UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 29, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________to__________

Commission File No. 001-35962

NATHAN'S FAMOUS, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-3166443
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Jericho Plaza, Jericho, New York	11753
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	516-338-8500

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter – September 27, 2019 - was approximately $205,542,000, which value, solely for the purposes of this calculation excludes shares held by the registrant's officers and directors. Such exclusion shall not be deemed a determination by registrant that all such individuals are, in fact, affiliates of the registrant.

As of June 5, 2020, there were outstanding 4,114,711 shares of Common Stock, par value $.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE– The information required by Part III, Items 10, 11, 12 and 13 is incorporated by reference from the registrant's definitive proxy statement for the 2020 Annual Meeting of Shareholders which is expected to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 no later than 120 days after the conclusion of Nathan Famous, Inc.'s fiscal year ended March 29, 2020.

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PART I

Forward-Looking Statements

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

Item 1. Business.

As used herein, unless we otherwise specify, the terms “we,” “us,” “our,” “Nathan’s,” “Nathan’s Famous” and the “Company” mean Nathan’s Famous, Inc. and its subsidiaries, including NF Treacher’s Corp. References to the fiscal 2020 period mean the fiscal year ended March 29, 2020 and references to the fiscal 2019 period mean the fiscal year ended March 31, 2019. In addition, references to the “Notes”, “2025 Notes” or the “2025 Senior Secured Notes” refer to the $150,000,000 6.625% Senior Secured Notes due 2025 and references to the “2020 Notes” or the “2020 Senior Secured Notes” refer to the $135,000,000 10.000% Senior Secured Notes which were redeemed on November 16, 2017.

We are a leading branded licensor, wholesaler and retailer of products marketed under our Nathan’s Famous brand, including our popular Nathan’s World Famous Beef Hot Dogs. What began as a nickel hot dog stand on Coney Island in 1916 has evolved into a highly recognized brand throughout the United States and the world. Our innovative business model seeks to maximize the points of distribution for and the consumption of Nathan’s World Famous Beef Hot Dogs, crinkle-cut French fries and our other products across a wide-range of grocery retail and foodservice formats. Our products are currently marketed for sale in approximately 78,000 locations, including supermarkets, mass merchandisers and club stores, selected foodservice locations and our Company-owned and franchised restaurants throughout the United States and in eleven foreign territories and countries. The Company considers itself to be in the foodservice industry, and has pursued co-branding initiatives within other foodservice environments. Our major channels of distribution are as follows:

- Our licensing program contracts with certain third parties to manufacture, distribute, market and sell a broad variety of Nathan’s Famous branded products including our hot dogs, sausage and corned beef products, frozen French fries and additional products through retail grocery channels and club stores throughout the United States. As of March 29, 2020, packaged Nathan’s World Famous Beef Hot Dogs continued to be sold in approximately 64,000 supermarkets, mass merchandisers and club stores including Kroger, Publix, ShopRite, Walmart, Target, Sam’s Club, Costco and BJ’s Wholesale Club located in all 50 states. We earn revenue through royalties on products sold by our licensees.

- The Branded Product Program (“BPP”) provides foodservice operators in a variety of venues the opportunity to capitalize on our *Nathan’s Famous* brand by marketing and selling certain *Nathan’s Famous* hot dog products. We believe that the program has broad appeal to foodservice operators due to its flexibility to deliver our products to a wide variety of distribution channels. In conjunction with the program, operators are granted a limited use of the *Nathan’s Famous* trademark, as well as Nathan’s point of purchase materials. Unlike our licensing and franchise programs, we do not generate revenue from royalties, but rather by selling our hot dog products either directly to foodservice operators or to various foodservice distributors who resell the products to foodservice operators.

- Operating quick-service restaurants featuring Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries, and a variety of other menu offerings, which operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant which opened in 1916.

- Our franchised restaurant operations are comprised predominately of our *Nathan's Famous* concept, which features a menu consisting of *Nathan's World Famous Beef Hot Dogs*, crinkle-cut French fries and beverages as well as other items. We earn royalties on restaurant sales at these franchise locations. In addition to our traditional franchised restaurants, we enable approved foodservice operators to offer a *Nathan's Famous* menu of *Nathan's World Famous Beef Hot Dogs*, crinkle-cut French fries, proprietary toppings and a limited menu of other Nathan's products through our Branded Menu Program ("BMP"). We earn royalties on Nathan's products purchased by our BMP franchise operators.

We also own, through our subsidiary NF Treacher's Corp., the Arthur Treacher's brand and trademarks. We use the Arthur Treacher's brand, products and trademarks as a branded seafood menu-line extension for inclusion in certain Nathan's Famous restaurants. Currently, we operate six Arthur Treacher's BMP locations.

Our brand is widely recognized by virtue of our long history and broad geographic footprint, which allows us to enjoy high consumer awareness in the United States and abroad and the ability to grow in markets and channels where the brand is known but has not yet achieved optimal market penetration. We believe that our highly visible brand and reputation for high quality products have allowed us to expand our food offerings beyond our signature hot dogs and command a price premium across our portfolio of products. Over time, we have expanded menu options so that our Company-owned restaurants and franchisees can supplement their core menu of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries and beverages with a variety of other quality menu choices. We have also developed a portfolio of licensed products for sale at retail and grocery locations. In response to the COVID-19 pandemic, we implemented a new method of distributing our products through the use of "ghost kitchens", whereby well-known restaurants will have the ability to market Nathan's products for pick-up or in the form of meal kits for at home preparation. We seek to maintain the same quality standard with each of our supplemental menu items and licensed products as we do with our core hot dog and French fries menu. We intend to continue to leverage our highly recognized global brand and iconic products to introduce new products into our existing distribution network, open new points of distribution and grow our overall sales. We believe that there is great potential to increase our sales by converting existing sales of non-branded products to Nathan's branded products throughout the foodservice industry.

In recent years, our primary focus has been to expand the market penetration of the Nathan's Famous brand. Specifically, we have sought to increase the number of points of brand representation and grow product sales throughout our various channels of distribution. In this regard, we have concentrated our efforts on:

- expanding our licensing programs for packaged Nathan's Famous products through new product introductions and geographic expansion;

- expanding the number of foodservice locations and distributors participating in the Nathan's Famous Branded Product Program;

- expanding the number of domestic franchised Nathan's Famous restaurant units through the opening of new and innovative types of locations, including the Branded Menu Program, as well as continuing to develop master franchising programs in foreign countries; and

- continuing to profitably operate our iconic Company-owned restaurants, and opportunistically seek to invest in Company-owned restaurant expansion.

During fiscal 2020, we sought to re-invigorate restaurant operations of both our Company-owned and franchised restaurants which has led to a reduction in the number of franchised restaurants both domestically and internationally.

As of March 29, 2020:

- our Nathan's Famous restaurant system consisted of 216 franchised units and four Company-owned units (including one seasonal unit) located in 21 states and nine foreign countries;

- our Nathan's Famous Branded Product Program distributes our Nathan's World Famous Beef Hot Dogs throughout all 50 states, the District of Columbia, Puerto Rico, Canada, the US Virgin Islands, Guam and Mexico;

- Nathan's Famous packaged hot dogs and other products were offered for sale within approximately 64,000 supermarkets and club stores in all 50 states.

Our revenues are generated primarily from sales of products sold through our Branded Product Program and within our Company-owned restaurants, as well as royalties from our retail licensing activities and the royalties, fees and other sums we earn from our restaurant franchising activities.

We plan to expand the scope and market penetration of our Branded Product Program, further develop the restaurant operations of existing Nathan's Famous franchised and Company-owned outlets, open new Nathan's Famous franchised outlets in traditional or captive market environments and expand the Nathan's Famous retail licensing programs. We also plan to further expand our international presence through our franchise, and retail licensing programs. We may also selectively consider opening new Company-owned restaurants.

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 Corp. The Delaware subsidiary was organized in October 1989 in connection with its re-incorporation 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. 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.

Restaurant Operations

Since the implementation of "stay-at-home" and dining room closure orders in mid-March, 2020 due to the rapidly evolving COVID-19 outbreak, operations at our Company-owned restaurants and our franchisees' restaurants have been disrupted. Three of our four Company-owned restaurants have been open and only offering food through take-out and delivery as we are prohibited from offering dine-in seating and service at our restaurants. Our seasonal location on the Coney Island Boardwalk opened on May 15, 2020, observing the same cautions and restrictions. The majority of our franchised locations have been temporarily closed due to their locations in venues that are closed (such as shopping malls and movie theaters) or venues operating at significantly reduced traffic (such as airports and highway travel plazas). Such closures and disruptions have materially impacted revenues at our Company-owned restaurants with significant declines since the middle of March 2020, as compared to the same period last year. We are principally focused on the well-being and safety of our guests, franchisees, restaurant associates and all other employees. Since the situation around the COVID-19 virus is constantly changing, we may implement additional measures to ensure the safety of our team members and guests over time.

Currently, our restaurant operations are comprised of 31 Nathan's Famous restaurants, which have been co-branded with Arthur Treacher's or Kenny Rogers Roasters menu items in 30 and one unit, respectively.

Nathan's Famous Concept and Menus

Our Nathan's Famous concept is scalable, offering a wide range of facility designs and sizes, suitable to a vast variety of locations, featuring a core menu consisting of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries and beverages. Nathan's menu is designed 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 can be co-branded with other nationally recognized brands.

Nathan's World Famous Beef Hot Dogs are flavored with its secret blend of spices provided by Ida Handwerker in 1916, which historically have distinguished Nathan's World Famous Beef Hot Dogs. Our hot dogs are prepared and served in accordance with procedures which have not varied significantly since our inception over 100 years ago in our Company-owned and franchised restaurants. Our signature crinkle-cut French fries, cooked in 100% trans-fat-free oil, are featured at each Nathan's restaurant. We believe the majority of sales in our Company-owned units consist of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries and beverages.

Individual Nathan's restaurants supplement their core menu of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries and beverages with a variety of other quality menu choices including: char-grilled hamburgers, crispy chicken tenders, crispy chicken and char-grilled chicken sandwiches, Philly cheese steaks, selected seafood items, a breakfast menu and assorted desserts and snacks. We have historically used the Arthur Treacher's brand, products and trademarks as a branded seafood menu-line extension for inclusion in certain Nathan's Famous restaurants. While the number of supplemental menu items carried varies with the size of the unit, the specific supplemental menus chosen are tailored to local food preferences and market conditions. Each supplemental menu option consists of a number of variations; for example, the hamburger menu may include char-grilled bacon cheeseburgers, double-burgers and super cheeseburgers. We seek to maintain the same quality standard with each of Nathan's supplemental menus as we do with Nathans' core hot dog and French fries 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 designed to appeal to the children's market. Soft drinks, iced tea, coffee and old fashioned lemonade and orangeade are also offered. The Company continually evaluates new products. In the course of its evaluations, the Company seeks to respond to changing consumer trends and preferences. A key strategy of the restaurant re-invigoration throughout fiscal 2020 was to significantly improve the quality of our menu. We have introduced a number of new items, including fresh 6 oz. hamburgers, Pat LaFreida pastrami, shakes and a new line of chicken products.

Nathan's restaurant designs are available in a range of sizes from 300 to 4,000 square feet. We have also developed various Nathan's carts, kiosks, mobile food carts, trucks and modular units. Our smaller units may not have customer seating areas, although they may often share seating areas with other fast food or quick service outlets in food court settings. Other units generally provide seating for 45 to 125 customers. Carts, trucks, kiosks and modular units generally carry only the core menu. This menu is supplemented by a number of other menu selections in our other restaurant types.

We believe that Nathan's carts, kiosks, modular units and food court designs 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 foodservice, within larger retail operations and other captive markets. Many of these settings may also be appropriate for our expanding Branded Menu Program or Branded Product Program. All of these units feature the Nathan's logo and utilize a contemporary design.

Franchise Operations

At March 29, 2020, our Nathan's franchise system, including our Branded Menu Program, consisted of 216 units operating in 21 states and nine foreign countries.

Our franchise system includes among its 60 franchisees such well-known companies as HMS Host, Gourmet Dining Services, Inc., CulinArt, National Amusements, Inc., Hershey Entertainment & Resorts Company, and Bruster's Real Ice Cream. We continue to market our franchising programs to larger, experienced and successful operators with the financial and business capability to develop multiple franchise units, as well as to individual owner-operators with evidence of restaurant management experience, net worth and sufficient capital.

During the fiscal 2020 period, no single franchisee accounted for over 10% of our consolidated revenue. At March 29, 2020, HMS Host operated 11 franchised outlets, including three units at airports, seven units within highway travel plazas and one unit within a mall. Additionally, at March 29, 2020, (i) HMS Host operated approximately 47 locations featuring Nathan's products pursuant to our Branded Product Program, (ii) 23 mobile carts were registered to operate in New York, NY, and (iii) 15 Bruster's Real Ice Cream shops were selling Nathan's products under our Branded Menu Program.

Nathan's Standard Franchise Program

Franchisees are required to execute a standard franchise agreement prior to opening each Nathan's Famous unit. Our current standard Nathan's Famous 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 5.5% of restaurant sales and the expenditure of up to 2.0% of restaurant sales on advertising. We may offer alternatives to the standard franchise agreement, having to do with franchise royalties, fees or advertising requirements. 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.

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 provide numerous support services to our Nathan's Famous franchisees. We assist in and approve all site selections. Thereafter, we provide architectural 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 restaurant design and location selected by the franchisee. We typically do not sell food, equipment or supplies to our standard franchisees.

We offer various management-training courses for management personnel of Company-owned and franchised Nathan's Famous restaurants. A 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. We meet with our franchisees to discuss upcoming marketing events, menu development and other topics, each of which is designed to provide individual restaurant and system-wide benefits.

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 to be applied on a system-wide basis. We regularly monitor franchisee operations and inspect restaurants. Franchisees are required to furnish us with monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We make both announced and unannounced inspections of restaurants to ensure that our practices and procedures are 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 agreement, including for non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal 2020 period, franchisees opened 16 new Nathan's Famous franchised units in the United States (including three Branded Menu Program units), and five units internationally.

A franchisee who desires to open multiple units in a specific territory within the United States may enter into an area development agreement under which we would expect to receive an area development fee based upon the number of proposed units which the franchisee is authorized to open. With respect to our international development, we generally grant exclusive territorial rights in foreign countries for the development of Nathan's units based upon compliance with a predetermined development schedule. Additionally, we may further grant exclusive manufacturing and distribution rights in foreign countries, and we may require an exclusivity fee to be conveyed for such exclusive rights.

Nathan's Branded Menu Program

Our Nathan's Famous Branded Menu Program enables qualified foodservice operators to offer a Nathan's Famous menu of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries, proprietary toppings, and a limited menu of other Nathan's products. Under the Branded Menu Program, the operator may use the Nathan's Famous trademarks on signage and as part of its menu boards. Additionally, the operator may use Nathan's Famous paper goods and point of sale marketing materials. Nathan's also provides architectural and design services, training and operation manuals in conjunction with this program. The operator provides Nathan's with a fee and is required to sign a 10-year agreement. Nathan's does not collect a royalty based on the operator's sales and the operator is not required to report sales to Nathan's as required by the standard franchise arrangements. Instead, the Branded Menu Program operator is required to purchase products from Nathan's approved distributors and we earn our royalties from such purchases.

Arthur Treacher's

Arthur Treacher's Fish-n-Chips, Inc. was originally founded in 1969. Arthur Treacher's main product is its "Original Fish-n-Chips," consisting of fish fillets coated with a special batter prepared under a proprietary formula, deep-fried golden brown, and served with English-style chips and corn meal "hush puppies." Full menu restaurants emphasize the preparation and sale of batter-dipped fried seafood and chicken dishes served in a quick-service environment.

We are the sole owner of all rights to the Arthur Treacher's brand and the exclusive franchisor of the Arthur Treacher's restaurant system (subject to a limited license granted to PAT Franchise Systems, Inc. ("PFSI")) in Indiana, Michigan, Ohio, and Pennsylvania, ("the PFSI Markets"). Pursuant to the license, PFSI has no obligation to pay fees or royalties to us in connection with its use of the Arthur Treacher's intellectual property within the PFSI Markets. As a result of PFSI's failure to satisfy the Development Schedules for each of the territories, all future development rights have reverted to Nathan's.

As of March 29, 2020, Arthur Treacher's, as a co-brand, was included within 30 Nathan's Famous restaurants. Our primary intention was to continue including co-branded Arthur Treacher's operations within our Nathan's Famous restaurants and explore alternative distribution channels for Arthur Treacher's products. We may seek to expand the opportunity for an Arthur Treacher's Branded Menu Program in the future. Currently we operate six Arthur Treacher's BMP locations.

Kenny Rogers Roasters

We have the right to use the Kenny Rogers Roasters trademarks for the continued sale of the Kenny Rogers Roasters products in the Nathan's Famous restaurants existing at April 23, 2008, where the Kenny Rogers products had already been introduced. As of March 29, 2020, the Kenny Rogers brand was being sold within one Nathan's restaurant.

Company-owned Nathan's Restaurant Operations

As of March 29, 2020, we operated four Company-owned Nathan's units, including one seasonal location, in New York. Three of our four Company-owned restaurants have been open with limited operations resulting from restrictions due to the COVID-19 pandemic. Our seasonal location on the Coney Island Boardwalk opened on May 15, 2020, observing the same cautions and restrictions. Since 2012, we have invested significantly in our Company-owned restaurants. In March 2012, we relocated our seasonal Coney Island Boardwalk restaurant to a more prominent location. Our Coney Island flagship location was rebuilt and re-opened on May 20, 2013 after suffering severe damage as a result of Superstorm Sandy on October 29, 2012. Our Yonkers location was down-sized, relocated and re-opened on November 18, 2013 pursuant to its new lease, and our Oceanside restaurant was also relocated and downsized and re-opened on March 25, 2015. Three of our Company-owned restaurants range in size from approximately 2,650 square feet to 10,000 square feet and have seating to accommodate between 60 and 125 customers. These restaurants are open seven days a week on a year-round basis and are designed to appeal to consumers of all ages. 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. We completed the sale of the Company-owned restaurant, including the real estate, in Bay Ridge, Brooklyn, NY in October 2018. The Company continued operating the restaurant under a Surrender Agreement with the purchaser until January 2019.

Two of our Company-owned restaurants have contemporary service areas, seating, signage, and general decor. Our Coney Island restaurant, which first opened in 1916, remains unique in its presentation and operations.

Our Company-owned restaurants typically carry a broader selection of menu items than our franchise restaurants and generally attain sales levels higher than the average of our newer franchise restaurants. The non-core menu items at the Company-owned restaurants, tend to have lower margins than the core menu.

International Development

As of March 29, 2020, Nathan's Famous franchisees operated 27 units in nine foreign countries.

During fiscal 2020 our franchisees opened five new units internationally. Our existing franchisees opened one unit each in Australia, the United Kingdom, Kazakhstan, Panama and the Dominican Republic.

We may seek to continue granting exclusive territorial rights for franchising and for the manufacturing and distribution rights in foreign countries, and we expect to require that an exclusivity fee be conveyed for these rights. We plan to develop the restaurant franchising system internationally through the use of master franchising agreements based upon individual or combined use of our existing restaurant concepts and for the distribution of Nathan's products.

Following is a summary of our international operations for the fiscal years ended March 29, 2020 and March 31, 2019: See Item 1A-"Risk Factors."

	March 29, 2020	March 31, 2019
Total revenue	**$ 4,872,000**	$ 3,978,000
Gross profit (a)	**$ 1,962,000**	$ 1,403,000

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

Location Summary

The following table shows the number of our Company-owned and franchised units in operation at March 29, 2020 and their geographical distribution:

Domestic Locations	Company	Franchise (1)	Total (1)
Arizona	-	1	1
California	-	1	1
Connecticut	-	5	5
Florida	-	21	21
Georgia	-	7	7
Illinois	-	1	1
Kentucky	-	3	3
Maryland	-	3	3
Massachusetts	-	6	6
Missouri	-	1	1
Nevada	-	9	9
New Jersey	-	24	24
New York	4	82	86
North Carolina	-	2	2
Ohio	-	3	3
Pennsylvania	-	9	9
Rhode Island	-	2	2
South Carolina	-	5	5
Texas	-	1	1
Virginia	-	2	2
West Virginia	-	1	1
Domestic Subtotal	4	189	193

International Locations	Company	Franchise (1)	Total (1)
Dominican Republic	-	6	6
Egypt	-	1	1
Jamaica	-	2	2
Kazakhstan	-	4	4
Malaysia	-	4	4
Panama	-	4	4
Philippines	-	3	3
Spain	-	1	1
United Kingdom	-	2	2
International Subtotal	-	27	27
Grand Total	4	216	220

(1) Amounts include 94 units operated pursuant to our Nathan’s and Arthur Treacher’s Branded Menu Programs. Units operating pursuant to our Branded Product Program are excluded.

