the sum of the excise taxes payable by him by reason of receiving Parachute Payments, plus the amount necessary to put him in the same after-tax position (taking into account any and all applicable federal, state and local excise, income or other taxes at the highest possible applicable rates on such Parachute Payments (including without limitation any payments under this Section 15) as if no excise taxes had been imposed with respect to Parachute Payments (the "Excise Tax Gross-up").

(b) Computation. The amount of any payment under this Section 15 shall be computed by a certified public accounting firm of national reputation selected by Nathan's and acceptable to Lorber. If Nathan's or Lorber disputes the computation rendered by such accounting firm, Nathan's shall select an alternative certified public accounting firm of national reputation to perform the applicable computation. If the two accounting firms cannot agree upon the computations, Lorber and Nathan's shall jointly appoint a third certified public accounting firm of national reputation within 10 calendar days after the two

conflicting computations have been rendered. Such third accounting firm shall be asked to determine within 30 calendar days the computation of the Excise Tax Gross-up to be paid to Lorber, and payments shall be made accordingly.

(C) Payment. In any event, Nathan's shall pay to Lorber or pay on his behalf the Excise Tax Gross-up as computed by the accounting firm initially selected by Nathan's by the time any taxes payable by him as a result of the Parachute Payments become due, with Lorber agreeing to return the excess amount of such payment over the final computation rendered from the process described in Section 15(b). Lorber and Nathan's shall provide the accounting firms with all information that any of them reasonably deems necessary in order to compute the Excise Tax Gross-up. The cost and expenses of all the accounting firms retained to perform the computations described above shall be borne by Nathan's.

In the event that the Internal Revenue Service ("IRS") or the accounting firm computing the Excise Tax Gross-up finally determines that the amount of excise taxes thereon initially paid was insufficient to discharge Lorber's excise tax liability, Nathan's shall make additional payments to him as may be necessary to reimburse him for discharging the full liability.

Lorber shall apply to the IRS for a refund of any excise taxes paid and remit to Nathan's the amount of any such refund that he receives. Nathan's shall reimburse Lorber for his expenses in seeking a refund of excise taxes and for any interest and penalties imposed on excise taxes that he is required to pay.

16. CONFIDENTIAL INFORMATION.

(a) General.

(I) Lorber understands and hereby acknowledges that as a result of his employment with Nathan's he will necessarily become informed of and have access to certain valuable and confidential information of Nathan's and any of its Subsidiaries, joint ventures and affiliates, including, without limitation, inventions, trade secrets, technical information, computer software and programs, know-how and plans ("Confidential Information"), and that any such Confidential Information, even though it may be developed or otherwise acquired by Lorber, is the exclusive property of Nathan's to be held by him in

trust solely for Nathan's benefit.

(ii) Accordingly, Lorber hereby agrees that, during the Employment Term and subsequent thereto, he shall not, and shall not cause others to, use, reveal, report, publish, transfer or otherwise disclose to any person, corporation or other entity any Confidential Information without prior written consent of the Board, except to (A) responsible officers and employees of Nathan's or (B) responsible persons who are in a contractual or fiduciary relationship with Nathan's or who need such information for purposes in the interest of Nathan's. Notwithstanding the foregoing, the prohibitions of this clause (ii) shall not apply to any Confidential Information that becomes of general public knowledge other than from Lorber or is required to be divulged by court order or administrative process.

(b) Return of Documents. Upon termination of his employment with Nathan's for any reason Lorber shall promptly deliver to Nathan's all plans, drawings, manuals, letters, notes, notebooks, reports, computer programs and copies thereof and all other materials, including without limitation those of a secret or confidential nature, relating to Nathan's business that are then in his possession or control.

(C) Remedies and Sanctions. In the event that Lorber is found to be in violation of Section 16(a) or (b) above, Nathan's shall be entitled to relief as provided in Section 18 below.

17. NONCOMPETITION/NONSOLICITATION.

(a) Prohibitions. During the Employment Term and, if applicable, the Consulting Period, Lorber shall not, without prior written authorization of the Board, directly or indirectly, through any other individual or entity:

(I) become on officer or employee of, or render any service to, any direct competitor of Nathan's;

(ii) solicit or induce any customer of Nathan's to cease purchasing goods or services from Nathan's or to become a customer of any competitor of Nathan's; or

(iii) solicit or induce any employee of Nathan's to become employed by any competitor

of Nathan's.