Branded Product Program

Since the onset of the COVID-19 outbreak and implementation of “stay-at-home” and dining room closure orders in mid-March, 2020, operations at many of our Branded Product Program accounts have been severely hampered as many of our customers operate in venues that are currently closed and may be slow to reopen, such as professional sports venues, amusement parks, shopping malls and movie theaters.

Through the Branded Product Program, Nathan’s provides qualified foodservice operators in a variety of venues the opportunity to capitalize on Nathan’s valued brand by marketing and selling primarily Nathan’s Famous hot dog products. We believe that the program is unique in its flexibility and broad appeal. Hot dogs are offered in a variety of sizes and additional specialty products are available to satisfy consumer needs. In conjunction with the program, the operators are granted a limited use of the Nathan’s Famous trademark, as well as Nathan’s point of purchase materials. We earn income by selling our products either directly to the end users or to various foodservice distributors who resell the products to specific operators.

As of March 29, 2020, the Branded Product Program distributed product in all 50 states, the District of Columbia, Puerto Rico, Canada, the U.S. Virgin Islands, Guam and Mexico. During the fiscal 2020 period, we continued to open many new locations offering Nathan’s branded products. Pursuant to the Branded Product Program, Nathan’s World Famous Beef Hot Dogs are being offered in national restaurant chains such as Auntie Anne’s, Hot Dog On A Stick, Johnny Rockets, national movie theater chains such as Regal Entertainment and National Amusements, casino hotels such as Foxwoods Casino in Connecticut, the Grand Casino in Minnesota and convenience store chains such as Race Trac, Holiday Station stores, and the Cinemex movie chain in Mexico. The Branded Products Program also distributes product in professional sports arenas with Nathan’s World Famous Beef Hot Dogs now being served in stadiums and arenas that host the New York Yankees, New York Mets, Brooklyn Nets, New York Islanders, Dallas Cowboys, Miami Marlins, Colorado Rockies and Green Bay Packers.

Additionally, our products are offered in numerous other foodservice operations including cafeterias, snack bars and vending machines located in many different types of foodservice outlets and venues, including airports, highway travel plazas, colleges and universities, gas and convenience stores, military installations and Veteran’s Administration hospitals throughout the United States.

Once business as usual can resume, Nathan’s expects to continue to seek out and evaluate a variety of alternative environments designed to maximize the value of our Branded Product Program.

Expansion Program

We expect that our retail licensing program will resume its growth once the COVID-19 crisis subsides, centered around our licensing program with John Morrell & Co. John Morrell & Co. brings superior sales and marketing resources to our brand through its national scale, broad distribution platform, strong retail relationships and research and development infrastructure capable of developing and introducing attractive new products. As a result of our partnership with John Morrell & Co., we expect *Nathan’s Famous* products to resume penetrating the grocery, mass merchandising and club channels by expanding points of distribution in targeted, underpenetrated regions and through the development of new products. John Morrell & Co. expects to leverage this relationship with continued full-scale marketing efforts, both inside and outside of stores, highlighted by exciting customer events and brand representation and support of the Hot Dog Eating Contest.

We expect to resume the growth of our Branded Product Program once the COVID-19 crisis subsides, through the addition of new points of sale. We believe that the flexible design of the Branded Product Program makes it well-suited for sales to all segments of the broad foodservice industry. We intend to keep targeting sales to a broad line of food distributors, which we believe complements our continuing focus on sales to various foodservice retailers. We continue to 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 to Nathan's branded products throughout the foodservice industry.

We will seek to market our franchise restaurant program to large, experienced and successful operators with the financial and business capability to develop multiple franchise units, as well as to individual owner-operators with evidence of restaurant management experience, net worth and sufficient capital.

We also expect to re-commence opening Nathan's Famous franchised units once the COVID-19 crisis subsides, expanding product distribution through various means such as branded products and retail licensing arrangements, developing master franchising programs in foreign countries both within our restaurant system and as a separate Branded Menu Program. We may selectively consider opening new Company-owned Nathan's units on an opportunistic basis. We may consider new opportunities in both traditional and captive market settings.

We believe that our international development efforts will continue to garner a variety of interest as a result of the unique product distribution opportunities that we offer. Because of the scalability of our concept and menu offerings, we believe that there are also opportunities to co-brand our restaurant concept and/or menu items with other restaurant concepts internationally. We believe that in addition to restaurant franchising, we could further increase revenues by continuing to offer master development agreements to qualified persons or entities allowing for the operation of franchised restaurants, sub-franchising of restaurants to others, licensing the manufacture of our signature products, selling our signature products through supermarkets or other retail venues and further developing 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 anticipated development of the business.

Co-branding

We believe that there is a continuing opportunity for co-branding of our restaurant concept and/or menu items with other restaurant concepts, as well as within our restaurant system as new franchise opportunities are developed. Franchisees that have co-branded a Nathan's Famous restaurant with our other brands received a then-current Uniform Franchise Offering Circular ("UFOC") or Franchise Disclosure Document ("FDD") and executed a participation agreement as a rider to their franchise agreement. We initially implemented our co-branding strategy within the Nathan's Famous restaurant system by adding the Arthur Treacher's and Kenny Rogers Roasters brands into Nathan's Famous restaurants. Upon the sale of Kenny Rogers Roasters in April 2008, we discontinued co-branding that brand within new restaurants in the Nathan's Famous system. We continue to support our co-branded Arthur Treacher's franchisees.

Licensing Program

Pursuant to an Agreement expiring in March 2032, John Morrell & Co., a subsidiary of Smithfield Foods, Inc., has been granted, among other things, (i) the exclusive right and obligation to manufacture, distribute, market and sell "Nathan's Famous" branded hot dog, sausage and corned beef products in refrigerated consumer packages to be resold through retail channels (e.g., supermarkets, groceries, mass merchandisers and club stores) within the United States, (ii) a right of first offer to license any other "Nathan's Famous" branded refrigerated meat products in consumer packages to be resold through retail channels within the United States, on terms to be negotiated in good faith, (iii) the right and obligation to manufacture "Nathan's Famous" branded hot dog and sausage products in bulk for use in the food service industry within the United States, and (iv) the non-exclusive right and obligation to supply "Nathan's Famous" natural casing and skinless hot dogs in bulk for use in the "Nathan's Famous" restaurant system within the United States. The Agreement provides for royalties on packaged products sold to supermarkets, club stores and grocery stores, payable on a monthly basis to the Company equal to 10.8% of net sales, subject to minimum annual guaranteed royalties of at least $10 million in the first year of the term and which minimum guaranteed royalties increase annually throughout the term. Nathan's earned royalties of approximately $22,307,000 in fiscal 2020 and $19,733,000 in fiscal 2019 representing 21.6% and 19.4% of total revenues, respectively. We believe our future operating results will continue to be substantially impacted by the terms and conditions of the agreement with John Morrell & Co., but there can be no assurance thereof (See Item 1A - "Risk Factors"). Since 2002, John Morrell & Co. has licensed from us the right to manufacture and sell branded hot dogs and sausages to selected foodservice accounts. Pursuant to this arrangement, we earned royalties of $1,373,000 and $1,538,000 during the fiscal 2020 and 2019 period, respectively. The majority of these royalties were earned from one company. As of March 29, 2020 packaged Nathan's World Famous Beef Hot Dogs continued to be sold in approximately 64,000 supermarkets, mass merchandisers and club stores including Kroger, Publix, ShopRite, Walmart, Target, Sam's Club, Costco and BJ's Wholesale Club located in all 50 states. We believe that the overall exposure of the brand and opportunity for consumers to enjoy the Nathan's World Famous Beef Hot Dog in their homes helps promote "Nathan's Famous" restaurant patronage. Royalties earned from this agreement were approximately 91.6% of our fiscal 2020 period license revenues.

We license the manufacture of the proprietary spices which are used to produce Nathan's World Famous Beef Hot Dogs to Saratoga Specialties. During fiscal 2020 and 2019, we earned $1,102,000 and $1,091,000, respectively, from this license. Through this agreement, we control the manufacture of all Nathan's hot dogs.

During fiscal 2020, our licensee Lamb Weston, Inc., continued to produce and distribute Nathan's Famous frozen French fries and onion rings for retail sale pursuant to a license agreement. These products were distributed within 36 states, primarily on the East Coast and in the South-West and West Coast during fiscal 2020. During fiscal 2020 and 2019, we earned royalties of $719,000 and $586,000, respectively, under this agreement. For the contract year ended in July 2019, we earned royalties of $203,000 in excess of the annual minimum. Lamb Weston, Inc. continues to seek to further expand its market penetration in the Eastern United States and in the Mid-West. Lamb Weston, Inc. exercised its third option to extend the license agreement through July 2023, pursuant to which the minimum royalties will increase 4% annually.

During fiscal 2020, we transferred the license to manufacture and sell miniature bagel dogs, franks-in-a-blanket and other hors d'oeuvres through club stores, supermarkets and other retail food stores to an existing licensee. Royalties earned under their agreements were approximately $10,000 during fiscal 2020 and $271,000 during fiscal 2019.

We also have licensing agreements with Hermann Pickle Packers, Inc., Gold Pure Food Products Co., Inc. and others. These companies licensed the "Nathan's Famous" name for the manufacture and sale of various products including mustard, salsa, sauerkraut and pickles. These products have been distributed on a limited basis. Fees and royalties earned from all of these products were approximately $341,000 during fiscal 2020 and $328,000 during fiscal 2019.

Effective May 14, 2019 Inventure Foods, Inc., pursuant to the terms of the license agreement, exercised its right to terminate the agreement for the manufacture and sale of Nathan's branded potato chips and other salty snack products. No royalties were earned under this agreement during the fiscal 2020 period and approximately $68,000 were earned during fiscal 2019.

Provisions and Supplies

Nathan's World Famous Beef Hot Dogs are primarily manufactured by John Morrell & Co. for sale by our Branded Product Program, our restaurant system, and at retail. John Morrell & Co. and other hot dog manufacturers supply the hot dogs for our Company-operated and franchise-operated restaurants. All hot dogs are manufactured in accordance with Nathan's recipes, quality standards and proprietary spice formulations. Nathan's believes that it has reliable sources of supply; however, in the event of any significant disruption in supply, management believes that alternative sources of supply are available. (See Item 1A- "Risk Factors"). Saratoga Specialties produces Nathan's proprietary spice formulations and we have, in the past, engaged Newly Weds Foods, Inc. as an alternative source of supply. Our frozen crinkle-cut French fries have been produced primarily by Lamb Weston, Inc. McCain Foods USA is a secondary source of supply of our frozen French fries for our restaurant system.

During fiscal 2020 McCain Foods USA provided approximately 12% of our frozen crinkle-cut French fries. Most other Company provisions are purchased 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 in the restaurants in an effort to ensure adequate supply of high quality items at competitive prices.

We currently utilize a cooperative distribution system pursuant to an agreement with UniPro Foodservice, Inc., the Multi-Unit Group, which is comprised of institutional food and non-food distributors organized to procure, distribute and market food service and non-food merchandise for the distribution needs of our domestic restaurant system. The initial term of the agreement is for five (5) years, through November 15, 2022 and continuing for two successive one year renewal periods upon mutual consent. Our former distribution agreement with US Foodservice, Inc. expired on July 31, 2018. We believe this new arrangement allows for more flexibility in expanding into new markets throughout the U.S., as well as proves to be more cost efficient for our current franchisees. The strategic distribution partners under this new agreement include: DiCarlo Distributors, Inc., Tapia Brothers Co., Cheney Brothers, Inc., Feesers, Inc., Lipari Foods, LLC and Chain Distribution Services LLC. Our branded products are delivered to our ultimate customers throughout the country by numerous distributors, including US Foodservice, Inc., SYSCO Corporation, Vistar / PFG, McLane and DOT Foods.

Marketing, Promotion and Advertising

Nathan's believes that an integral part of its brand marketing strategy is to continue to build brand awareness through its complimentary points of distribution strategy of selling its signature products through restaurants, the Branded Product Program, the Branded Menu Program, and within supermarkets and club stores. We believe that as we continue to build brand awareness and expand our reputation for quality and value, we seek to grow existing markets and expand in new markets. The Nathan's Famous brand continues to enjoy tremendous exposure and awareness from our Nathan's Hot Dog Eating Contests. In 2019, we held regional contests in certain Major League Baseball stadiums, such as Marlins Park, Miami, FL, Coors Field, Denver, CO, the Great American Ballpark, Cincinnati, Ohio, Busch Stadium, St. Louis, MO, as well as in theme parks and fairs throughout the U.S. In 2020 due to the Coronavirus COVID-19, pandemic, all scheduled preliminary contests have been canceled. It is currently our desire to host our annual Hot Dog Eating Contest on July 4th, 2020 which would be broadcast on ESPN. We are currently seeking to determine the safest way in which to hold the contest. We expect to be able to first host the women's contest and then the men's contest whereby the top ranked five men and top ranked five women would compete. ESPN has aired our July 4th Hoy Dog Eating Championship Contest since 2004.

Nathan's Famous continues to look to sports sponsorships as a strategic marketing opportunity to further brand recognition. In addition to the branded signage opportunity, Nathan's sells its Nathan's World Famous Beef Hot Dog and crinkle-cut French fries. In many venues, Nathan's World Famous Beef Hot Dogs and crinkle-cut French fries are currently sold at Nathan's concession stands and as menu items that are served in suites and throughout premium seating areas. Nathans' current sports sponsorships include:

- Professional Baseball: Yankee Stadium – New York Yankees, Citi Field – New York Mets; Marlins Park – Miami Marlins; Coors Field – Colorado Rockies; and

- Professional Basketball and Hockey: The Barclays Center – Brooklyn Nets and NY Islanders; the Nassau Veteran's Memorial Coliseum; and

- Professional Football: AT&T Stadium – Dallas Cowboys; Lambeau Field – Green Bay Packers.

We believe that the Company's overall sales and exposure have also been complemented by the sales of Nathan's World Famous Beef Hot Dogs and other Nathan's products through the publicity generated by our Hot Dog Eating Contests and our affiliation with a number of high profile sports arenas. In addition to marketing our products at these venues, the Nathan's Famous brand has also been televised regionally, nationally and internationally.

We maintain an advertising fund for local, regional and national advertising under the Nathan's Famous Systems, Inc. Franchise Agreement. Nathan's Famous franchisees are generally required to spend on local marketing activities or contribute to the advertising fund up to 2.0% of restaurant sales for advertising and promotion. Franchisee contributions to the advertising fund for national marketing support are generally based upon the type of restaurant and its location. The difference, if any, between 2.0% and the contribution to the advertising fund are to be expended on local programs approved by us as to form, content and method of dissemination. Certain franchisees, including those operating pursuant to our Branded Menu Program were not obligated to contribute to the advertising fund during fiscal 2020. Vendors that supply products to the Company and our restaurant system also contribute to the advertising fund based upon purchases made by our franchisees and at Company-owned restaurants.

Throughout fiscal 2020, Nathan's primary restaurant marketing emphasis focused on system-wide limited time promotional offerings delivering menu variety to our customers. Those limited time offers worked in conjunction with local store marketing efforts supporting restaurants on a case by case basis. We anticipate these efforts and tactics to support the restaurant system will continue in fiscal 2021.

Nathan's marketing efforts also include the use of free-standing inserts ("FSIs") delivering a menu variety branded message, as well as money-saving coupons. FSIs are dropped in newspapers surrounding clusters of Nathan's restaurants in the tri-state area and in Florida. Our FSIs cost effectively target nearly 6 million households per drop, immediately generating traffic in our restaurants.

From a media point of view, Nathan's marketing efforts include employing an "always on" social media strategy to support the brand and franchise operations through our centralized brand presence. The social media objectives include increasing our reach among our core customer base, while building awareness and community of the engaged younger generation. Another objective of our social media efforts includes driving foot traffic and sales through geo-targeting restaurant campaigns.

The objective of our Branded Product Program has historically been to seek to provide our foodservice operator customers with value-added, high quality products supported with meaningful point of sale materials and other forms of operational support.

During fiscal 2020, Nathan's marketing efforts for the Branded Product Program concentrated primarily on participation in national industry trade shows, and regional, local distributor trade events. We have also advertised our products in distributor and trade periodicals and initiated distributor sales incentive contests. Most of the sales of new restaurant franchises to franchisees are achieved through the direct effort of Company personnel. New arrangements with Branded Product Program points of sale are achieved through the combined efforts of Company personnel and a network of foodservice brokers and distributors who also are responsible for direct sales to national, regional and "street" accounts.

During the fiscal year ending March 28, 2021 ("fiscal 2021"), we may seek to further expand our internal marketing resources along with our network of foodservice brokers and distributors. We may attempt to emphasize specific venues as we expand our broker network, focus management and broker responsibilities on a regional basis and expand the use of sales incentive programs. We are currently continuing the process of upgrading our social media platforms by enhancing our corporate website and Facebook page and expanding the use of Twitter.

Government Regulation

We are subject to Federal Trade Commission ("FTC") regulation and several states' laws that 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" (the "FTC Rule") requires us to disclose certain 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, 14 states require franchisors to register the disclosure document (or obtain exemptions from that requirement) before offering or selling a franchise. The laws of 17 other states require some form of registration (or a determination that a company is exempt or otherwise not required to register) under "business opportunity" laws, which sometimes apply to franchisors such as the Company. These laws have not precluded us from seeking franchisees in any given area.

Laws that regulate one or another aspect of the franchisor-franchisee relationship presently exist in 24 states as well as Puerto Rico and the U.S. Virgin Islands. 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. 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. Our international franchise operations are subject to franchise-related and other laws in the jurisdictions in which our franchisees operate. These laws in the U.S. and overseas have not precluded us from enforcing the terms of our franchise agreements, and we do not believe that these laws are likely to significantly affect our operations.

We are not aware of any pending franchise legislation in the U.S. that we believe is likely to significantly affect our operations.

Each Company-owned and franchised restaurant is subject to regulation as to operational matters by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire and other departments.

We are subject to the Federal Fair Labor Standards Act and various other federal and state laws that govern minimum wages, overtime, working conditions, mandatory benefits, health insurance, and other matters. Other regulatory interpretations (such as the NLRB's review of joint employment standards under the National Labor Relations Act, the Labor Department's review of the Fair Labor Standards Act, the SBA's review of independence standards applicable to reviewing franchisee loan applications, etc.) may have an impact on our overall business as well, although we do not believe that these will significantly affect our operations.

We are also subject to 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 applies with respect to the design, construction and renovation of all restaurants in the United States.

Each company that 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.

In 2020, various governmental bodies in the US have addressed the spread of the novel coronavirus ("COVID-19") by imposing limitations on business operations or recommending that residents adopt stringent "social distancing" measures. Those formal and informal restraints, as well as consumer behavior and other factors (such as supply chain issues) may have a material impact on our ability to operate our business at least while those restrictions are in effect, which may possibly have a longer-term impact on our business and the demand for our products and restaurant services.

We are also subject to the requirement that our restaurants post certain calorie content information for standard menu items, pursuant to Section 4205 of the Patient Protection and Affordable Care Act of 2010. Some of our restaurants are subject to similar requirements that are imposed by certain localities around the country.

Alcoholic beverage control regulations require 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. Three of our Company-owned restaurants offer beer or wine coolers for sale. Each of these restaurants has 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 our existing comprehensive general liability insurance and have never been named as a defendant in a lawsuit involving "dram-shop" statutes.

The Sarbanes-Oxley Act of 2002, the Dodd-Frank Act of 2010, and rules promulgated thereunder by the Securities and Exchange Commission ("SEC") and the Nasdaq Stock Market have imposed substantial regulations and disclosure requirements in the areas of corporate governance (including director independence, director selection and audit, corporate governance and compensation committee responsibilities), equity compensation plans, auditor independence, pre-approval of auditor fees and services and disclosure and internal control procedures. We are committed to industry best practices in these areas.

We believe that we operate in substantial compliance with applicable laws and regulations governing our operations, including the FTC Rule and state franchise laws.

Employees

At March 29, 2020, we had 120 employees, 43 of whom were corporate management and administrative employees, 18 of whom were restaurant managers and 59 of whom were hourly full-time and part-time foodservice employees. We generally employ approximately 300-400 seasonal employees during the summer months. Foodservice employees at two Company-owned locations are currently represented by Local 1102 RWSDU UFCW AFL-CIO, CLC, Retail, Wholesale and Department Store Union, under an agreement that expires on June 30, 2020. Employees at a third location are represented by the same union pursuant to a different agreement that expires November 30, 2022. We consider our employee relations to be good and have not suffered any strike or work stoppage for more than 46 years.

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

Trademarks

We hold trademark and/or service mark registrations for NATHAN'S, NATHAN'S FAMOUS, NATHAN'S FAMOUS and design, NATHAN'S and Coney Island design, SINCE 1916 NATHAN'S FAMOUS and design, SINCE 1916 NATHAN'S FAMOUS, INC. and design, THE ORIGINAL SINCE 1916 NATHAN'S FAMOUS and design, SINCE 1916 NATHAN'S FAMOUS THIS IS THE ORIGINAL, THE ORIGINAL NATHAN'S FAMOUS, THE ORIGINAL NATHAN'S FAMOUS 100TH ANNIVERSARY and design in color, SINCE 1916 NATHAN'S FAMOUS and hot dog design in color, SINCE 1916 NATHAN'S FAMOUS and hot dog, fries and drink design in color, and NATHAN'S FAMOUS EXPRESS within the United States, with some of these marks holding corresponding foreign trademark and service mark registrations in 80 international jurisdictions, including Canada and China. We also hold various package design registrations and other related marks, FRANKSTERS, FROM A HOT DOG TO AN INTERNATIONAL HABIT, and MORE THAN JUST THE BEST HOT DOG! and design, for restaurant services and some food items.

We hold trademark and/or service mark registrations for the marks ARTHUR TREACHER'S (stylized), ARTHUR TREACHER'S FISH & CHIPS (stylized), KRUNCH PUP and ORIGINAL within the United States. We hold service mark registrations for ARTHUR TREACHER'S in China and Japan. We also hold service mark registrations for ARTHUR TREACHER'S FISH & CHIPS in Canada, ARTHUR TREACHER'S FISH & CHIPS and design in Canada and Mexico, and ARTHUR TREACHER'S FISH & CHIPS and design in Colombia, Costa Rica, Kuwait, Malaysia, Singapore and the United Arab Emirates.

Our trademark and service mark registrations were granted and expire on various dates. We believe that these trademarks and service marks provide significant value to us and are an important factor in the marketing of our products and services. We believe that we do not infringe on the trademarks or other intellectual property rights of any third parties. We also have licenses to use the Kenny Rogers trademarks and service marks in the then-existing Nathan's restaurants existing on April 23, 2008.

Seasonality

Our routine business pattern is affected by seasonal fluctuations, including the effects of weather and economic conditions. Historically, sales from our Company-owned locations, principally at Coney Island, and franchised restaurants from which franchise royalties are earned and the Company's earnings have been highest during our first two fiscal quarters, with the fourth fiscal quarter typically representing the slowest period. As a result of the COVID-19 pandemic, we are unable to predict the magnitude of the seasonal affect of summer 2020 on fiscal 2021 results. Routine seasonality is primarily attributable to weather conditions in the marketplace for our Company-owned and franchised Nathan's restaurants, which is principally the Northeast. Additionally, revenues from our Branded Product Program and retail licensing program generally follow similar seasonal fluctuations, although not to the same degree. We believe that future revenues and profits will continue to be highest during our first two fiscal quarters, with the fourth fiscal quarter representing the slowest period.

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, as well as the increases in and the locations of, competing restaurants.

Our restaurant system competes 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. 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 for suitable commercial sites for owned or franchised 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. Many fast food companies have adopted “value pricing” and/or deep discount strategies. Nathan’s markets 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. Our value pricing strategy may offer multi-sized alternatives to our value-priced combo meals.

We also compete with many restaurant franchisors and other business concepts for the sale of franchises to qualified and financially capable franchisees.

Our Branded Product Program competes directly with a variety of other nationally-recognized hot dog companies and other food companies; many of these entities have significantly greater resources than we do. Our products primarily compete based upon price, quality and value to the foodservice operator and consumer. We believe that Nathan’s reputation for superior quality, along with the ability to provide operational support to the foodservice operator, provides Nathan’s with a competitive advantage.

Our retail licensing program for the sale of packaged foods within supermarkets competes primarily on the basis of reputation, flavor, quality and price. In most cases, we compete against other nationally-recognized brands that may have significantly greater resources than those at our disposal.

Available Information

We file reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and a proxy statement on Schedule 14A. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information about issuers such as us that file electronically with the SEC.

In addition, electronic copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statement on Schedule 14A and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”) are available free of charge on our website, www.nathansfamous.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The reference to our website address and the SEC website address do not constitute incorporation by reference of the information contained on the website and should not be considered part of this document.

The Board of Directors has also adopted, and we have posted in the Investor Relations section of our website, written Charters for each of the Board’s standing committees. We will provide without charge a copy of the Charter of any standing committee of the Board upon a stockholder’s request to us at Nathan’s Famous, Inc., One Jericho Plaza, Second Floor - Wing A, Jericho, NY 11753, Attention: Secretary.

For financial information regarding our results of operations, please see our consolidated financial statements beginning on page F-1.

Item 1A. <u>Risk Factors.</u>

Our business is subject to various risks. Certain risks are specific to each way we do business, such as through Company-owned restaurants, franchised restaurants, branded products and retail, while other risks, such as health-related or economic risks, may affect all of the ways that we do business.

Investors should carefully consider all of the information set forth in this Form 10-K, including the following risk factors, before deciding to invest in any of the Company’s securities. The following risk factors are not exhaustive. Additional risks and uncertainties not presently known to the Company may also adversely impact its business. The Company’s business, financial condition, results of operations or prospects could be materially adversely affected by any of these risks. In that case, the trading price of the Company’s common stock could decline. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. The Company’s results could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks it faces described below and elsewhere. See “Forward-Looking Statements” above.

Pandemics or disease outbreaks, such as the current novel coronavirus (COVID-19 virus) pandemic may disrupt our business, which could materially affect our operations and results of operations.

Pandemics or disease outbreaks such as the current novel coronavirus (COVID-19 virus) pandemic, have and may continue to impact customer traffic at company-owned and franchised restaurants, may make it more difficult to staff our company-owned and restaurants of our franchisees, may affect sales and profits from our Branded Product Program as many of our customers operate in venues that are currently closed and may be slow to reopen, such as professional sports venues, amusement parks, shopping malls and movie theaters, and, in more severe cases, may cause a temporary inability to obtain supplies, increase commodity costs or continue to cause full and partial closures of our affected company-owned and franchised restaurants, sometimes for prolonged periods of time. The Company and its franchisees have implemented closures, modified hours or reductions in on-site staff, resulting in cancelled shifts for some of the restaurant employees. These changes and any additional changes may materially adversely affect our business or results of operations, and may impact our liquidity or financial condition, particularly if these changes are in place for a significant amount of time. In addition, our operations could be disrupted if any of our employees or employees of the Company's franchisees, suppliers and business partners were or are suspected of having COVID-19 or other illnesses since this could require the Company, its franchisees, its suppliers or its business partners to quarantine some or all such employees, close and disinfect restaurant and other facilities or, in the case of our suppliers, delay in delivering the Company's products . If a significant percentage of the Company's workforce or the workforce of our franchisees, our suppliers and business partners are unable to work, including because of illness or travel or government restrictions in connection with pandemics or disease outbreaks (including the current COVID-19 pandemic), the Company's operations may be negatively impacted, potentially materially adversely affecting the Company's business, liquidity, financial condition or results of operations. Furthermore, such viruses may be transmitted through human contact, and the risk of contracting viruses has caused and could continue to cause employees or guests to avoid gathering in public places, which has had, and could further have, adverse effects on restaurant and other guest traffic or the ability to adequately staff restaurants. The Company could also be adversely affected if government authorities continue to impose restrictions on public gatherings, human interactions, operations of restaurants or mandatory closures, seek voluntary closures, restrict hours of operations or impose curfews, restrict the import or export of products or if suppliers issue mass recalls of products. Currently, several states and municipalities in the U.S. and abroad have temporarily suspended the operation of dining in at restaurants and instituted restrictions on public gatherings in light of COVID-19 which has caused venues such as professional sports venues, amusement parks, shopping malls and movie theaters to close temporarily. Additional regulation or requirements with respect to the compensation of the Company's employees and the employees of our franchisees and business partners could also have an adverse effect on the Company's business. The implementation of such measures and if the virus or other disease continues to spread significantly, the perceived risk of infection or health risk may adversely affect the Company's business, liquidity, financial condition and results of operations.

Our licensing revenue and overall profitability is substantially dependent on our agreement with John Morrell & Co. and the loss or a significant reduction of this revenue would have a material adverse effect on our financial condition and results of operations.

We earned license royalties from John Morrell of approximately $23,680,000 in fiscal 2020 and approximately $21,271,000 in fiscal 2019 representing 22.9% and 20.9% of total revenues, respectively. As a result of our agreement with John Morrell, we expect that most of our license revenues will be earned from John Morrell for the foreseeable future. In addition, the reduction in our adjusted EBITDA (a non-GAAP financial measure (see Reconciliation of GAAP and Non-GAAP measures on page 41 of this report)) from $30.4 million in fiscal 2019 to $30.0 million in fiscal 2020 and income from operations from $28.0 million in fiscal 2019 to $27.2 million in fiscal 2020 was partially mitigated due to the increase in license royalties earned from John Morrell. While our agreement with John Morrell expires in 2032, John Morrell's BPP foodservice business is weighted towards one high volume user who has not sold product pursuant to a formal agreement. Accordingly, in the event that (i) John Morrell or its customers experience financial difficulties, (ii) there is a disruption or termination of the John Morrell Agreement or (iii) there is a significant decrease in our revenue from John Morrell, it would have a material adverse effect on our business, results of operations and financial condition.

A significant amount of our Branded Product Program ("BPP") revenue is from a small number of BPP accounts. The loss of any one or more of those BPP accounts could harm our profitability and operating results.

For the fiscal 2020 period, approximately 77% of our BPP business is from six accounts, including two accounts each representing approximately 21% of the BPP business, with which we have relatively short-term contracts. In the event that these BPP customers experience financial difficulties or, upon the expiration of their existing agreements are not willing to do business with us in the future on terms acceptable to management, there could be a material adverse effect on our business, results of operations and financial condition.

Increases in the cost of food and paper products could harm our profitability and operating results.

The cost of the food and paper products we use depends on a variety of factors, many of which are beyond our control. Food and paper products typically represent approximately 25% to 30% of our cost of restaurant sales. We purchase large quantities of beef and our beef costs in the United States represent approximately 80% to 90% of our food costs. The market for beef is particularly volatile and is subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand and other factors beyond our control. Between April 2018 and March 2020, beef prices traded within a range of + or - 10%. Beef prices were lower between October 2018 and March 2019 as compared to the period between October 2019 and March 2020. Our average cost of hot dogs between October 2019 and March 2020 was approximately 11.4% higher than the period between October 2018 and March 2019. As such, our market price for hot dogs during our fiscal 2020 period was approximately 6.7% higher than the fiscal 2019 period.

We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products during fiscal 2021. To the extent that beef prices increase as compared to earlier periods, it could impact our results of operations. If the price of beef or other food products that we use in our operations significantly increases, or tariffs are imposed, particularly in the BPP, and we choose not to pass, or cannot pass, these increases on to our customers, our operating margins will decrease and such decrease in operating margins could have a material adverse effect on our business, results of operations or financial condition.

Fluctuations in weather, supply and demand and economic conditions could adversely affect the cost, availability and quality of some of our critical products, including beef. Our inability to obtain requisite quantities of high-quality ingredients would adversely affect our ability to provide the menu items that are central to our business, and the highly competitive nature of our industry may limit our ability to pass through increased costs to our customers. Continuing increases in the cost of fuel would increase the distribution costs of our prime products thereby increasing the food and paper cost to us and to our franchisees, thus negatively affecting profitability.

From time to time, we have sought to lock in the cost of a portion of our beef purchases by entering into various commitments to purchase hot dogs during certain periods in an effort to ensure supply of product at a fixed cost of product. However, we may be unable to enter into similar purchase commitments in the future. In addition, we do not have the ability to effectively hedge all of our beef purchases using futures or forward contracts without incurring undue financial cost and risk.

John Morrell currently has three manufacturing facilities producing different Nathan's products and a long-term significant interruption of a primary facility could potentially disrupt our operations.

Our primary manufacturer of our hot dogs, Smithfield Foods, has recently announced the closure of four of its plants due to COVID-19. The only plant closure that has any relationship to our operations is the Sioux Falls, IA plant which has reopened and is increasing its capacity as their workers return to work. A second plant that produces our products in Springdale, OH had never closed, although it has been operating at reduced capacity until the labor force returns to work. In the event the Smithfield Foods plants take longer to reach full capacity, we do not anticipate that the rapidly evolving COVID-19 outbreak will have a material adverse effect on our supply of hot dogs over the next several months.

John Morrell currently has three manufacturing facilities producing different Nathan's products. A temporary closure of any of the three plants could potentially cause a temporary disruption to our source of supply, potentially causing some or all of certain shipments to customers to be delayed. A longer-term significant interruption at any of these production facilities, whether as a result of a natural disaster or other causes, could significantly impair our ability to operate our business on a day-to-day basis while John Morrell determines how to make up for any lost production capabilities, during which time we may not be able to secure sufficient alternative sources of supply on acceptable terms, if at all. In addition, a long-term disruption in supply to our customers could cause our customers to determine not to purchase some or all of their hot dogs from us in the future, which in turn would adversely affect our business, results of operations and financial condition. Furthermore, a supply disruption or other events might affect our brand in the eyes of consumers and the retail trade, which damage might negatively impact our overall business in general, which could result in a material adverse effect on our business, results of operations or financial condition.

The loss of one or more of our key suppliers could lead to supply disruptions, increased costs and lower operating results.

We have historically relied on one supplier for the majority of our hot dogs and another supplier for a majority of our supply of frozen French fries for our restaurant system. An interruption in the supply of product from either of these suppliers without our obtaining an alternative source of supply on comparable terms could lead to supply disruptions, increased costs and lower operating results.

We have an agreement with a secondary hot dog manufacturer that continues to also supply natural casing hot dogs for our restaurant business. Additionally, a majority of the frozen crinkle-cut French fries sold through our franchised restaurants have been obtained from one supplier. Since fiscal 2013, we have had a relationship with a secondary source of supply of our frozen French fries for our restaurant system.

In the event that the hot dog or French fry suppliers are unable to fulfill our requirements for any reason, including due to a significant interruption in its manufacturing operations, whether as a result of a natural disaster or for other reasons, such interruption could significantly impair our ability to operate our business on a day-to-day basis.

In the event that we are unable to find one or more alternative suppliers of hot dogs or French fries on a timely basis, there could be a disruption in the supply of product to Company-owned restaurants, franchised restaurants and BPP accounts, which would damage our business, our franchisees and our BPP customers and, in turn, negatively impact our financial results. In addition, any gap in supply to retail customers would result in lost royalty payments to us, which could have a significant adverse financial impact on our results of operations. Furthermore, any gap in supply to retail customers may damage our brand in the eyes of consumers and the retail trade, which damage might negatively impact our overall business in general and impair our ability to continue our retail licensing program.

Additionally, there is no assurance that any supplemental sources of supply would be capable of meeting our specifications and quality standards on a timely and consistent basis or that the financial terms of such supply arrangement will be as favorable as our present terms with our hot dog or French fry supplier, as the case may be.

Any of the foregoing occurrences may cause disruptions in the supply of our hot dog or French fry products, as the case may be, damage our franchisees and our BPP customers, adversely impact our financial results and/or damage our brand.

Our earnings and business growth strategy depend in large part on the success of our product licensees and product manufacturers. Our reputation and the reputation of our brand may be harmed by actions taken by our product licensees or product manufacturers that are otherwise outside of our control.

A significant portion of our earnings has come from royalties paid by our product licensees, such as John Morrell & Co., Saratoga Food Specialties, Inc., a wholly-owned subsidiary of John Morrell & Co., and Lamb Weston, Inc. Although our agreements with these licensees contain numerous controls and safeguards, and we monitor the operations of our product licensees, our licensees are independent contractors, and their employees are not our employees. Accordingly, we cannot necessarily control the performance of our licensees under their license agreements, including without limitation, the licensee's continued best efforts to manufacture our products for retail distribution and our foodservice businesses, timely delivery of the licensed products, market the licensed products and assure the quality of the licensed products produced and/or sold by a product licensee. Any shortcoming in the quality, quantity and/or timely delivery of a licensed product is likely to be attributed by consumers to an entire brand's reputation, potentially adversely affecting our business, results of operations and financial condition. In addition, a licensee's failure to effectively market the licensed products may result in decreased sales, which would adversely affect our business, results of operations and financial condition. Also, to the extent that the terms and conditions of any of these license agreements change or we change any of our product licensees, our business, results of operations and financial condition could be materially affected.

The quick-service restaurant business is highly competitive, and that competition could lower revenues, margins and market share.

The quick-service restaurant business of the foodservice industry is intensely competitive regarding price, service, location, personnel and type and quality of food. We and our franchisees compete with international, national, regional and local retailers primarily through the quality, variety and value perception of food products offered. Other key competitive factors include the number and location of restaurants, quality and speed of service, attractiveness of facilities, effectiveness of advertising and marketing programs, and new product development. We anticipate competition will continue to focus on convenience and pricing. Many of our competitors have substantially larger marketing budgets, which may provide them with a competitive advantage. Changes in pricing or other marketing strategies by these competitors can have an adverse impact on our sales, earnings and growth. For example, many of those competitors have adopted "value pricing" strategies intended to lure customers away from other companies, including our Company. Consequently, 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. Extensive price discounting in the quick-service restaurant business could have an adverse effect on our financial results.

In addition, we and our franchisees compete within the foodservice market and the quick-service restaurant business not only for customers but also for management and hourly employees and qualified franchisees. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share.

Recent changes to minimum wage rates have increased our labor costs.

We must comply with the Fair Labor Standards Act and various federal and state laws governing minimum wages. Increases in the minimum wage and labor regulations have increased our labor costs. New York State passed legislation increasing the minimum hourly wage for fast food workers of restaurant chains with 30 or more locations nationwide which over a period of time will increase the minimum wage to $15.00 per hour. The first increase from this law took effect beginning December 31, 2015 and was fully phased in by December 31, 2018 in New York City, where we operate two Company-owned restaurants and by December 31, 2021 throughout the rest of New York State which impacts the labor costs at our two remaining Company-owned restaurants and our franchised restaurants that operate in New York State. The impact of the New York minimum wage increases on our business amounted to a 12.3% average salary increase in 2016 and approximately an 11.0% average salary increase in 2017 for our employees that were affected. The increases that took effect on December 31, 2017 increased the hourly wage by 11.4% for the employees that were affected in 2018. The increases that took effect on December 31, 2018 increased the hourly wage by 11.1% in New York City and 8.5% elsewhere for the employees that were affected in 2019. We also expect that the increase that took effect on December 31, 2019 will increase the hourly wage by 7.8% outside of New York City for employees that are affected in 2020. On December 31, 2020, the minimum wage will increase by an additional 5.5% to $14.50 per hour. In addition, the federal government and a number of other states are evaluating various proposals to increase their respective minimum wage. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. Additionally, as a result, we anticipate that our labor costs will continue to increase. If we are unable to pass on these higher costs through price increases, our margins and profitability as well as the profitability and margins of our franchisees will be adversely impacted which could have a material adverse effect on our business, results of operations or financial condition. Our business could be further negatively impacted if the decrease in margins for our franchisees results in the potential loss of new franchisees or the closing of a significant number of existing franchised restaurants.

Increases in labor costs due to new regulations or labor shortages could slow our growth or harm our business.

In addition to minimum wage increases, in the past several years, state and local governments have enacted legislation which increased labor costs. For instance, effective November 27, 2017, the City of New York enacted Fair Work Week Legislation. A key component of this legislation is a requirement that fast food restaurants schedule their workers at least two weeks in advance or pay employees between $10 to $75 per scheduling change, depending on the situation. Due to Nathan’s dependency on weather conditions at our two Coney Island locations during the summer, we are unable to determine the potential impact on our results of operations, which could be material. We have estimated that the daily penalty could amount to as much as $10,000 per day during the height of the summer season for these two restaurants. Continued increases in our labor costs as a result of this or other new legislation could have a material adverse effect on our business, financial condition and results of operations.

Moreover, our success depends in part upon our ability and the ability of our franchisees to continue to attract, motivate and retain regional, operational and restaurant general managers with the qualifications to succeed in our industry and the motivation to apply our core service philosophy. If we or our franchisees are unable to continue to recruit and retain sufficiently qualified managers or to motivate our employees to achieve sustained high service levels, our business and our growth could be adversely affected. Competition for these employees could require the payment of higher wages that could result in higher labor costs.

Changes in the U.S. healthcare system could increase our cost of doing business.