(b) Remedies and Sanctions. In the event that Lorber is found to be in violation of Section 17(a) above, Nathan's shall be entitled to relief as provided in Section 18 below.

(C) Exceptions. Notwithstanding anything to the contrary in Section 17(a) above, its provisions shall not:

(I) apply if Nathan's terminates Lorber's employment without Cause or Lorber terminates his employment for Good Reason, each as provided in Section 12(g) above; or

(ii) be construed as preventing Lorber from investing his assets in any business that is not a direct competitor of Nathan's.

18. REMEDIES/SANCTIONS.

Lorber acknowledges that the services he is to render under this Agreement are of a unique and special nature, the loss of which cannot reasonably or adequately be compensated for in monetary damages, and that irreparable injury and damage may result to Nathan's in the event of any breach of this Agreement or default by Lorber. Because of the unique nature of the Confidential Information and the importance of the prohibitions against competition and solicitation, Lorber further acknowledges and agrees that Nathan's will suffer irreparable harm if he fails to comply with his obligations under Section 16(a) or (b) above or Section 17(a) above and that monetary damages would be inadequate to compensate Nathan's for any such breach. Accordingly, Lorber agrees that, in addition to any other remedies available to either Party at law, in equity or otherwise, Nathan's will be entitled to seek injunctive relief or specific performance to enforce the terms, or prevent or remedy the violation, of any provisions of this Agreement.

19. BENEFICIARIES/REFERENCES.

Lorber shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following his death by giving Nathan's written notice thereof; provided, however, that absent any then effective contrary notice, his beneficiary shall be the [Lorber Family Trust]. In the event of Lorber's death, or of a judicial determination of his incompetence, reference in this Agreement to Lorber shall be deemed to refer, as appropriate, to his beneficiary, estate or other legal representative.

20. WITHHOLDING TAXES.

All payments to Lorber or his Beneficiary under this Agreement shall be subject to withholding on account of federal, state and local taxes as required by law.

21. INDEMNIFICATION AND LIABILITY INSURANCE.

Nothing herein is intended to limit Nathan's indemnification of Lorber, and Nathan's shall indemnify him to the fullest extent permitted by applicable law consistent with Nathan's Certificate of Incorporation and By-Laws as in effect on the Effective Date, with respect to any action or failure to act on his part while he is an officer, director or employee of Nathan's or any Subsidiary. Nathan's shall cause Lorber to be covered at all times by directors' and officers' liability insurance on terms no less favorable than the directors' and officers' liability insurance maintained by Nathan's as in effect on the Effective Date in terms of coverage and amounts. Nathan's shall continue to indemnify Lorber as provided above and maintain such liability insurance coverage for him after the Employment Term for any claims that may be made against him with respect to his service as a director or officer of Nathan's or a consultant to Nathan's.

22. EFFECT OF AGREEMENT ON OTHER BENEFITS.

The existence of this Agreement shall not prohibit or restrict Lorber's entitlement to participate fully in compensation, employee benefit and other plans of Nathan's in which senior executives are eligible to participate.

23. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of Lorber) and assigns. No rights or obligations of Nathan's under this Agreement may be assigned or transferred by Nathan's except pursuant to (a) a merger or consolidation in which Nathan's is not the continuing entity or (b) sale or liquidation of all or substantially all of the assets of Nathan's, provided that the surviving entity or assignee or transferee is the successor to all or substantially all of the assets of Nathan's and such surviving entity or assignee or transferee assumes the liabilities, obligations and duties of Nathan's under this Agreement, either contractually or as a matter of law.

Nathan's further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it shall use its best efforts to have such assignee or transferee expressly agree to assume the liabilities, obligations and duties of Nathan's hereunder; provided, however, that notwithstanding such assumption, Nathan's shall remain liable and responsible for fulfillment of the terms and conditions of this Agreement; and provided, further, that in no event shall such assignment and assumption of this Agreement adversely affect Lorber's rights upon a Change in Control, as provided in Section 12(h) above. No rights or obligations of Lorber under this Agreement may be assigned or transferred by him.

24. REPRESENTATIONS.

The Parties respectively represent and warrant that each is fully authorized and empowered to enter into this Agreement and that the performance of its or his obligations, as the case may be, under this Agreement will not violate any agreement between such Party and any other person, firm or organization. Nathan's represents and warrants that this Agreement has been duly authorized by all necessary corporate action and is valid, binding and enforceable in accordance with its terms.