In March 2010, the federal government passed legislation to reform the U.S. health care system. As part of the plan, employers are expected to provide their employees with minimum levels of healthcare coverage or incur certain financial penalties. Our workforce includes numerous part-time workers, which may increase our health care costs and expose us to certain excise taxes, in the event that healthcare is offered to less than 95% of our full-time employees, as defined by the legislation. Additionally, some states and localities have passed state and local laws mandating the provision of certain levels of health benefits by some employers. Continued increases in health care costs could adversely affect our operations and those of the restaurant industry and we might have to further reconsider our pricing strategy as a means to offset reduced operating margins. Increased health care costs could have a material adverse effect on our business, financial condition and results of operations.

Changes in economic, market and other conditions could adversely affect us and our franchisees, and thereby our operating results.

The quick-service restaurant business is affected by changes in international, national, regional, and local economic conditions, consumer preferences and spending patterns, demographic trends, consumer perceptions of food safety and health, diet and nutrition, weather, traffic patterns, the type, number and location of competing restaurants, and the effects of war or terrorist activities and any governmental responses thereto. Factors such as inflation, higher costs for each of food, labor, benefits and utilities, the availability and cost of suitable sites, fluctuating insurance rates, state and local regulations and licensing requirements, legal claims, and the availability of an adequate number of qualified management and hourly employees also affect restaurant operations and administrative expenses. Our ability and our franchisees’ ability to finance new restaurant development, to make improvements and additions to existing restaurants, and the acquisition of restaurants from, and sale of restaurants to, franchisees is affected by economic conditions, including interest rates and other government policies impacting land and construction costs and the cost and availability of borrowed funds.

Current restaurant locations may become unattractive, and attractive new locations may not be available for a reasonable price, if at all, which may reduce our revenue.

The success of any restaurant depends in substantial part on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns change. Neighborhood or economic conditions where restaurants are located could decline in the future, thus resulting in potentially reduced sales in those locations. If we and our franchisees cannot obtain desirable additional and alternative locations at reasonable prices, our results of operations would be adversely affected.

Any perceived or real health risks related to the food industry could adversely affect our ability to sell our products.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage or food contamination;
- consumer product liability claims;
- product tampering; and
- the potential cost and disruption of a product recall.

Our products are susceptible to contamination by disease-producing organisms, or pathogens, such as listeria monocytogenes, salmonella, campylobacter, hepatitis A, trichinosis and generic E. coli. In addition, our beef products are also subject to the risk of contamination from bovine spongiform encephalopathy. Because these pathogens are generally found in the environment, there is a risk that these pathogens could be introduced to our products as a result of improper handling at the manufacturing, processing, foodservice or consumer level. Our suppliers' manufacturing facilities and products, as well as our franchisee and Company-operated restaurant operations, are subject to extensive laws and regulations relating to health, food preparation, sanitation and safety standards. Difficulties or failures by these companies in obtaining any required licenses or approvals or otherwise complying with such laws and regulations could adversely affect our revenue that is generated from these companies. Furthermore, we cannot assure you that compliance with governmental regulations by our suppliers or in connection with restaurant operations will eliminate the risks related to food safety.

Events reported in the media, or incidents involving food-borne illnesses or food tampering, whether or not accurate, can cause damage to our brand's reputation and affect sales and profitability. Reports, whether true or not, of food-borne illnesses (such as e-coli, avian flu, bovine spongiform encephalopathy, hepatitis A, trichinosis or salmonella) and injuries caused by food tampering have in the past severely injured the reputations of participants in the quick-service restaurant business and could in the future affect our business as well. Our brand's reputation is an important asset to the business; as a result, anything that damages our brand's reputation could immediately and severely hurt system-wide sales and, accordingly, revenue and profits. If customers become ill from food-borne illnesses or food tampering, we could also be forced to temporarily close some, or all, restaurants. In addition, instances of food-borne illnesses or food tampering, even those occurring solely at the restaurants of competitors, could, by resulting in negative publicity about the restaurant industry, adversely affect system sales on a local, regional or system-wide basis. A decrease in customer traffic as a result of these health concerns or negative publicity, or as a result of a temporary closure of any of our Company-owned restaurants or our franchisees' restaurants, could materially harm our business, results of operations and financial condition.

Additionally, we may be subject to liability if the consumption of any of our products causes injury, illness, or death. A significant product liability judgment or a widespread product recall may negatively impact our sales and profitability for a period of time depending on product availability, competitive reaction, and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Injury to our brand's reputation would likely reduce revenue and profits.

Negative publicity, including complaints on social media platforms and other internet-based communications, could damage our reputation and harm our guest traffic, and in turn, negatively impact our business, financial condition, results of operations and prospects.

There has been a marked increase in the use of social media platforms and similar devices, including blogs, social media websites and other forms of internet-based communications that allow individuals to access a broad audience of consumers and other interested persons. Consumers value readily available information concerning goods and services that they have or plan to purchase, and may act on such information without further investigation or authentication. The availability of information on social media platforms is virtually immediate, as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our business and products may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms could also be used for dissemination of trade secret information, compromising valuable Company assets. In sum, the dissemination of information online, regardless of its accuracy, could harm our business, financial condition, results of operations and prospects.

Changing health or dietary preferences may cause consumers to avoid products offered by us in favor of alternative foods.

The foodservice industry is affected by consumer preferences and perceptions. Reports of the use of hormones, antibiotics or pesticides in the production of certain food products may cause consumers to reduce or avoid consumption of such food products. If prevailing health or dietary preferences, perceptions and governmental regulation cause consumers to avoid the products we offer in favor of alternative or healthier foods, demand for our products may be reduced and our business could be harmed.

We are subject to health, employment, environmental and other government regulations, and failure to comply with existing or future government regulations could expose us to litigation, damage our corporate reputation or the reputation of our brands and lower profits.

We and our franchisees are subject to various federal, state and local laws, rules or regulations affecting our businesses. To the extent that the standards imposed by local, state and federal authorities are inconsistent, they can adversely affect popular perceptions of our business and increase our exposure to litigation or governmental investigations or proceedings. We may be unable to manage effectively the impact of new, potential or changing regulations that affect or restrict elements of our business. The successful development and operation of restaurants depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use (including the placement of drive-thru windows), environmental (including litter), traffic and other regulations. There can be no assurance that we and our franchisees will not experience material difficulties or failures in obtaining the necessary licenses or approvals for new restaurants which could delay the opening of such restaurants in the future. Restaurant operations are also subject to licensing and regulation by state and local departments relating to health, food preparation, sanitation and safety standards, federal and state labor laws (including applicable minimum wage requirements, overtime, working and safety conditions and citizenship requirements), federal and state laws prohibiting discrimination and other laws regulating the design and operation of facilities, such as the Federal Americans with Disabilities Act of 1990. If we fail to comply with any of these laws, we may be subject to governmental action or litigation, and accordingly our reputation could be harmed.

Injury to us or our brand’s reputation would, in turn, likely reduce revenue and profits. In addition, difficulties or failures in obtaining any required licenses or approvals could delay or prevent the development or opening of a new restaurant or renovations to existing restaurants, which would adversely affect our revenue.

In recent years, there has been an increased legislative, regulatory and consumer focus on nutrition and advertising practices in the food industry, particularly among quick-service restaurants. As a result, we may become subject to regulatory initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food products, which could increase expenses. The operation of our franchise system is also subject to franchise laws and regulations enacted by a number of states and rules promulgated by the U.S. Federal Trade Commission. Any future legislation regulating franchise relationships may negatively affect our operations, particularly our relationship with our franchisees. Failure to comply with new or existing franchise laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales. Changes in applicable accounting rules imposed by governmental regulators or private governing bodies could also affect our reported results of operations, which could cause our stock price to fluctuate or decline.

We may not be able to adequately protect our intellectual property, which could decrease the value of our business or the value of our brands and products.

The success of our business depends on the continued ability to use existing trademarks, service marks and other components of each of our brands in order to increase brand awareness and further develop branded products. We may not be able to adequately protect our trademarks, and the use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps we have taken to protect our intellectual property may not be adequate.

We have registered or applied to register many of our trademarks and service marks both in the United States and in foreign countries. Because of the differences in foreign trademark laws, our trademark rights may not receive the same degree of protection in foreign countries as they would in the United States. We also cannot assure you that our trademark and service mark applications will be approved. In addition, third parties may oppose our trademark and service mark applications, or otherwise challenge our use of the trademarks or service marks. In the event that our trademarks or service marks are successfully challenged, we could be forced to rebrand our products and services, which could result in loss of brand recognition, and could require us to devote resources advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our marks, or that we will have adequate resources to enforce our trademarks or service marks.

We also license third party franchisees and other licensees to use our trademarks and service marks. We enter into franchise agreements with our franchisees and license agreements with other licensees which govern the use of our trademarks and service marks. Although we make efforts to police the use of our trademarks and service marks by our franchisees and other licensees, we cannot assure you that these efforts will be sufficient to ensure that our franchisees and other licensees abide by the terms of the trademark licenses. In the event that our franchisees fail to do so, our trademark and service mark rights could be diluted.

Our earnings and business growth strategy depend in large part on the success of our restaurant franchisees and on new restaurant openings. Our corporate reputation or brand reputation may be harmed by actions taken by restaurant franchisees that are otherwise outside of our control.

A significant portion of our earnings comes from royalties, fees and other amounts paid by our restaurant franchisees. The opening and success of franchised restaurants depends on various factors, including the demand for our franchises and the selection of appropriate franchisee candidates, the availability of suitable restaurant sites, the negotiation of acceptable lease or purchase terms for new locations, permitting and regulatory compliance, the ability to meet construction schedules, the availability of financing and the financial and other capabilities of our franchisees and area developers. We cannot assure you that area developers planning the opening of franchised restaurants will have the business abilities or sufficient access to financial resources necessary to open the restaurants required by their agreements. We cannot assure you that franchisees will successfully participate in our strategic initiatives or operate their restaurants in a manner consistent with our concept and standards. Our franchisees are independent contractors, and their employees are not our employees. We provide training and support to, and monitor the operations of, our franchisees, but the quality of their restaurant operations may be diminished by any number of factors beyond our control. Consequently, the franchisees may not successfully operate their restaurants in a manner consistent with our high standards and requirements, and franchisees may not hire and train qualified managers and other restaurant personnel. Any operational shortcoming of a franchised restaurant is likely to be attributed by consumers to an entire brand or our system, thus damaging our corporate or brand reputation, potentially adversely affecting our business, results of operations and financial condition.

Growth in our restaurant revenue and earnings is significantly dependent on new restaurant openings. Numerous factors beyond our control may affect restaurant openings. These factors include but are not limited to:

- our ability to attract new franchisees;
- the availability of site locations for new restaurants;
- the ability of potential restaurant owners to obtain financing, which may become more difficult due to current market conditions and operating results;
- the ability of restaurant owners to hire, train and retain qualified operating personnel;
- construction and development costs of new restaurants, particularly in highly-competitive markets;
- the ability of restaurant owners to secure required governmental approvals and permits in a timely manner, or at all; and
- adverse weather conditions.

We cannot assure you that franchisees will renew their franchise agreements or that franchised restaurants will remain open. Closings of franchised restaurants are expected in the ordinary course and may cause our royalty revenues and financial performance to decline. Our principal competitors may have greater influence over their respective restaurant systems than we do because of their significantly higher percentage of company restaurants and/or ownership of franchisee real estate and, as a result, may have a greater ability to implement operational initiatives and business strategies, including their marketing and advertising programs.

As our franchisees are independent operators, we have limited influence over their ability to invest in other businesses or incur excessive indebtedness. Some of our franchisees have invested in other businesses, including other restaurant concepts. Such franchisees may use the cash generated by their Nathan’s restaurants to expand their other businesses or to subsidize losses incurred by such businesses. Additionally, as independent operators, franchisees do not require our consent to incur indebtedness. Consequently, our franchisees have in the past, and may in the future, experience financial distress as a result of over-leveraging. To the extent that our franchisees use the cash from their Nathan’s restaurants to subsidize their other businesses or experience financial distress, due to over-leveraging, delayed or reduced payments of royalties, advertising fund contributions and rents for properties we lease to them, or otherwise, it could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, lenders to our franchisees may be less likely to provide current or prospective franchisees necessary financing on favorable terms, or at all, due to market conditions and operating results.

Changes in franchise regulation laws could impact our ability to obtain or retain licenses or approvals and adversely affect our business, financial condition, results of operations and prospects.

We are also subject to federal statutes and regulations, including the rules promulgated by the U.S. Federal Trade Commission, as well as certain state laws governing the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and on provisions concerning the termination or non-renewal of a franchise. Some states require that certain materials be filed for a franchisor to be registered and approved, before franchises can be offered or sold in that state. The failure to obtain or retain licenses or approvals to sell franchises could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on the performance of major retailers, wholesalers, specialty distributors and mass merchants for the success of our business, and should they perform poorly or give higher priority to other brands or products, our business could be adversely affected.

We sell our products to retail outlets and wholesale distributors including, traditional supermarkets, mass merchandisers, warehouse clubs, wholesalers, food service distributors and convenience stores. The replacement by or poor performance of our major wholesalers, retailers or chains or our inability to collect accounts receivable from our customers could materially and adversely affect our results of operations and financial condition. In addition, our customers offer branded and private label products that compete directly with our products for retail shelf space and consumer purchases. Accordingly, there is a risk that our customers may give higher priority to their own products or to the products of our competitors. In the future, our customers may not continue to purchase our products or provide our products with adequate levels of promotional support. A significant decline in the purchase of our products would have a material adverse effect on our business, results of operations and financial condition.

The sophistication and buying power of our customers could have a negative impact on profits.

Our customers, such as supermarkets, warehouse clubs, and food distributors, have continued to consolidate, resulting in fewer customers with which to do business. These consolidations and the growth of supercenters have produced large, sophisticated customers with increased buying power and negotiating strength who are more capable of resisting price increases and can demand lower pricing, increased promotional programs, or specialty tailored products. In addition, larger retailers have the scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own retailer brands. If the larger size of these customers results in additional negotiating strength and/or increased private label or store brand competition, our profitability could decline.

Consolidation also increases the risk that adverse changes in our customers’ business operations or financial performance will have a corresponding material adverse effect on us. For example, if our customers cannot access sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases.

Failure by third-party manufacturers or suppliers of raw materials to comply with food safety, environmental or other regulations may disrupt our supply of certain products and adversely affect our business.

We rely on third-party manufacturers to produce our products and on other suppliers to supply raw materials. Such manufacturers and other suppliers, whether in the United States or outside the United States, are subject to a number of regulations, including food safety and environmental regulations. Failure by any of our manufacturers or other suppliers to comply with regulations, or allegations of compliance failure, may disrupt their operations. Disruption of the operations of a manufacturer or other suppliers could disrupt our supply of product or raw materials, which could have an adverse effect on our business, consolidated financial condition, results of operations or liquidity. Additionally, actions we may take to mitigate the impact of any such disruption or potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, may adversely affect our business, consolidated financial condition, results of operations or liquidity.

Leasing of real estate exposes us to possible liabilities and losses.

We lease land and/or buildings for certain restaurants, which can include the sub-letting of leased land and/or buildings to franchisees or companies other than our franchisees. Accordingly, we are subject to all of the risks associated with owning, leasing and sub-leasing real estate. We generally cannot cancel these leases. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform the obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of the leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations.

We may evaluate acquisitions, joint ventures and other strategic initiatives, any of which could distract management or otherwise have a negative effect on revenue, costs and stock price.

Our future success may depend on opportunities to buy or obtain rights to other businesses that could complement, enhance or expand our current business or products or that might otherwise offer growth opportunities. In particular, we may evaluate potential mergers, acquisitions, joint venture investments, strategic initiatives, alliances, vertical integration opportunities and divestitures. We have no commitments, agreements or understandings with respect to any of such transactions. In addition, our ability to engage in these transactions may be impacted by the incurrence of debt as a result of the Notes. Any attempt by us to engage in these transactions may expose us to various inherent risks, including:

- not accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- the potential loss of key personnel of an acquired business;
- the ability to achieve projected economic and operating synergies;
- difficulties in successfully integrating, operating, maintaining and managing newly-acquired operations or employees;
- difficulties maintaining uniform standards, controls, procedures and policies;
- unanticipated changes in business and economic conditions affecting an acquired business;
- the possibility of impairment charges if an acquired business performs below expectations; and
- the diversion of management's attention from the existing business to integrate the operations and personnel of the acquired or combined business or implement the strategic initiative.

Our annual and quarterly financial results may fluctuate depending on various factors, many of which are beyond our control, and, if we fail to meet the expectations of investors, our share price may decline.

Our sales and operating results can vary from quarter to quarter and year to year depending on various factors, many of which are beyond our control. Certain events and factors may directly and immediately decrease demand for our products. These events and factors include:

- changes in customer demand;
- sales promotions by Nathan's and its competitors;
- variations in the timing and volume of Nathan's sales and franchisees' sales;
- changes in the terms of our existing license/supply agreements and/or the replacement of existing licenses or suppliers;
- changes in average same-store sales and customer visits;
- variations in the price, availability and shipping costs of supplies;
- seasonal effects on demand for Nathan's products;
- unexpected slowdowns in new store development efforts;
- changes in competitive and economic conditions generally;
- changes in the cost or availability of ingredients or labor;
- weather and acts of God; and
- changes in the number of franchises sold and in franchise agreement renewals.

Our operations are influenced by adverse weather conditions.

Weather, which is unpredictable, can impact our sales. Harsh weather conditions that keep customers from dining out result in lost opportunities for our Company-owned and our franchisees' restaurants. A heavy snowstorm or a tropical storm or hurricane in the Northeast can shut down an entire metropolitan area, resulting in a reduction in sales in that area at Company-owned and franchised restaurants. Our fourth quarter includes winter months and historically has a lower level of sales at Company-owned and franchised restaurants. Additionally, our Company-owned restaurants at Coney Island are heavily dependent on favorable weather conditions during the summer season. Rain during the weekends and/or unseasonably cold temperatures will negatively impact the number of patrons going to the Coney Island beach locations. Because a significant portion of our restaurant operating costs is fixed or semi-fixed in nature, the loss of sales during these periods hurts our operating margins, and can result in restaurant operating losses. For these reasons, a quarter-to-quarter comparison may not be a good indication of our performance or how it may perform in the future.

Due to the concentration of our restaurants in particular geographic regions, our business results could be impacted by the adverse economic conditions prevailing in those regions regardless of the state of the national economy as a whole.

As of March 29, 2020, we and our franchisees (including units operated pursuant to our BMP) operated Nathan's restaurants in 21 states and nine foreign countries. As of March 29, 2020, the highest concentration of operating units was in the Northeast, principally in New York and New Jersey. This geographic concentration in the Northeast can cause economic conditions in particular areas of the country to have a disproportionate impact on our overall results of operations. It is possible that adverse economic conditions in states or regions that contain a high concentration of Nathan's restaurants could have a material adverse impact on our results of operations in the future.

We rely extensively on computer systems, point of sales system and information technology to manage our business. Any disruption in our computer systems, point of sales system or information technology may adversely affect our ability to run our business.

We are significantly dependent upon our computer systems, point of sales system and information technology to properly conduct our business. A failure or interruption of computer systems, point of sales systems or information technology could result in the loss of data, business interruptions or delays in business operations. Further, despite our considerable efforts and technological resources to secure our computer systems, point of sales systems and information technology, security breaches, such as unauthorized access and computer viruses, may occur resulting in system disruptions, shutdowns or unauthorized disclosure of confidential information. Any security breach of our computer systems, point of sales systems or information technology may result in adverse publicity, loss of sales and profits, penalties or loss resulting from misappropriation of information.

Cyberattacks and breaches could cause operational disruptions, fraud or theft of sensitive information.

Aspects of our operations are reliant upon internet-based activities, such as ordering supplies and back-office functions such as accounting and transaction processing, making payments and accepting credit card payments in our restaurants, processing payroll and other administrative functions, etc. For instance, if we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs.

We also use third-party vendors. While we select third-party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyberattacks and security breaches at a vendor could adversely affect our ability to deliver products and services to conduct our business.

Although we have taken measures to protect our technology systems and infrastructure, including continuously working to install new, and upgrade our existing information technology systems and provide employee training around phishing, malware and other cyber risks, there can be no assurance that we will be successful and fully protected against cyber risks and security breaches. A security breach could result in operational disruptions, theft or fraud, or exposure of sensitive information to unauthorized parties. Such events could result in additional costs related to operational inefficiencies, or damages, claims or fines.

We may be required to recognize additional asset impairment and other asset-related charges.

We have long-lived assets, goodwill and intangible assets and have incurred impairment charges in the past with respect to those assets. In accordance with applicable accounting standards, we test for impairment annually, or more frequently, if there are indicators of impairment, such as:

- significant adverse changes in the business climate;
- current period operating or cash flow losses combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with long-lived assets;
- a current expectation that more-likely-than-not (e.g., a likelihood that is more than 50%) long-lived assets will be sold or otherwise disposed of significantly before the end of their previously estimated useful life; and
- a significant drop in our stock price.

Based upon future economic and capital market conditions, as well as the performance of individual operating units, future impairment charges could be incurred.

Catastrophic events may disrupt our business.

Unforeseen events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues such as epidemics or pandemics (including, without limitation, as a result of the COVID-19 pandemic), labor unrest and natural disasters such as earthquakes, hurricanes or other extreme adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of franchisees, suppliers or customers, or result in political or economic instability. These events could negatively impact consumer spending, thereby reducing demand for our products, or the ability to receive products from suppliers. We do not have insurance policies that insure against certain of these risks. To the extent that we do maintain insurance with respect to some of these risks, our receipt of the proceeds of such policies may be delayed or the proceeds may be insufficient to offset our losses fully.

Our international operations are subject to various factors of uncertainty.

Our business outside of the United States is subject to a number of additional factors, including international economic and political conditions, differing cultures and consumer preferences, currency regulations and fluctuations, diverse government regulations and tax systems, uncertain or differing interpretations of rights (including intellectual property rights) and obligations in connection with international franchise agreements and the collection of royalties from international franchisees, the availability and cost of land and construction costs, and the availability of appropriate franchisees. In developing markets, we may face risks associated with new and untested laws and judicial systems. Although we believe we have developed the support structure required for international growth, there is no assurance that such growth will occur or that international operations will be profitable.

Our business operations and future development could be significantly disrupted if we lose key members of our management team.

The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent, in particular, on our ability to retain and motivate our executive officers, for certain of whom we currently have employment agreements in place. The loss of the services of any of our executive officers could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our ability to satisfy our obligations under the Notes. If we lose the services of any of these individuals in the foreseeable future; we currently have no effective replacement for any of these individuals due to their experience, reputation in the industry and special role in our operations.

A recent ruling and complaint filed by the general counsel of the National Labor Relations Board could, if upheld, make us liable for violations of overtime, wage or union-organization violations by our franchisees.

The National Labor Relations Board (NLRB) for several years considered the issue of whether to hold certain franchisors responsible as a “joint employer” of its franchisees’ staff under certain fact patterns. McDonald’s USA LLC and its franchisees were the subject of administrative litigation with the NLRB. That matter was resolved through a settlement in 2019, and in 2020, the NLRB issued a regulation that changed the standard for determining when a party such as Nathan's would be deemed a “joint employer” under the National Labor Relations Act. The new NLRB standard makes it less likely that the NLRB would initiate an action against a company such as us. However, the possibility of administrative action from other agencies, state governments, and in private lawsuits remains alleging that a franchisor and its franchisee “jointly employ” the franchisee’s staff, that the franchisor is responsible for the franchisees’ staff (under theories of apparent agency, ostensible agency, or actual agency), or otherwise. Among other things, a determination that Nathan's and its franchisees are joint employers of one or more franchisees’ staff may make it easier to organize our franchisees’ staff into unions, provide the staff and their union representatives with bargaining power to request that we have our franchisees raise wages, and make it more expensive and less profitable to operate a Nathan’s franchised restaurant. A decrease in profitability or the closing of a significant number of franchised restaurants could significantly impact our business (as well as our franchisees’ businesses), and we may also be significantly impacted if the NLRB or a private party successfully brought an action against our company alleging that we are a “joint employer” of our franchisees’ staffs.

In September 2019, California adopted a law known as “AB-5,” which was ostensibly intended to address the relationship between “gig” workers and companies such as “Uber” and “Lyft.” The language of AB-5 is broad enough to raise the possibility that it would apply to the relationship between a franchisor such as Nathan's and its franchisees in California. If AB-5 were applied to the franchisor-franchisee relationship that Nathan's enjoys with its franchisees, that might significantly impact the structure and financial viability of any California franchised or licensed locations.

We face risks of litigation and pressure tactics, such as strikes, boycotts and negative publicity from customers, franchisees, suppliers, employees and others, which could divert our financial, and management resources and which may negatively impact our financial condition and results of operations.

Class action lawsuits have been filed, and may continue to be filed, against various quick-service restaurants alleging, among other things, that quick-service restaurants have failed to disclose the health risks associated with high-fat foods and that quick-service restaurant marketing practices have targeted children and encouraged obesity. In addition, we face the risk of lawsuits and negative publicity resulting from injuries, including injuries to infants and children, allegedly caused by our products, toys and other promotional items available in our restaurants or by our playground equipment.

In addition, activist groups, including animal rights activists and groups acting on behalf of franchisees, the workers who work for suppliers and others, have in the past, and may in the future, use pressure tactics to generate adverse publicity by alleging, for example, inhumane treatment of animals by our suppliers, poor working conditions or unfair purchasing policies. These groups may be able to coordinate their actions with other groups, threaten strikes or boycotts or enlist the support of well-known persons or organizations in order to increase the pressure on us to achieve their stated aims. In the future, these actions or the threat of these actions may force us to change our business practices or pricing policies, which may have a material adverse effect on our business, results of operations and financial condition.

Further, we may be subject to employee, franchisee and other claims in the future based on, among other things, mismanagement of the system, unfair or unequal treatment, discrimination, harassment, wrongful termination and wage, rest break and meal break issues, including those relating to overtime compensation. We have been subject to these types of claims in the past, and if one or more of these claims were to be successful or if there is a significant increase in the number of these claims, our business, results of operations and financial condition could be harmed.

General regulation of the restaurant industry could adversely impact our business, financial condition, results of operations and prospects.

The restaurant industry is subject to extensive federal, state and local governmental regulations, including those relating to the preparation and sale of food and those relating to building and zoning requirements. In recent years, there has been an increased legislative, regulatory and consumer focus on nutrition and advertising practices in the food industry, particularly among restaurants. This focus has resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings. For example, a number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information available to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Furthermore, the 2010 Patient Protection and Affordable Care Act ("PPACA") establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. Specifically, the PPACA amended the Federal Food, Drug and Cosmetic Act to require chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information.

The PPACA further permits the United States Food and Drug Administration (the "FDA") to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans fat content. The FDA nutritional labeling rules require establishments to post calorie counts on all menu items, calorie boards and drive-thru displays throughout the United States. Businesses affected by the new regulations had one year to comply. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming.

An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. Additionally, some government authorities are increasing regulations regarding trans fats and sodium, which may require us to limit or eliminate trans fats and sodium from our menu offerings, switch to higher cost ingredients or may hinder our ability to operate in certain markets. Failure to comply with these laws or regulations could have a material adverse effect on our business, financial condition, results of operations and prospects.

California also adopted a new law to address data privacy. The California Consumer Privacy Act (CCPA) took effect at the beginning of 2020, and imposes stringent data security standards, which might apply more broadly than only within the borders of that state (for example, if a California resident buys products or has them shipped into the state and pays with a credit or debit card). It is still uncertain whether the CCPA will have a material impact on our operation or that of our franchisees.

In 2020, various governmental bodies in the US have addressed the spread of the novel coronavirus ("COVID-19") by imposing limitations on business operations or recommending that residents adopt stringent "social distancing" measures. Those formal and informal restraints, as well as consumer behavior and other factors (such as supply chain issues) may have a material impact on our ability to operate our business at least while those restrictions are in effect, which may possibly have a longer-term impact on our business and the demand for our products and restaurant services.

We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

While we recently approved a quarterly dividend policy, there can be no assurance as to the declaration of future dividends or the amount of such dividend.

We paid our shareholders a special $25.00 per share dividend in 2015 and a special $5.00 per share dividend in January 2018. On May 31, 2018, Nathan's Board of Directors authorized the commencement of a regular dividend of $1.00 per share per annum, payable at the rate of $0.25 per quarter. On June 14, 2019, Nathan's Board of Directors authorized increasing the quarterly dividend to $0.35 per common share. Through March 29, 2020, the Company declared and paid four regular quarterly dividends of $0.35 per common share. Effective June 12, 2020, the Board of Directors declared its first quarterly cash dividend of $0.35 per share for fiscal year 2021 which is payable on June 26, 2020 to stockholders of record as of the close of business on June 22, 2020. Our declaration and payment of future cash dividends are subject to the final determination by our Board of Directors that (i) the dividend will be made in compliance with laws applicable to the declaration and payment of cash dividends, including Section 170 of the Delaware General Business Corporation Law, (ii) the dividend complies with the terms of the Indenture, and (iii) the payment of dividends remains in our best interests, which determination will be based on a number of factors, including the impact of changing laws and regulations, economic conditions, our results of operations and/or financial condition, capital resources, the ability to satisfy financial covenants and other factors considered relevant by the Board of Directors. There can be no assurance our Board of Directors will approve the payment of cash dividends in the future or the amount of a cash dividend. Any discontinuance of the payment of a dividend or changes to the amount of a dividend compared to prior dividends could cause our stock price to decline.

The Tax Cuts and Jobs Act of 2017 may increase the after-tax cost of our outstanding indebtedness.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") limits our interest expense deduction on our Notes to 30% of taxable income before interest, depreciation and amortization from 2018 to 2021 and then taxable income before interest thereafter. The Tax Act permits us to carry forward disallowed interest expense indefinitely. Due to our high degree of leverage, beginning in 2018, a portion of our interest expense in future years may not be deductible, which may increase the after tax cost of any new debt financings as well as the refinancing of our existing debt. We continue to monitor the impact of the nondeductible interest on our operations and capital structure. The Coronavirus Aid, Relief and Economic Security Act of 2020 ("the CARES Act") has temporarily increased the limitation on interest expense deductibility from 30% to 50% of Adjusted Taxable Income ("ATI") for the tax years beginning in 2019 and 2020.

Changes in tax laws and unfavorable resolution of tax contingencies could adversely affect our tax expense.

Our future effective tax rates could be adversely affected by changes in tax laws, both domestically and internationally. From time to time, the United States Congress and foreign, state and local governments consider legislation that could increase our effective tax rates. If changes to applicable tax laws are enacted, our results of operations could be negatively impacted. Our tax returns and positions (including positions regarding jurisdictional authority of foreign governments to impose tax) are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations.

Our certificate of incorporation and by-laws and other corporate documents include anti-takeover provisions which may deter or prevent a takeover attempt.

Some provisions of our certificate of incorporation, by-laws, other corporate documents, including the terms and condition of our Notes, and provisions of Delaware law may discourage takeover attempts and hinder a merger, tender offer or proxy contest targeting us, including transactions in which stockholders might receive a premium for their shares. This may limit the ability of stockholders to approve a transaction that they may think is in their best interest. The corporate documents include:

- *Employment Contracts.* The employment agreements between us and each of Howard M. Lorber and Eric Gatoff provide that in the event there is a change in control of Nathan's, the employee has the option, exercisable within one year for each of Messrs. Lorber and Gatoff, of his becoming aware of the change in control, to terminate his employment agreement. Upon such termination, Mr. Gatoff has the right to receive a lump sum payment equal to his salary and annual bonus for a one-year period, and Mr. Lorber 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 or (ii) 2.99 times his salary and annual bonus plus the difference between the exercise price of any exercisable options having an exercise price of less than the then current market price of our common stock and such current market price. Mr. Lorber will also receive a tax gross up payment to cover any excise tax.

Risks Related to the Notes

We have a substantial amount of indebtedness.

We have significant indebtedness and debt service obligations. As of March 29, 2020, we had total outstanding indebtedness of $150.0 million which is due in 2025. In addition, subject to the terms of any future agreements, we and our subsidiaries may be able to incur additional indebtedness in the future. There is a risk that we will not be able to generate sufficient funds to repay our debt. If we cannot service our fixed charges, it would have a material adverse effect on our business and results of operations.

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the Notes and our other debt.

As of March 29, 2020, we had $150.0 million of outstanding indebtedness under the Notes. Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- make it more difficult for us to satisfy our other financial obligations, including our obligations relating to the Notes;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- make it more difficult for us to satisfy our obligations to the holders of the Notes, resulting in possible defaults on and acceleration of such indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds or increase our cost of borrowing.

In addition, the terms of the indenture governing the Notes contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts, including the Notes. The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects or ability to satisfy our obligations under the Notes.

Despite our current indebtedness level, we may still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness, including additional Notes and other secured indebtedness, in the future. Although the indenture governing the Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we face would intensify and we may not be able to meet all our debt obligations, including the repayment of the Notes. In addition, the indenture governing the Notes does not prevent us from incurring obligations that do not constitute indebtedness under the indenture.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. As such, we may not be able to generate sufficient cash to service the Notes or our other indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make payments on the Notes, to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or future borrowings from other sources in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to allow us to make scheduled payments on our indebtedness, we may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our indebtedness, including the Notes, on or before the maturity thereof, any of which could have a material adverse effect on our operations. We cannot assure you that we will be able to refinance any of our indebtedness, including the Notes, on commercially reasonable terms or at all, or that the terms of that indebtedness will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition, the value of our outstanding debt, including the Notes, and our ability to make any required cash payments under our indebtedness, including the Notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at that time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, any future credit facility may be secured by a priority lien on substantially all of our assets. As such, our ability to refinance the Notes or seek additional financing could be impaired as a result of such security interest.

We are subject to a number of restrictive covenants, which may restrict our business and financing activities.

The indenture governing the Notes imposes, and the terms of any future indebtedness may impose, operating and other restrictions on us. Such restrictions will affect, and in many respects limit or prohibit, among other things, our ability to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends on or make distributions in respect of our equity interests;
- redeem, repurchase or retire our equity interests, unsecured indebtedness or subordinated indebtedness;
- make certain investments;
- transfer or sell assets;
- create or incur certain liens;
- create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other companies or sell, transfer or otherwise dispose of all or substantially all of our and our restricted subsidiaries' assets;
- engage in certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

The restrictions in the indenture governing the Notes may prevent us from taking actions that we believe would be in the best interests of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these covenants in future periods will largely depend on the pricing of our products and services, and our ability to successfully implement our overall business strategy. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements. The breach of any of these covenants and restrictions could result in a default under the indenture governing the Notes, which could result in an acceleration of our indebtedness.

Changes in respect of the debt ratings of our Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

Our Notes have been publicly rated by Moody's Investors Service, Inc., or Moody's, and Standard & Poor's Rating Services, or S&P, independent rating agencies. In addition, future debt instruments may be publicly rated. These debt ratings may affect our ability to raise debt. Any future downgrading of the Notes or our other debt by Moody's or S&P may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Item 1B. Unresolved Staff Comments.

None.

Item 2. **Properties.**

Our principal executive offices consist of approximately 9,300 square feet of leased space in Jericho, NY. The lease commenced on January 1, 2010, had a ten (10) year term, with a five (5) year renewal right. Effective April 1, 2019, we executed the first amendment to the lease extending the lease for an additional ten (10) year term to expire on March 31, 2029. In August 2018, we completed the sale of our regional office building located in Fort Lauderdale, FL. We also completed the sale of the Company-owned restaurant, including the real estate, in Bay Ridge, Brooklyn, NY in October 2018. The Company continued operating the restaurant under a Surrender Agreement with the purchaser until January 2019.

At March 29, 2020, other Company-owned restaurants that were operating were located in leased space with terms expiring as shown in the following table:

Nathan's Restaurants	Location	Current Lease Expiration Date	Approximate Square Footage
Coney Island	Brooklyn, NY	December 2027	10,000
Coney Island Boardwalk (a)	Brooklyn, NY	November 2028	3,800
Long Beach Road	Oceanside, NY	April 2030	4,100
Central Park Avenue	Yonkers, NY	December 2023	3,500

(a) Seasonal satellite location.

At March 29, 2020, in addition to the leases listed above, we were the sub-lessor of one property to a franchisee located within the metropolitan New York area.

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,622,000 in fiscal 2020.

Item 3. **Legal Proceedings.**

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

Item 4. **Mine Safety Disclosures.**

Not applicable.

PART II

Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>

Common Stock Prices

Our common stock is quoted on the NASDAQ Global Market ("Nasdaq") under the symbol "NATH."

Dividend Policy

Historically, Nathan's has not paid or declared any regular dividends on our common stock since our initial public offering in 1993. However, we have paid two Special Dividends, a $5.00 per share Special Dividend in January 2018 and a $25.00 per share Special Dividend in March 2015. On May 31, 2018, Nathan's Board of Directors authorized the commencement of a regular dividend of $1.00 per share per annum, payable at the rate of $0.25 per quarter. Through March 31, 2019, the Company declared and paid four quarterly dividends of $0.25 per common share. Through March 29, 2020, the Company declared and paid four regular quarterly dividends of $0.35 per common share.

Our ability to pay future dividends is limited by the terms of an indenture, dated November 1, 2017, between the Company, certain of its wholly-owned subsidiaries, as guarantors and U.S. Bank National Association, as trustee and collateral trustee (the "Indenture"). It has been the Board of Directors' policy to return capital to our shareholders primarily through the purchase of stock pursuant to our stock buyback programs. Effective June 12, 2020, the Board declared its first quarterly cash dividend of $0.35 per share for fiscal year 2021 which is payable on June 26, 2020 to stockholders of record as of the close of business on June 22, 2020.

In addition to the terms of the Indenture, the payment of any cash dividends in the future will be dependent upon our earnings and financial requirements and there can be no assurance that we will declare and pay any dividends subsequent to the June 26, 2020 dividend.

Shareholders

As of June 5, 2020, we had approximately 392 shareholders of record, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers.

Issuer Purchases of Equity Securities

For the fiscal year ended March 29, 2020, the Company repurchased 85,642 shares of its common stock at a cost of $4,966,000.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Dec. 30, 2019 Jan. 26, 2020	-	-	-	232,159
Jan. 27, 2020 Feb. 23, 2020	-	-	-	232,159
Feb 24, 2020 Mar. 29, 2020 (a)	71,933	$55.3063	71,933	160,226
Total	71,933	$55.3063	71,933	160,226

(a) The Company purchased 50,918 shares of its common stock pursuant to a 10b5-1 Plan adopted March 13, 2020.

Since the commencement of the Company’s stock buyback program in September 2001 through March 29, 2020, Nathan’s has purchased a total of 5,227,405 shares of common stock at a cost of approximately $83,269,000 under all of its stock repurchase programs and two modified Dutch Auction tender offers.

In 2016, the Company’s Board of Directors authorized increases to the sixth stock repurchase plan for the purchase of up to 1,200,000 shares of its common stock on behalf of the Company. As of March 29, 2020, Nathan’s had repurchased 1,039,774 shares at a cost of $35,606,850 under the sixth stock repurchase plan. At March 29, 2020, there were 160,226 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company’s stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

On March 13, 2020, the Company’s Board of Directors approved a 10b5-1 stock plan (the “10b5-1 Plan”) which will expire on the earlier of (a) August 12, 2020 or (b) the earlier of when (i) the aggregate purchase price of all shares of common stock purchased under the 10b5-1 Plan equals $5.55 million and (ii) the aggregate purchases under the 10b5-1 Plan equal 100,000 shares unless terminated earlier by the Company’s Board of Directors.

Subsequent to March 29, 2020 the Company repurchased an additional 26,676 shares at a cost of $1,502,000 through June 5, 2020 pursuant to the 10b5-1 Plan.

Item 6. Selected Financial Data.