25. ENTIRE AGREEMENT.

Except to the extent otherwise provided herein, this Agreement contains the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes any prior agreements, whether written or oral, between the Parties concerning the subject matter hereof, including without limitation the Prior Agreement. Payments and benefits provided under this Agreement are in lieu of any payments or other benefits under any severance program or policy of Nathan's to which Lorber would otherwise be entitled.

26. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by both Lorber and an authorized officer of Nathan's. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Party to be charged with the waiver. No delay by either Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

27. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

28. SURVIVAL.

The respective rights and obligations of the Parties under this Agreement shall survive any termination of Lorber's employment with Nathan's.

29. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York, without reference to principles of conflict of laws.

30. COSTS OF DISPUTES.

Nathan's shall pay, at least monthly, all costs and expenses, including reasonable attorneys' fees

and disbursements, of Lorber in connection with any proceeding, whether or not instituted by Nathan's or Lorber, relating to any provision of this Agreement, including but not limited to the interpretation, enforcement or reasonableness thereof; provided, however, that, if Lorber institutes the proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that his claims were frivolous or were made in bad faith, he shall pay his own costs and expenses and, if applicable, return any amounts theretofore paid to him or on his behalf under this Section 30. Pending the outcome of any proceeding, Nathan's shall pay Lorber all amounts due to him without regard to the dispute; provided, however, that if Nathan's shall be the prevailing party in such a proceeding, Lorber shall promptly repay all amounts that he received during pendency of the proceeding.

31. NOTICES.

Any notice given to either Party shall be in writing and shall be deemed to have been given when delivered either personally, by fax, by overnight delivery service (such as Federal Express) or sent by certified or registered mail postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to such changed address as the Party may subsequently give notice of.

If to Nathan's or the Board:

Nathan's Incorporated

1400 Old Country Road

Westbury, NY 11590

Attention: Wayne Norbitz

FAX: (516) 338-7220

If to Lorber:

Howard M. Lorber

8061 Fisher Island

Miami, Florida 33109

32. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

33. COUNTERPARTS.

This Agreement may be executed in counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF THE PARTIES, hereto have executed this Agreement as of the day and year first written above.

NATHAN'S FAMOUS, INC.

By: /s/ Wayne Norbitz, President

/s/ Howard M. Lorber

Howard M. Lorber

Exhibit 21

Nathan's Famous, Inc.
SUBSIDIARIES

Company Name	State of Incorporation
Nathan's Famous, Inc.	Delaware
Nathan's Famous Operating Corp .	Delaware
Nathan's Famous Systems, Inc.	Delaware
Nathan's Famous Services, Inc.	Delaware
Nathan's Famous of Times Square, Inc.	New York
Nathan's Famous of New Jersey, Inc.	New Jersey
Nathan's Roadside Rest, Inc.	New York
Denek of Hicksville, Inc.	New York
Nathan's Famous of Yonkers, Inc.	New York
Nathan's Famous of Hicksville, Inc.	New York
Nathan's Famous of Kings Plaza, Inc.	New York
Nathan's Famous of Farmingdale, Inc.	New York
Nathan's Famous of Milford, Inc.	Connecticut
Nathan's Famous of 325 Fifth Avenue, Inc.	New York
Nathan's Famous Forest Avenue, Inc.	New York
Namasil Realty Corp.	New York
Nathan's Famous of H.D., Inc.	Delaware
Nathan's Famous of Crossgates, Inc.	New York
Nathan's Famous, of Lynbrook, Inc.	Delaware
Miami Subs Corporation	Delaware
Miami Subs USA, Inc.	Florida
MGIII, Inc.	Florida
Miami Subs Real Estate Corp.	Florida
Walnut Enterprises, Inc.	Texas
QSR, Inc.	Florida
Miami Subs of Delaware, Inc.	Delaware
B & B Food Ventures, Inc.	Florida
NF Roasters Corp.	Delaware
NF Roasters of Commack, Inc.	New York
NF Roasters of Rockville Centre, Inc.	New York

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated June 21, 2000 included in this Form 10-K, into the Company's previously filed Registration Statements (File Nos. 333-92995, 333-86195, 333-86043, 33-72066, 33-89442 and 33-93396).

/s/ Arthur Andersen LLP

New York, New York
June 21, 2000

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1,000

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MAR-26-2000
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