	Fiscal years ended (1)				
	March 29, 2020	March 31, 2019	March 25, 2018	March 26, 2017	March 27, 2016
	(In thousands, except per share amounts)				
Statement of Earnings Data:					
Revenues:					
Sales	**$ 70,559**	$ 71,561	$ 76,708	$ 70,820	$ 75,590
License royalties	**25,859**	23,615	23,020	20,368	19,815
Franchise fees and royalties	**4,572**	4,171	4,473	5,068	5,044
Advertising fund revenue (2)	**2,335**	2,502	-	-	-
Total revenues	**103,325**	101,849	104,201	96,256	100,449
Costs and Expenses:					
Cost of sales	**54,488**	52,779	58,752	51,634	57,557
Restaurant operating expenses	**3,476**	3,525	3,506	3,386	3,557
Depreciation and amortization	**1,233**	1,212	1,352	1,297	1,255
General and administrative expenses	**14,779**	13,851	13,491	13,659	13,117
Advertising fund expense (2)	**2,177**	2,506	-	-	-
Total costs and expenses	**76,153**	73,873	77,101	69,976	75,486
Income from operations	**27,172**	27,976	27,100	26,280	24,963
Interest expense	**(10,601)**	(10,792)	(13,591)	(14,665)	(14,630)
Gain on sale of property and equipment	-	11,177	-	-	-
Loss on debt extinguishment	-	-	(8,872)	-	-
Impairment charge long-lived assets	-	-	(790)	-	-
Interest and other income, net	**1,443**	1,049	265	189	151
Impairment charge long-term investment	-	-	-	-	(100)
Income before provision for income taxes	**18,014**	29,410	4,112	11,804	10,384
Provision for income taxes	**4,579**	7,917	1,482	4,319	4,288
Net income	**$ 13,435**	$ 21,493	$ 2,630	$ 7,485	$ 6,096
Income per share:					
Basic	**$ 3.19**	$ 5.13	$ 0.63	$ 1.79	$ 1.38
Diluted	**$ 3.19**	$ 5.09	$ 0.62	$ 1.78	$ 1.37
Dividends paid per share	**$ 1.40**	$ 1.00	$ 5.00	$ -	$ -
Dividends paid	**$ 5,912**	$ 4,187	$ 20,948	$ -	$ -
Weighted average shares used in computing net income per share					
Basic	**4,216**	4,187	4,181	4,172	4,430
Diluted	**4,216**	4,220	4,221	4,206	4,463
Balance Sheet Data at End of Fiscal Year:					
Working capital	**$ 75,165**	$ 72,237	$ 53,702	$ 56,763	$ 49,779
Total assets	**$ 105,282**	$ 94,306	$ 80,091	$ 78,125	$ 71,549
Long-term debt, net (3)	**$ 146,140**	$ 145,449	$ 144,758	$ 131,475	$ 130,266
Stockholders’ deficit	**$ (66,401)**	$ (70,144)	$ (84,568)	$ (66,491)	$ (72,336)
Supplemental Non-GAAP information (4):					
EBITDA (5)	**$ 29,848**	$ 41,414	$ 19,055	$ 27,766	$ 26,269
Adjusted EBITDA (6)	**$ 29,964**	$ 30,399	$ 29,115	$ 28,348	$ 27,155
Selected Restaurant Operating Data:					
Company-owned restaurant sales	**$ 12,973**	$ 13,601	$ 14,085	$ 14,646	$ 16,222
Number of Units Open at End of Fiscal Year:					
Company-owned restaurants	**4**	4	5	5	5
Franchised	**216**	255	276	279	259

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. The fiscal year ended March 29, 2020 was on the basis of a 52-week reporting period. The fiscal year ended March 31, 2019 was on the basis of a 53-week reporting period. The fiscal years ended March 25, 2018, March 26, 2017 and March 27, 2016 were each on the basis of a 52-week reporting period.

(2) Upon adoption of Topic 606 in fiscal 2019, the Company was required to include revenues and expenses of its Advertising Fund as a component of the Company's Consolidated Statement of Earnings. Previously, these activities were reported on the Company's Consolidated Balance Sheet.

(3) Represents $150.0 million outstanding debt net of unamortized debt issuance costs of $3,860, $4,551 and $5,242 at March 29, 2020, March 31, 2019 and March 25, 2018, respectively; and $135.0 million outstanding debt net of unamortized debt issuance costs of $3,525 and $4,734 at March 26, 2017 and March 27, 2016, respectively.

(4) The Company has provided EBITDA and Adjusted EBITDA, each a non-US GAAP financial measure that the Company believes will impact the comparability of its results of operations. The Company believes that EBITDA and Adjusted EBITDA are useful to investors to assist in assessing and understanding the Company's operating performance and underlying trends in the Company's business because EBITDA and Adjusted EBITDA are (i) among the measures used by management in evaluating performance and (ii) are frequently used by securities analysts, investors and other interested parties as a common performance measure. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be viewed as alternatives to net income or other measures of financial performance or liquidity in conformity with US GAAP. Additionally, our definitions of EBITDA and Adjusted EBITDA may differ from other companies. Analysis of results and outlook on a non-US GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with US GAAP.

(5) EBITDA represents net income adjusted for the reversal of (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense.

(6) Adjusted EBITDA represents EBITDA adjusted for the reversal of (i) gain on sale of property and equipment; (ii) loss on debt extinguishment; (iii) impairment charge on long-lived assets; (iv) share-based compensation; (v) impairment charge on long-term investment in fiscal 2016; (vi) amortization of bond premium on available-for-sale investments in fiscal 2016.

Reconciliation of GAAP and Non-GAAP Measures

The following is provided to supplement certain Non-GAAP financial measures discussed in Item 6. Selected Financial Data.

In addition to disclosing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), the Company has provided EBITDA which excludes (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company has also provided Adjusted EBITDA excluding (i) gain on sale of property and equipment; (ii) loss on debt extinguishment; (iii) impairment charge on long-lived assets; (iv) share-based compensation; (v) impairment charge on long-term investment in fiscal 2016; (vi) amortization of bond premium on available-for-sale investments in fiscal 2016 that the Company believes will impact the comparability of its results of operations.

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

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

	Fiscal Year (1)				
(In thousands)	**2020**	2019	2018	2017	2016
Net income	**$ 13,435**	$ 21,493	$ 2,630	$ 7,485	$ 6,096
Interest expense	**10,601**	10,792	13,591	14,665	14,630
Income taxes	**4,579**	7,917	1,482	4,319	4,288
Depreciation & amortization	**1,233**	1,212	1,352	1,297	1,255
EBITDA	**29,848**	41,414	19,055	27,766	26,269
Gain on sale of property and equipment	-	(11,177)	-	-	-
Loss on debt extinguishment	-	-	8,872	-	-
Impairment charge long-lived assets	-	-	790	-	-
Share-based compensation	**116**	162	398	582	722
Impairment charge long-term investment	-	-	-	-	100
Amortization of bond premium	-	-	-	-	64
ADJUSTED EBITDA	**$ 29,964**	$ 30,399	$ 29,115	$ 28,348	$ 27,155

(1) Our fiscal year ends on the last Sunday in March, which results in a 52- or 53-week year. The fiscal year ended March 29, 2020 was on the basis of a 52-week reporting period. The fiscal year ended March 31, 2019 was on the basis of a 53-week reporting period. The fiscal years ended March 25, 2018, March 26, 2017 and March 27, 2016 were each on the basis of a 52-week reporting period.

Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>

Introduction

Since the rapidly evolving COVID-19 outbreak and the implementation of "stay-at-home" and dining room closure orders in mid-March 2020, operations at our Company-owned restaurants and our franchisees' restaurants have been disrupted. As of March 29, 2020, three of our four Company-owned restaurants are currently open, and those three Company-owned restaurants are only offering food through take-out and delivery as we are prohibited from offering dine-in seating and service at our restaurants resulting from restrictions due to the COVID-19 pandemic. Our seasonal location on the Coney Island Boardwalk opened on May 15, 2020, observing the same cautions and restrictions.

The majority of our franchised locations have been temporarily closed due to their locations in venues that are closed (such as shopping malls and movie theaters) or venues operating at significantly reduced traffic (such as airports and highway travel plazas). Such closures and disruptions have materially impacted revenues at our Company-owned restaurants with significant declines since the middle of March 2020, as compared to the same period last year. Although franchisees are beginning to slowly re-open, we expect that franchised locations and the royalty revenue we receive from our franchisees will be negatively impacted. We are principally focused on the well-being and safety of our guests, franchisees, restaurant associates and all other employees. Since the situation around the COVID-19 virus is constantly changing, we may implement additional measures to ensure the safety of our team members and guests over time. We also expect to realize declines in sales and profits from our Branded Product Program during this period as many of our customers operate in venues that are currently closed and may be slow to reopen, such as professional sports venues, amusement parks, shopping malls and movie theaters. During March 2020, royalties from license agreements were significantly higher than March 2019 due to significantly higher sales of consumer-packaged goods through grocery channels. During the continuation of shut-down regulations in response to COVID-19, we currently expect similar results although there can be assurance that this will continue to occur during such time.

We are engaged primarily in the marketing of the "Nathan's Famous" brand and the sale of products bearing the "Nathan's Famous" trademarks through several different channels of distribution. Historically, our business has been the operation and franchising of quick-service restaurants featuring Nathan's World Famous Beef Hot Dogs, crinkle-cut French-fried potatoes, and a variety of other menu offerings. Our Company-owned and franchised units operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Nathan's product licensing program began in 1978 by selling packaged hot dogs and other meat products to retail customers through supermarkets or grocery-type retailers for off-site consumption. During fiscal 1998, we introduced our Branded Product Program, which currently enables foodservice retailers and others to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. In conjunction with this program, purchasers of Nathan's products are granted a limited use of the Nathan's Famous trademark with respect to the sale of the purchased products, including Nathan's World Famous Beef Hot Dogs, certain other proprietary food items and paper goods. Our Branded Menu Program is a limited franchise program, under which foodservice operators may sell a greater variety of Nathan's Famous menu items than under the Branded Product Program.

Our revenues are generated primarily from selling products under Nathan's Branded Product Program, restaurant operations consisting of Company-owned restaurants and franchising the Nathan's restaurant concept (including under the Branded Menu Program) and product licensing agreements for the sale of Nathan's products within supermarkets and club stores, the manufacture of certain proprietary spices and the sale of Nathan's products directly to other foodservice operators. For further information, please see Note J – Segment Information in the accompanying financial statements.

The following summary reflects the franchise openings and closings of the Nathan's franchise system for the fiscal years ended March 29, 2020, March 31, 2019, March 25, 2018, March 26, 2017 and March 27, 2016.

	March 29, 2020	March 31, 2019	March 25, 2018	March 26, 2017	March 27, 2016
Franchised restaurants operating at the beginning of the period	**255**	276	279	259	296
Franchised restaurants opened during the period	**16**	13	40	53	56
Franchised restaurants closed during the period	**(55)**	(34)	(43)	(33)	(93)
Franchised restaurants operating at the end of the period	**216**	255	276	279	259

At March 29, 2020, our franchise system consisted of 216 Nathan's franchised units located in 21 states, and nine foreign countries. We also operate four Company-owned Nathan's units, including one seasonal location, within the New York metropolitan area.

As described in Risk Factors and other sections in this Annual Report on Form 10-K for the year ended March 29, 2020, our future results could be impacted by many developments. In March 2014, John Morrell & Co., a subsidiary of Smithfield Foods, Inc. became Nathan's exclusive licensee to manufacture and sell hot dogs, sausage and corned beef at retail. Our future operating results are substantially dependent on our agreement with John Morrell & Co. There are also certain risks associated with engaging John Morrell & Co. as exclusive licensee including whether (i) we can maintain or improve the quality and consistency of our products that is expected by our customers, and (ii) John Morrell & Co. will have a sufficient supply of products available for our customers on a timely basis, as well as the risks described under "Risk Factors - - Our licensing revenue and overall profitability is substantially dependent on our agreement with John Morrell & Co. and the loss or a significant reduction of this revenue would have a material adverse effect on our financial condition and results of operations."

Our future operating results could be impacted by supply constraints on beef prices and/or increases in beef prices.

On November 1, 2017, the Company completed the issuance of $150.0 million of 6.625% Senior Secured Notes due 2025 (the "2025 Notes") in a private offering in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2025 Notes were issued pursuant to an indenture, dated November 1, 2017, (the "Indenture") by and among the Company, certain of its wholly-owned subsidiaries, as guarantors, and U.S. Bank National Association, as trustee and collateral trustee. The Company used the net proceeds of the 2025 Notes offering to satisfy and discharge the indenture relating to the 2020 Notes (as hereinafter defined) and redeem the 2020 Notes (the "Redemption"), to fund a portion of a special $5.00 per share cash dividend to Nathan's stockholders of record (see Note K of the Notes to the Consolidated Financial Statements), and for general corporate purposes, including working capital. The Company also funded the majority of the special dividend of $5.00 per share through its existing cash. The Redemption occurred on November 16, 2017.

The Company performed the required evaluation of the refinancing and determined that a portion of the Redemption of the 2020 Notes was accounted for as a modification of the debt and a portion as an extinguishment of the debt. In connection with the Redemption, the Company recorded a loss on early extinguishment of debt of $8,872,000 for the year ended March 25, 2018 that primarily reflected a portion of the premium paid to redeem the 2020 Notes and the write-off of certain debt issuance costs.

The 2025 Notes bear interest at 6.625% per annum, payable semi-annually on May 1st and November 1st of each year. During the fiscal year ended March 29, 2020, the Company made its required semi-annual interest payments of $4,968,750 on May 1, 2019 and November 1, 2019. On May 1, 2020, the Company paid its semi-annual interest payment.

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

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

On March 10, 2015, the Company completed the issuance of $135.0 million of 10.000% Senior Secured Notes due 2020 ("the 2020 Notes") in a Rule 144A transaction. The 2020 Notes were issued pursuant to an indenture, dated March 10, 2015, by and among the Company, certain of its wholly-owned subsidiaries, as guarantors, and U.S. Bank National Association, a national banking association, as trustee and collateral trustee. Debt issuance costs of approximately $5,985,000 were incurred, which were being amortized into interest expense over the remaining 5-year term of the 2020 Notes, or until redeemed.

Our future results could also be impacted by our interest obligations under the 2025 Notes. As a result of the issuance of the 2025 Notes, Nathan's expects to incur interest expense of $9,937,500 per annum and annual amortization of debt issuance costs of approximately $691,000. The terms and conditions of the 2025 Notes are as follows (terms not defined shall have the meanings set forth in the Indenture):

There are no ongoing financial maintenance covenants associated with the 2025 Notes. As of March 29, 2020, Nathan's was in compliance with all covenants associated with the 2025 Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

Our consolidated financial statements and the notes to our consolidated financial statements contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. We believe the following critical accounting policies involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset and liability amounts.

Revenue Recognition

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued new accounting standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). We adopted Topic 606 at the beginning of the fiscal year ended March 31, 2019. *(See "Summary of Significant Accounting Policies", Note B.11* of the Notes to the Consolidated Financial Statements for further discussion on the impact on Nathan's.) Following are discussions of how our revenues are earned, and our accounting policies pertaining to revenue recognition prior to the adoption of Topic 606 ("Legacy GAAP") and subsequent to the adoption of Topic 606 and other required disclosures.

Revenue Recognition - Branded Product Program

The Company recognizes sales from the Branded Product Program and certain products sold from the Branded Menu Program upon delivery to Nathan's customers via third party common carrier. Rebates provided to customers are classified as a reduction to sales.

The timing and amount of revenue recognized related to sales made by our Branded Product Program was not impacted by the adoption of Topic 606.

Revenue Recognition - Company-owned Restaurants

Sales by Company-owned restaurants, which are typically paid in cash or credit card by the customer, are recognized at the point of sale. Sales are presented net of sales tax.

The timing and amount of revenue recognized related to our Company-owned restaurant sales was not impacted by the adoption of Topic 606.

Revenue Recognition – License Royalties

The Company earns revenue from royalties on the licensing of the use of its intellectual property in connection with certain products produced and sold by outside vendors. The use of the Company's intellectual property must be approved by the Company prior to each specific application to ensure proper quality and a consistent image. Revenue from license royalties is generally based on a percentage of sales, subject to certain annual minimum royalties, recognized on a monthly basis when it is earned and deemed collectible.

The timing and amount of revenue recognized related to our license royalties was not impacted by the adoption of Topic 606.

Revenue Recognition - Franchising Operations

In connection with its franchising operations, the Company receives initial franchise fees, international development fees, royalties, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are recorded as deferred revenue.

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 prior to the adoption of Topic 606 had been recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions to the sale were substantially performed by the franchisor. If substantial obligations under the development agreement were not dependent on the number of individual franchise locations to be opened, substantial performance was determined using the same criteria applicable to an individual franchise, which was generally the opening of the first location pursuant to the development agreement. If substantial performance was dependent on the number of locations, then the development fee was deferred and was recognized ratably over the term of the agreement, as restaurants in the development area commenced operations on a pro rata basis to the minimum number of restaurants required to be opened, or at the time the development agreement was effectively canceled.

The following services are typically provided by the Company prior to the opening of a franchised restaurant.

- Approval of all site selections to be developed.
- Provision of architectural plans suitable for restaurants to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the restaurant.
- Provision of appropriate menus to coordinate with the restaurant design and locations to be developed.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of restaurants being developed.

Under the adoption of Topic 606, the Company determined that the services provided in exchange for these upfront restaurant franchise fees do not contain separate and distinct performance obligations from the franchising right and beginning March 26, 2018, these initial franchise fees, renewal fees and transfer fees shall be deferred and recognized over the term of each respective agreement, or upon termination of the franchise agreement.

Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by Nathan’s and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchise restaurant commenced operations.

Under Legacy GAAP, international development fees were recognized, net of direct expenses, upon the opening of the first restaurant within the territory. Under the adoption of Topic 606, the Company determined that the services provided in exchange for these international development fees do not contain separate and distinct performance obligations from the franchise right and as of March 26, 2018, international development fees, shall be recognized over the term of each respective agreement. Certain other costs, such as legal expenses, shall be expensed as incurred.

Nathan’s recognizes franchise royalties on a monthly basis which are generally based upon a percentage of sales made by Nathan’s franchisees, when they are earned and deemed collectible. Franchise fees and royalties that are not deemed to be collectible are not recognized as revenue until paid by the franchisee, or until collectability is deemed to be reasonably assured.

Nathan’s recognizes royalty revenue from its Branded Menu Program either upon its sale of hot dogs or royalty income when it has been determined that other qualifying products have been sold by the manufacturer to Nathan’s Branded Menu Program franchisees or based upon product purchased by these franchisees from their primary distributor.

Franchise fees and royalties that are not deemed to be collectible are recorded as bad debts until paid by the franchisee or until collectibility is deemed to be reasonably assured.

Revenue Recognition – National Advertising Fund

The Company maintains a national advertising fund (the “Advertising Fund”) established to collect and administer funds contributed for use in advertising and promotional programs for Company-owned and franchised restaurants. Under Legacy GAAP, the revenues, expenses and cash flows of the Advertising Fund were reported on the Company’s Consolidated Balance Sheets and not included in the Company’s Consolidated Statements of Earnings and Statements of Cash Flows because the contributions to the Advertising Fund were designed for specific purposes and the Company acted as an agent, in substance, with regard to these contributions as a result of industry-specific guidance.

Under the adoption of Topic 606, the revenue, expenses and cash flows of the Advertising Fund are fully consolidated into the Company's Consolidated Statements of Earnings and Statements of Cash Flows.

While this treatment impacts the gross amount of reported advertising fund revenue and related expenses, the impact is expected to be an offsetting increase to both revenue and expense after elimination of Company contributions, with no impact to income from operations or net income because the Company attempts to manage the Advertising Fund to breakeven over the course of the fiscal year. However, any surplus or deficit in the Advertising Fund will impact income from operations and net income.

Revenue Recognition – Other

Revenue from sub-leasing properties is recognized as income as the revenue is earned and becomes receivable and deemed collectible. Sub-lease rental income is presented net of associated lease costs in the Consolidated Statements of Earnings.

In the normal course of business, we extend credit to franchisees and licensees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Accounts and other receivables, net, as shown on our Consolidated Balance Sheets are net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessment of collectability based upon historical trends and an evaluation of the impact of current and projected economic conditions. The Company writes off accounts receivable when they are deemed uncollectible.

Impairment of Goodwill and Other Intangible Assets

Goodwill and intangible assets consist of (i) goodwill of $95,000 resulting from the acquisition of Nathan's in 1987; and (ii) trademarks, trade names and other intellectual property of $1,269,000 in connection with Arthur Treacher's. As of March 29, 2020 and March 31, 2019, the Company performed its annual impairment of goodwill and has determined that no impairment is deemed to exist. At March 31, 2019, the Company's intangible asset had a carrying amount of $1,353,000 for the trademarks, trade names and other intellectual property in connection with Arthur Treacher's.

During the fiscal year ended March 29, 2020, the Company subsequently determined its indefinite-lived intangible asset to have a finite useful life based on the expected future use of this intangible asset. Based upon the review of the current Arthur Treacher's co-branding agreements, the Company determined that the remaining useful lives of these agreements is twelve years and the intangible asset is subject to annual amortization. The Company has recorded amortization expense of $84,000 for the fiscal year ending March 29, 2020.We conducted our annual impairment tests and no goodwill or other intangible assets were determined to be impaired during the fiscal years ended March 29, 2020 and March 31, 2019.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Each reporting period, management reviews the carrying value of its investments based upon the financial information provided by the investment's management and considers whether indicators of an other-than-temporary impairment exists. If an impairment indicator exists, management evaluates the fair value of its investment to determine if an, other-than-temporary impairment in value has occurred. We are required to recognize an impairment on the investment if such impairment is considered to be other-than temporary.

Impairment losses are recorded on long-lived assets on a restaurant-by-restaurant basis whenever impairment factors are determined to be present. The Company tests the recoverability of its long-lived assets with finite useful lives whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company tests for recoverability based on the projected undiscounted cash flows to be derived from such asset. If the projected undiscounted future cash flows are less than the carrying value of the asset, the Company will record an impairment loss, if any, based on the difference between the estimated fair value and the carrying value of the asset. The Company generally measures fair value by considering discounted estimated future cash flows from such asset. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should the estimates and assumptions prove to be incorrect, the Company may be required to record impairments in future periods and such impairments could be material. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. No long-lived assets were deemed impaired during the fiscal years ended March 29, 2020 and March 31, 2019.

Stock-Based Compensation

As discussed in Note M.2 of the Notes to Consolidated Financial Statements, we have one active share-based compensation plan that provides stock options and restricted stock awards for certain employees and non-employee directors to acquire shares of our common stock. We consider the following factors in determining the value of stock-based compensation:

(a) expected option term based upon expected termination behavior;
(b) volatility based upon historical price changes of the Company’s common stock over a period equal to the expected life of the option;
(c) expected dividend yield; and
(d) risk free interest rate on date of grant

Income Taxes

The Company’s current provision for income taxes is based upon its estimated taxable income in each of the jurisdictions in which it operates, after considering the impact on taxable income of temporary differences resulting from different treatment of items for tax and financial reporting purposes. 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 any operating loss or tax credit carryforwards. 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. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible. Should management determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made.

Uncertain Tax Positions

The Company has recorded liabilities for underpayment of income taxes and related interest and penalties for uncertain tax positions based on the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Nathan’s recognizes accrued interest and penalties associated with unrecognized tax benefits as part of the income tax provision.

Financial Accounting Standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements. (See Note I of the Notes to Consolidated Financial Statements.)

Adoption of New Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance on leases, Topic 842, which outlines principles for the recognition, measurement, presentation and disclosure of leases applicable to both lessors and lessees. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases. The Company adopted the new guidance at the beginning of the fiscal year ended March 29, 2020 using the effective date of April 1, 2019 as the date of initial application; therefore, the comparative period has not been adjusted and continues to be reported under the previous lease guidance.

The new standard provides for a number of practical expedients upon adoption. The Company elected the package of practical expedients, which permits the Company not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. For those leases that fall under the definition of a short-term lease, the Company elected the short-term lease recognition exemption. Under this practical expedient, for those leases that qualify, we did not recognize right-of-use (“ROU”) assets or liabilities. The Company also elected the practical expedient for lessees to account for lease components and non-lease components as a single lease component for all underlying classes of assets. The Company did not elect the use-of-hindsight practical expedient.

As a result of adopting this new guidance on the first day of fiscal year 2020, substantially all of the Company's operating lease commitments were subject to the new guidance and were recognized as operating lease assets and liabilities, initially measured as the present value of future lease payments for the remaining lease term discounted using the Company’s incremental borrowing rate based on the remaining lease term as of the adoption date. The Company recognized operating lease assets and liabilities of $7,804,000 and $8,533,000, respectively, as of the first day of fiscal year 2020. The difference between the assets and liabilities is attributable to the reclassification of certain existing lease-related assets and liabilities as an adjustment to the right-of-use assets.

The effects of the changes made to the Company's consolidated balance sheet as of April 1, 2019 for the adoption of the new lease guidance were as follows (in thousands):

	Balance at March 31, 2019	Adjustments due to adoption of the new lease guidance	Reclassi-fications	Balance at April 1, 2019
Other Assets				
Operating lease assets	-	7,804	-	7,804
Other assets	465	-	31	496
Current Liabilities				
Current portion of operating lease liabilities	-	1,162	-	1,162
Long Term Liabilities				
Long-term operating lease liabilities	-	7,371	-	7,371
Other liabilities	1,390	(729)	31	692

The adoption of the new guidance is non-cash in nature and had no impact on net cash flows from operating, investing, or financing activities.

Please refer to Footnotes B and L in the accompanying Consolidated Financial Statements for additional information regarding our lease arrangements and the Company's updated lease accounting policies.

New Accounting Standards Not Yet Adopted

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

In January 2017, the FASB issued an update to the accounting guidance to simplify the testing for goodwill impairment. The update removes the requirement to determine the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. A company will perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment charge will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of the goodwill. The guidance is effective prospectively for public business entities for annual reporting periods beginning after December 15, 2019. This standard is required to take effect in Nathan's first quarter (June 2020) of our fiscal year ending March 28, 2021. Nathan's does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

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

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

Results of Operations

Fiscal year ended March 29, 2020 compared to fiscal year ended March 31, 2019

Revenues

Total sales were $70,559,000 for the fifty-two weeks ended March 29, 2020 ("fiscal 2020 period") as compared to $71,561,000 for the fifty-three weeks ended March 31, 2019 ("fiscal 2019 period"). Foodservice sales from the Branded Product Program were $57,586,000 for the fiscal 2020 period as compared to sales of $57,960,000 for the fiscal 2019 period. Foodservice sales during the 53rd week of fiscal 2019 were $2,090,000. On a comparative 52-week basis, our fiscal 2019 sales would have been approximately $55,870,000. During the 52-week fiscal 2020 period, the volume of business decreased by approximately 2.1% and our average selling prices increased by approximately 0.8% as compared to the 53-week fiscal 2019 period.

During the fiscal 2018 period, we added a new distributor to our distribution network that increased our sales during implementation of the new distributor. In addition to the additional business realized, beginning in the third quarter fiscal 2018, this distributor temporarily provided distribution to a number of significant contract accounts, further increasing their fiscal 2018 purchases. During the first quarter of fiscal 2019, the temporary distribution to our significant contract accounts began reverting back to our traditional methodology, although not fully completed until the second quarter of fiscal 2019. Excluding the effects of the re-distributors' purchases in both years, we estimate that customer shipments decreased by approximately 1.0% through the second quarter fiscal 2020.

Total Company-owned restaurant sales were $12,973,000 during the fiscal 2020 period compared to $13,601,000 during the fiscal 2019 period. Sales were reduced by $1,188,000 associated with the sale of a restaurant during the fiscal 2019 period. Sales from our Company-owned restaurants during the 53rd week of fiscal 2019 were approximately $142,000.Comparable Company-owned restaurant sales, excluding sales from the restaurant that was sold last year, increased by approximately $560,000 or 4.5% as compared to the comparable period last year.

License royalties were $25,859,000 in the fiscal 2020 period as compared to $23,615,000 in the fiscal 2019 period. Total royalties earned on sales of hot dogs from our license agreement with John Morrell & Co. at retail and foodservice, substantially from sales of hot dogs to Sam's Club and WalMart, increased to $23,680,000 for the fiscal 2020 period as compared to $21,271,000 for the fiscal 2019 period. The increase at retail is primarily due to higher retail volume of 11.0% and a 2.0% increased average net selling price as compared to the fiscal 2019 period. Additionally, the foodservice business earned lower royalties of $165,000 as compared to the fiscal 2019 period due to a shift in the Sam's Club business. Royalties earned from all other licensing agreements for the manufacture and sale of Nathan's products declined by $165,000 during the fiscal 2020 period as compared to the fiscal 2019 period primarily due to the transition of our enrobed hot dog products to a new licensee. Licensee sales and royalties, which are reported by our licensees, were not affected by the additional week in fiscal 2019.

Franchise fees and royalties were $4,572,000 in the fiscal 2020 period as compared to $4,171,000 in the fiscal 2019 period. Total royalties were $3,327,000 in the fiscal 2020 period as compared to $3,666,000 in the fiscal 2019 period. Royalties earned under the Branded Menu Program were $643,000 in the fiscal 2020 period as compared to $726,000 in the fiscal 2019 period. Royalties earned under the Branded Menu Program are not based upon a percentage of restaurant sales, but are based upon product purchases. Traditional franchise royalties were $2,684,000 in the fiscal 2020 period as compared to $2,940,000 in the fiscal 2019 period. Franchise restaurant sales decreased to $61,542,000 in the fiscal 2020 period as compared to $65,607,000 in the fiscal 2019 primarily due to the impact of units closed in the fiscal 2020 year, net of units opened, a 2.3% decrease in comparable domestic sales and the impact of the additional week in the fiscal 2019 period. Comparable domestic franchise sales (consisting of 82 Nathan's outlets, excluding sales under the Branded Menu Program) were $48,508,000 during the 52 weeks of the fiscal 2020 period as compared to $50,165,000 during the 53 weeks of fiscal 2019. Comparable sales during the 52 weeks of fiscal 2019 were approximately $49,322,000, a 1.7% decline in comparable domestic sales on a basis of 52 weeks.

At the beginning of the fiscal 2019 period we adopted Topic 606. Footnote B in the accompanying Consolidated Financial Statements provides a full explanation of this new accounting standard. The most significant component of this new standard affects the timing associated with Nathan's recognition of franchise fees. Franchise fee income is now recorded into income on a prorated basis over the term of the franchise agreement as compared to previously recognizing the full franchise fee into income upon the opening of a new restaurant.

At March 29, 2020, 216 franchised outlets, including domestic, international and Branded Menu Program outlets were operating compared to 255 franchised outlets, including domestic, international and Branded Menu Program outlets at March 31, 2019. Total franchise fee income was $1,245,000 in the fiscal 2020 period as compared to $505,000 in the fiscal 2019 period. Domestic franchise fee income was $143,000 in the fiscal 2020 period as compared to $155,000 in the fiscal 2019 period. International franchise fee income was $151,000 in the fiscal 2020 period as compared to $158,000 in the fiscal 2019 period. We recognized $951,000 of forfeited fees in the fiscal 2020 period primarily from the termination of our Master Franchise Agreements for Russia, Kyrgyzstan, Australia, The United Kingdom, Turkey and the closing of various domestic and international franchise locations as compared to forfeited fees of $192,000 in the fiscal 2019 period. During the fiscal 2020 period, total franchise fees would have been $166,000, under the previous revenue recognition guidance. During the fiscal 2020 period, 16 franchised outlets opened, including five international units and three new Branded Menu Program outlets. During the fiscal 2019 period, 13 new franchised outlets opened, including five international locations and four new Branded Menu Program outlets.

Advertising fund revenue, after eliminating Company contributions, was $2,335,000 during the fiscal 2020 period and $2,502,000 during the fiscal 2019 period.

Costs and Expenses

Overall, our cost of sales increased by $1,709,000 to $54,488,000 in the fiscal 2020 period as compared to $52,779,000 in the fiscal 2019 period. Our gross profit (representing the difference between sales and cost of sales) was $16,071,000 or 22.8% of sales during the 2020 period as compared to $18,782,000 or 26.2% of sales during the fiscal 2019 period. The reduction in margin was primarily due to the higher cost of beef in the Branded Product Program.

Cost of sales in the Branded Product Program increased by approximately $2,179,000 during the fiscal 2020 period as compared to the fiscal 2019 period, primarily due to the 6.7% increase in the average cost per pound of our hot dogs. We did not make any purchase commitments for beef during the fiscal 2020 and 2019 periods. If the cost of beef and beef trimmings increases and we are unable to pass on these higher costs through price increases or otherwise reduce any increase in our costs through the use of purchase commitments, our margins will be adversely impacted.

With respect to Company-owned restaurants, our cost of sales during the fiscal 2020 period was $7,337,000 or 56.6% of restaurant sales, as compared to $7,807,000 or 57.4% of restaurant sales in the fiscal 2019 period. Excluding the restaurant that was sold, cost of sales would have been 56.0% of restaurant sales in the fiscal 2019 period. We experienced higher prime costs due in part to the incremental food and labor costs associated with the rollout of various new products in addition to high commodity costs of beef. The impact of higher wages, principally associated with the effects of the New York State minimum wage increase, were partly offset by the impact of higher sales at the comparable four Company-owned restaurants. We expect that our future labor costs at our restaurants outside of New York City will continue to be impacted by the remaining multi-year increase in minimum wage requirements in New York State, as well as other new labor regulations and any increase in commodity costs.

Restaurant operating expenses were $3,476,000 in the fiscal 2020 period as compared to $3,525,000 in the fiscal 2019 period. Excluding $283,000 of restaurant operating expenses from the fiscal 2019 period for the restaurant that was sold, we incurred higher insurance costs of $73,000, higher occupancy costs of $58,000, marketing expenses of $49,000 and maintenance and other expenses totaling $80,000.

Depreciation and amortization was $1,233,000 in the fiscal 2020 period as compared to $1,212,000 in the fiscal 2019 period as a result of amortization of the Arthur Treachers' intellectual property which was partly offset by lower capital spending and reduced depreciation and amortization attributable to the restaurant that was sold of $19,000.

General and administrative expenses increased $928,000 or 6.7% to $14,779,000 in the fiscal 2020 period as compared to $13,851,000 in the fiscal 2019 period. The increase in general and administrative expenses was primarily attributable to higher costs associated with the transformation efforts within our restaurant business including higher compensation expenses, including severance, marketing and franchise solicitation costs of approximately $950,000.

Advertising fund expense, after eliminating Company contributions, was $2,177,000 in the fiscal 2020 period, as compared to $2,506,000 in the fiscal 2019 period. Nathan's previously determined that the Advertising Funds' normal seasonal deficit was not expected to be fully recovered during the fiscal 2020 period, and recorded the projected $370,000 deficit in its second quarter fiscal 2020 results of operations. As a result of the escalation of the COVID-19 pandemic in March 2020, a number of marketing initiatives were cancelled or delayed, thus reducing the anticipated spending during the fiscal 2020 period.

Other Items

Interest expense of $10,601,000 in the fiscal 2020 period represented accrued interest of $9,910,000 on the 2025 Notes at 6.625% per annum and amortization of debt issuance costs of $691,000. Interest expense of $10,792,000 in the fiscal 2019 period represented accrued interest of $10,101,000 on the 2025 Notes at 6.625% per annum and amortization of debt issuance costs of $691,000. Interest expense during fiscal 2019 was based upon a 371-day fiscal year as compared to a 364-day fiscal year during fiscal 2020.

Interest income was $1,357,000 for the fiscal 2020 period as compared to $840,000 in the fiscal 2019 period.

During the fiscal 2019 period, we recognized gains of $11,177,000 from the sale of our Company-owned restaurant located in Bay Ridge, Brooklyn and from the sale of our Florida regional office.

Other income relates primarily to sublease income from a franchised restaurant of $85,000 in each of the fiscal 2020 and fiscal 2019 periods, which was partly offset by miscellaneous asset disposals during the fiscal 2019 periods. During the fiscal 2019 period, we recognized a fee of $175,000 to extend the closing date of the sale of our restaurant located in Bay Ridge, Brooklyn, NY.

Provision for Income Taxes

The income tax provision for the fifty-two weeks ended March 29, 2020 and fifty-three weeks ended March 31, 2019 reflect effective tax rates of 25.4% and 26.9%, respectively. Nathan's effective tax rate for the fifty-two week period ended March 29, 2020 and fifty-three week period ended March 31, 2019 were reduced by 1.3% and 1.1%, respectively, as a result of the tax benefits associated with stock compensation. For the fifty-two week period ended March 29, 2020 and fifty-three week period ended March 31, 2019, excess tax benefits of $228,000 and $310,000, respectively, were reflected in the Consolidated Statements of Earnings as a reduction to the provision for income taxes. Nathan's effective tax rates without these adjustments would have been 26.7% for the fiscal 2020 period and 28.0% for the fiscal 2019 period. The Company's tax rate for the fiscal 2020 period was favorably affected by 0.3% due to its return to provision adjustment of approximately $52,000 in connection with the filing of its March 2019 tax returns. In November 2019, the State of New Jersey notified Nathan's that our tax returns for the years ended March 2016, 2017, and 2018 will be audited. The review is ongoing.

The amount of unrecognized tax benefits at March 29, 2020 was $311,000 all of which would impact Nathan's effective tax rate, if recognized. As of March 29, 2020, Nathan's had $259,000 of accrued interest and penalties in connection with unrecognized tax benefits. Nathan's estimates that its unrecognized tax benefit excluding accrued interest and penalties could be further reduced by up to $16,000 during the fiscal year ending March 28, 2021.

Off-Balance Sheet Arrangements

At March 29, 2020 and March 31, 2019, Nathan's did not have any open purchase commitment to purchase hot dogs. Nathan's may continue to enter into additional purchase commitments in the future as favorable market conditions become available.

Liquidity and Capital Resources

Cash and cash equivalents at March 29, 2020 aggregated $77,117,000, a $1,671,000 increase during the fiscal 2020 period as compared to cash and cash equivalents of $75,446,000 at March 31, 2019. Net working capital increased to $75,165,000 from $72,237,000 at March 31, 2019. Through March 29, 2020, the Company declared and paid four regular dividends of $0.35 per common share aggregating $5,912,000. During the fiscal 2020 period, the Company made its required semi-annual interest payments of $4,968,750 on May 1, 2019 and November 1, 2019. On May 1, 2020, we made the first semi-annual interest payment of fiscal 2021.

Cash provided by operations of $12,349,000 in the fiscal 2020 period is primarily attributable to net income of $13,435,000 in addition to other non-cash operating items of $2,923,000, offset by changes in other operating assets and liabilities of $4,009,000. Non-cash operating expenses consist principally of $1,233,000 of depreciation and amortization, $691,000 amortization of debt issuance cost, $352,000 of deferred income taxes, $228,000 of excess income tax benefits from stock-based compensation arrangements as a result of the accounting for certain aspects of its share-based payments to employees, share-based compensation expense of $116,000 and non-cash rental expense of $232,000. In the fiscal 2020 period, accounts and other receivables increased by $1,006,000 due primarily to higher license royalties of $1,848,000, which were partly offset by lower BPP receivables of $643,000 and lower franchise royalties of $210,000 both reductions are due in part to reduced sales as a result of the COVID-19 pandemic and fewer franchise restaurants. In the fiscal 2020 period, accounts payable, accrued expenses and other current liabilities decreased by $2,028,000. Accounts payable decreased by $1,713,000 due principally to reduced product purchases made for the Branded Product Program due to the initial slowdown resulting from the COVID-19 pandemic. Rebates due under the Branded Product Program was lower by $256,000 due primarily to reduced sales in March 2020 as discussed above. Partially offsetting this reduction were increased accrued expenses for construction costs, professional services and other items.

Cash used in investing activities was $870,000 in the fiscal 2020 period primarily in connection with capital expenditures incurred for our Branded Product Program and select restaurant improvements.

Cash used in financing activities of $9,808,000 in the fiscal 2020 period relates primarily to the payments of the Company's regular quarterly $0.35 per share cash dividend totaling $5,912,000. During the fiscal 2020 period, Nathan's repurchased 85,642 shares of common stock for $4,966,000. The Company also paid $8,000 for withholding taxes on the net share vesting of employee restricted stock. The Company also received $1,078,000 of proceeds from the exercise of stock options.

During the period from October 2001 through March 29, 2020, Nathan's purchased 5,227,405 shares of its common stock at a cost of approximately $83,269,000 pursuant to stock repurchase plans previously authorized by the Board of Directors. Since March 26, 2007, we have repurchased 3,336,305 shares at a total cost of approximately $76,111,000, reducing the number of shares then-outstanding by 55.4%.

In 2016, the Company's Board of Directors authorized increases to the sixth stock repurchase plan for the repurchase of up to 1,200,000 shares of the Company's common stock on behalf of the Company. As of March 29, 2020, Nathan's has repurchased 1,039,774 shares at a cost of approximately $35,607,000 under the sixth stock repurchase plan. At March 29, 2020, there were 160,226 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company's stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

On March 13, 2020, the Company's Board of Directors approved a 10b5-1 stock plan (the "10b5-1 Plan") which will expire on the earlier of (a) August 12, 2020 or (b) the earlier of when (i) the aggregate purchase price of all shares of common stock purchased under the 10b5-1 Plan equals $5.55 million and (ii) the aggregate purchases under the 10b5-1 Plan equals 100,000 shares unless terminated earlier by the Company's Board of Directors.

During the fiscal year ended March 29, 2020, the Company repurchased in open market transactions 50,918 shares of the Company's Common Stock at an average share price of $53.54 for a total cost of $2,727,000 under the 10b5-1 Plan.

At March 29, 2020, $2,823,000 or 49,082 shares were available for repurchase under the 10b5-1 Plan.

Subsequent to March 29, 2020 the Company repurchased an additional 26,676 shares at a cost of $1,502,000 through June 5, 2020 pursuant to the 10b5-1 Plan.

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

As discussed above, we had cash and cash equivalents at March 29, 2020 aggregating $77,117,000. Our Board routinely monitors and assesses its cash position and our current and potential capital requirements. In November 2017, we refinanced our 2020 Notes through the issuance of the 2025 Notes and, our Board of Directors announced the payment of a $5.00 per share special dividend to the shareholders of record as of the close of business on December 22, 2017. On May 31, 2018, Nathans' Board of Directors authorized the commencement of a regular dividend of $1.00 per share per annum, payable at the rate of $0.25 per share per quarter. Through March 31, 2019, the Company declared and paid four regular quarterly dividends of $0.25 per common share. On June 14, 2019, Nathan's Board of Directors authorized increasing the quarterly dividend to $0.35 per common share. During the fiscal 2020 period, we have declared and paid four quarterly dividend distributions totaling $5,912,000. Effective June 12, 2020, the Board declared its first quarterly cash dividend of $0.35 per share for fiscal 2021 which will be paid on June 26, 2020 to stockholders of record as of the close of business on June 22, 2020.

Our ability to pay future dividends is limited by the terms of the Indenture for the 2025 Notes. In addition, the payment of any cash dividends in the future, are subject to final determination of the Board and will be dependent upon our earnings and financial requirements. We may also return capital to our stockholders through stock repurchases, subject to any restrictions in the Indenture, although there is no assurance that the Company will make any repurchases under its existing stock-repurchase plan.

We expect that in the future we will make investments in certain existing restaurants, support the growth of the Branded Product and Branded Menu Programs, service the outstanding debt, fund dividend distributions and continue our stock repurchase programs, funding those investments from our operating cash flow. We may also incur capital and other expenditures or engage in investing activities in connection with opportunistic situations that may arise on a case-by-case basis. In the fiscal year ending March 29, 2020, we were required to make interest payments of $9,937,500, all of which have been made as of November 1, 2019. During the fiscal year ending March 28, 2021, we will be required to make interest payments of $9,937,500. On May 1, 2020, we made the first semi-annual interest payment of fiscal 2021.

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

At March 29, 2020, we sublet one property to a franchisee that we lease from a third party. We remain contingently liable for all costs associated with this property including: rent, property taxes and insurance. We may incur future cash payments with respect to such property, consisting primarily of future lease payments, including costs and expenses associated with terminating any of such leases.

The following schedule represents Nathan's cash contractual obligations and commitments by maturity as of March 29, 2020 (in thousands):

	Payments Due by Period				
Cash Contractual Obligations	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long term debt (a)	$ 150,000	$ -	$ -	$ -	$ 150,000
Employment Agreements (b)	4,517	1,167	2,000	950	400
Operating Leases	14,195	1,583	3,686	3,452	5,474
Gross Cash Contractual Obligations	168,712	2,750	5,686	4,402	155,874
Sublease Income	1,350	245	415	338	352
Net Cash Contractual Obligations	$ 167,362	$ 2,505	$ 5,271	$ 4,064	$ 155,522

a) Represents the principal due on the 2025 Notes, but does not include interest expense.

b) Reflects the Temporary Salary Reductions implemented in response to COVID-19, estimated to remain in place for six months.

At March 29, 2020, the Company had unrecognized tax benefits of $311,000. The Company believes that it is reasonably possible that the unrecognized tax benefits may decrease by $16,000 within the next year. A reasonable estimate of the timing of the remaining liabilities is not practicable.

Effective June 12, 2020 the Company declared its upcoming quarterly dividend of $0.35 per common share to stockholders of record as of the close of business June 22, 2020, which is payable June 26, 2020.

On February 27, 2017, a wholly-owned subsidiary of the Company executed a Guaranty of Lease (the "Brooklyn Guaranty") in connection with its re-franchising of a restaurant located in Brooklyn, New York. The Company is obligated to make payments under the Brooklyn Guaranty in the event of a default by the tenant/franchisee. The Brooklyn Guaranty has an initial term of 10 years and one 5-year option and is limited to 24 months of rent for the first three years of the term. For the remainder of the term, the Brooklyn Guaranty is limited to 12 months of rent plus reasonable costs of collection and attorney's fees. As of March 29, 2020, Nathan's has recorded a liability of $110,000 in connection with the Brooklyn Guaranty which does not include potential percentage rent, real estate tax increases, attorney's fees and other costs as these amounts are not reasonably determinable at this time. Nathan's has received a personal guaranty from the franchisee for all obligations under the Brooklyn Guaranty.

Inflationary Impact

We do not believe that general inflation has materially impacted earnings since 2006. However, we have experienced significant volatility in our costs for our hot dogs and certain food products, distribution costs and utilities. Between April 2018 and March 2020, beef prices traded within a range of + or - 10%. Prices were at the lowest levels between October 2018 and March 2019 as compared to higher levels between October 2019 and March 2020. Our average cost of hot dogs between October 2019 and March 2020 was approximately 11.4% higher than before between October 2018 and March 2019. As such, our market price for hot dogs during our fiscal 2020 period was approximately 6.7% higher than the fiscal 2019 period.

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

We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products during fiscal 2020. To the extent that beef prices increase as compared to earlier periods, it could impact our results of operations. In the past, we have entered into purchase commitments for a portion of our hot dogs to reduce the impact of increasing market prices. Our most recent purchase commitment was completed in 2016 for approximately 2,600,000 pounds of hot dogs. We may attempt to enter into similar purchase arrangements for hot dogs and other products in the future. Additionally, we expect to continue experiencing volatility in oil and gas prices on our distribution costs for our food products and utility costs in the Company-owned restaurants and volatile insurance costs resulting from the uncertainty of the insurance markets.

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

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

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

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

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

Effective November 27, 2017, the City of New York Fair Work Week Legislation package of bills took effect that the city estimates will cover some 65,000 fast food workers by giving them more predictable work schedules. A key component of the package is a requirement that fast food restaurants schedule their workers at least two weeks in advance or pay employees between $10 to $75 per scheduling change, depending on the situation. Due to Nathan’s dependency on weather conditions at our two Coney Island beach locations during the summer season, we are unable to determine the potential impact on our results of operations, which could be material. We believe that we have been able to implement tools to minimize the financial impact of this legislation. Nevertheless, we incurred approximately $6,000 of additional costs due to this legislation during the fiscal 2020 period.

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

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

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

Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>

Cash and Cash Equivalents

We have historically invested our cash and cash equivalents in money market funds or short-term, fixed rate, highly rated and highly liquid instruments which are generally reinvested when they mature. Although these existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of March 29, 2020, Nathan's cash and cash equivalents aggregated $77,117,000. Earnings on this cash would increase or decrease by approximately $193,000 per annum for each 0.25% change in interest rates.

Borrowings

At March 29, 2020, we had $150.0 million of 2025 Notes outstanding which are due in November 2025. Interest expense on these borrowings would increase or decrease by approximately $375,000 per annum for each 0.25% change in interest rates. We currently do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings.

Commodity Costs

We do not believe that general inflation has materially impacted earnings since 2006. However, we have experienced significant volatility in our costs for our hot dogs and certain food products, distribution costs and utilities. Between April 2018 and March 2020, beef prices traded within a range of + or - 10%. Prices were at the lowest levels between October 2018 and March 2019 as compared to higher levels between October 2019 and March 2020. Our average cost of hot dogs between October 2019 and March 2020 was approximately 11.4% higher than before between October 2018 and March 2019. As such, our market price for hot dogs during our fiscal 2020 period was approximately 6.7% higher than the fiscal 2019 period.

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

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

With the exception of purchase commitments, we have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, we expect that the majority of our future commodity purchases will be subject to market changes in the prices of such commodities. We have attempted to enter sales agreements with our customers that are correlated to our cost of beef, thus reducing our market volatility, or have passed through permanent increases in our commodity prices to our customers that are not on formula pricing, thereby reducing the impact of long-term increases on our financial results. A short-term increase or decrease of 10.0% in the cost of our food and paper products for the year ended March 29, 2020 would have increased or decreased our cost of sales by approximately $4,908,000.

Foreign Currencies

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

Item 8. **Financial Statements and Supplementary Data.**

The consolidated financial statements are 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.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined by Exchange Act Rule 13a-15(f) and Exchange Act Rule 15d-15(f). Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management has assessed the effectiveness of our system of internal control over financial reporting as of March 29, 2020. In making this assessment, management used the framework in Internal Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment and the criteria set forth by COSO in 2013, management believes that Nathan's maintained effective internal control over financial reporting as of March 29, 2020. The effectiveness of our internal control over financial reporting as of March 29, 2020, has been audited by Marcum LLP, an independent registered public accounting firm which has also audited our consolidated financial statements, as stated in its attestation report which is included herein.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended March 29, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

Item 9B. Other Information.

As disclosed in this Annual Report on Form 10-K, the Company's Board of Directors has declared a $0.35 per share dividend payable on June 26, 2020 to shareholders of record at the close of business on June 22, 2020.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors of
Nathan's Famous, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Nathan's Famous, Inc. and Subsidiaries (the "Company") internal control over financial reporting as of March 29, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 29, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet as of March 29, 2020 and March 31, 2019 and the related consolidated statements of income, shareholders' deficit, and cash flows and the related notes for the fifty-two weeks ended March 29, 2020 and fifty-three weeks ended March 31, 2019 of the Company, and our report dated June 12, 2020 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum LLP

Marcum LLP
New York, NY
June 12, 2020

PART III

Item 10. **Directors, Executive Officers and Corporate Governance.**

The information required in response to this Item is incorporated herein by reference from the discussions under the captions *Proposal 1 – Election of Directors*, *Corporate Governance Management and Security Ownership* in 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.

Our Board of Directors has adopted a Financial Officer Code of Ethics applicable to the Company's Chief Executive Officer, Chief Financial Officer and all other members of the Company's Finance Department. This Code of Ethics is posted on the Company's website within a broader Code of Business Conduct and Ethics at www.nathansfamous.com in the Investor Relations section. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or a waiver from, the provision of our Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of such provision of our Code of Ethics by posting such information on our website within four business days of the date of such amendment or waiver. In the case of a waiver, the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will also be disclosed.

Item 11. **Executive Compensation.**

The information required in response to this Item is incorporated herein by reference from the discussion under the caption *Executive Compensation*, including the Summary Compensation and other tables, Non-Qualified Deferred Compensation, Risk Consideration in our Compensation Programs and 2020 Director Compensation in 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 and Related Stockholder Matters.**

The information required in response to this Item is incorporated herein by reference from the discussion under the caption *Equity Plan Information* and *Security Ownership* in 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, and Director Independence.**

The information required in response to this Item is incorporated herein by reference from the discussion under the caption *Corporate Governance – Director Independence and Corporate Governance – Certain Relationships* and *Related Persons* transactions in 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 14. Principal Accountant Fees and Services.

Audit Fees

We were billed by Marcum LLP the aggregate amount of approximately $165,000 in respect of fiscal 2020 and fiscal 2019, respectively, for fees for professional services rendered for the audit of our annual financial statements and the effectiveness of our internal control over financial reporting, as well as the review of our financial statements included in our Form 10-Q.

We were billed by Grant Thornton LLP in fiscal 2020 the aggregate amount of approximately $100,000 in respect to the issuance of its consent to the inclusion of the fiscal 2017 and fiscal 2018 audited financial statements of the Company in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2019 and $50,000 for the issuance of its consent to the inclusion of fiscal 2018 audited financial statements of a wholly-owned subsidiary of the Company for the fiscal year ended March 29, 2020 in our Franchise Disclosure Document.

Audit-Related Fees

Marcum LLP did not render any audit-related services for fiscal 2020 and 2019, respectively and, accordingly, did not bill for any such services.

Tax Fees

Marcum LLP did not render any tax compliance, tax advice or tax planning services for fiscal 2020 and 2019, respectively and, accordingly, did not bill for any such services.

All Other Fees

Marcum LLP did not render any other services for fiscal 2020 and 2019, respectively and, accordingly, did not bill for any such services.

Pre-Approval Policies

Our Audit Committee has not adopted any pre-approval policies. Instead, the Audit Committee will specifically pre-approve the provision by Marcum LLP of all audit and non-audit services.

Our Audit Committee approved all of the audit services provided by Marcum LLP during 2020 and 2019, respectively.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) Consolidated Financial Statements

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

(2) Financial Statement Schedule

None

(3) Exhibits

Certain of the following exhibits were previously filed as exhibits to other reports or registration statements filed by the Registrant under the Securities Act of 1933 or under the Securities Exchange Act of 1934 and are therefrom 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 3.1 to Form 8-K dated November 1, 2006.)
4.1	Specimen Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 No. 33-56976.)
4.2	Rights Agreement, dated as of June 5, 2013, between Nathan's Famous, Inc. and American Stock Transfer and Trust Company, LLC, as Rights Agent, which includes form of Rights Certificate as Exhibit A and the Summary of Rights to Purchase as Exhibit B. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report filed on Form 8-K dated June 11, 2013.)
4.3	Amendment No. 1 to Rights Agreement, dated as of June 14, 2018, between Nathan's Famous, Inc. and American Stock Transfer & Trust Company, LLC. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 15, 2018.)
4.4	Indenture, dated as of November 1, 2017, by and among Nathan's Famous, Inc., certain of its wholly owned subsidiaries, as guarantors, and U.S. Bank National Association, a National Banking Association, as trustee and collateral trustee (including the form of Note (Incorporated by reference to Exhibit 4.1 to the Company's Current Report filed on Form 8-K dated November 1, 2017.)
4.5	(1) Description of Common Stock.
10.1	Leases for premises at Coney Island, New York, as follows: (Incorporated by reference to 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.
10.2	Form of Standard Franchise Agreement. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 No. 33-56976.)
10.3	***Employment Agreement with Howard M. Lorber, dated as of December 15, 2006. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 15, 2006.)
10.4	***Employment Agreement with Eric Gatoff, dated as of December 15, 2006. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 15, 2006.)
10.5	***Amendment to Employment Agreement with Eric Gatoff dated August 3, 2010. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 27, 2010.)
10.6	Agreement of Lease between One-Two Jericho Plaza Owner LLC and Nathan's Famous Services, Inc. dated September 11, 2009, (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 27, 2009.)

10.7	Guaranty by Nathan's Famous, Inc. of Agreement of Lease with One-Two Jericho Plaza Owner LLC dated September 11, 2009, (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 27, 2009).
10.8	***2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Proxy Statement on Schedule 14A dated July 23, 2010).
10.9	***Amendment to 2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Proxy Statement on Schedule 14A dated July 23, 2012).
10.10	***Amendment to Employment Agreement with Howard M. Lorber, dated November 1, 2012. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 23, 2012).
10.11	***Amendment Number 2, dated December 7, 2017 to Employment Agreement with Howard M. Lorber (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 2017).
10.12	**Letter agreement dated December 5, 2012 between Nathan's Famous Systems, Inc. and John Morrell & Co. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended December 23, 2012).
10.13	First Amendment to Licensing and Supply Agreement, dated September 22, 2016 between Nathan's Famous Systems, Inc. and John Morrell & Company (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 24, 2017).
10.14	Second Amendment to Licensing and Supply Agreement, dated June 29, 2017 between Nathan's Famous Systems, Inc. and John Morrell & Company (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 24, 2017).
10.15	***Restricted Stock Agreement with Eric Gatoff, dated June 4, 2013. (Incorporated by reference to Exhibit 10.27 to Form 10-K for the year ended March 31, 2013.)
10.16	Parity Lien Security Agreement dated as of November 1, 2017, by and among Nathan's Famous, Inc. and Other Assignors Identified therein and U.S. Bank National Association as Collateral Trustee. (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended December 24, 2017.)
10.17	***2019 Management Incentive Plan for the Fiscal Year ending March 29, 2020 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 24, 2018).
10.18	***Nathan's Famous, Inc. Code Section 162(m) Bonus Plan (Incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed on July 28, 2016).
10.19	Agreement of Sale between Nathan's Famous Operating Corp. and 660 86 LLC dated September 8, 2017. (Incorporated by reference to Exhibit 10.20 to Form 10-K for the year ended March 25, 2018.)
10.20	Amendment to Agreement of Sale between Nathan's Famous Operating Corp. and 660 86 LLC dated March 6, 2018. (Incorporated by reference to Exhibit 10.21 to Form 10-K for the year ended March 25, 2018.)
10.21	Amendment to Agreement of Sale between Nathan's Famous Operating Corp. and 660 86 LLC dated July 15, 2018. (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 24, 2018.)
10.22	First Amendment to Lease, dated April 1, 2019 by and between Jericho Plaza, LLC and Nathan's Famous Services, Inc. (Incorporated by reference to Exhibit 10.22 to Form 10-K for the year ended March 31, 2019.)
10.23	***2019 Stock Incentive Plan. (Incorporated by reference to Annex A to Proxy Statement on Schedule 14A dated July 26, 2019.)
10.24	***Agreement dated as of December 13, 2019 between Nathans' Famous, Inc. and Ronald G. DeVos. (Incorporated by reference to Exhibit 10.1 to Form 8-K dated December 13, 2019.)
16.1	Letter of Grant Thornton LLP, dated July 6, 2018. (Incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K dated July 6, 2018.)
21	(1) List of Subsidiaries of the Registrant.
23.1	(1) Consent of Marcum LLP dated June 12, 2020.
31.1	(1) Certification by Eric Gatoff, Chief Executive Officer, pursuant to Rule 13a - 14(a).
31.2	(1) Certification by Ronald G. DeVos, Chief Financial Officer, pursuant to Rule 13a - 14(a).
32.1	(1) Certification by Eric Gatoff, Chief Executive Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	(1) Certification by Ronald G. DeVos, Chief Financial Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Filed herewith.

**Filed with confidential portions omitted pursuant to request for confidential treatment. The omitted portions have been separately filed with the SEC.

*** Indicates a management plan or arrangement.

Item 16. <u>Form 10-K Summary.</u>

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 12th day of June, 2020.

Nathan's Famous, Inc.

/s/ ERIC GATOFF
Eric Gatoff
Chief Executive Officer
(Principal Executive 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 and in the capacities indicated on the 12th day of June, 2020.

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

/s/ HOWARD LORBER
Howard Lorber
Executive Chairman

/s/ RONALD G. DEVOS
Ronald G. DeVos
Vice President - Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ WAYNE NORBITZ
Wayne Norbitz
Director

/s/ ROBERT J. EIDE
Robert J. Eide
Director

/s/ BARRY LEISTNER
Barry Leistner
Director

/s/ BRIAN GENSON
Brian Genson
Director

/s/ ATTILIO F. PETROCELLI
Attilio F. Petrocelli
Director

/s/ CHARLES RAICH
Charles Raich
Director

/s/ ANDREW LEVINE
Andrew Levine
Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Nathan’s Famous, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nathan’s Famous Inc. and Subsidiaries (the “Company”) as of March 29, 2020 and March 31, 2019, the related consolidated statements of earnings, stockholders’ deficit and cash flows for the fifty-two weeks ended March 29, 2020 and the fifty-three weeks ended March 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 29, 2020 and March 31, 2019, and the results of its operations and its cash flows for the fifty-two weeks ended March 29, 2020 and the fifty-three weeks ended March 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of March 29, 2020, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated June 12, 2020, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Adoption of New Accounting Standards- ASU No. 2016-02

As discussed in Note B to the financial statements, the Company has changed its method of accounting for leases in 2020 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective April 1, 2019 using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2018.

New York, NY
June 12, 2020

Nathan’s Famous, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 29, 2020	March 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 77,117**	$ 75,446
Accounts and other receivables, net (Note D)	**11,108**	10,173
Inventories	**378**	535
Prepaid expenses and other current assets (Note E)	**1,181**	1,007
Total current assets	**89,784**	87,161
Property and equipment, net of accumulated depreciation of $9,468 and $8,611, respectively	**4,610**	4,889
Operating lease assets (Note L)	**9,181**	-
Goodwill	**95**	95
Intangible asset	**1,269**	1,353
Deferred income taxes	**-**	343
Other assets	**343**	465
Total assets	**$ 105,282**	$ 94,306
LIABILITIES AND STOCKHOLDERS’ DEFICIT		
CURRENT LIABILITIES		
Accounts payable	**$ 3,509**	$ 5,222
Accrued expenses and other current liabilities (Note H)	**9,297**	9,384
Current portion of operating lease liabilities (Note L)	**1,583**	-
Deferred franchise fees	**230**	318
Total current liabilities	**14,619**	14,924
Long-term debt, net of unamortized debt issuance costs of $3,860 and $4,551, respectively (Note K)	**146,140**	145,449
Operating lease liabilities	**8,532**	-
Other liabilities (Note H)	**696**	1,390
Deferred franchise fees	**1,687**	2,687
Deferred income taxes	**9**	-
Total liabilities	**171,683**	164,450
COMMITMENTS AND CONTINGENCIES (Note N)		
STOCKHOLDERS’ DEFICIT		
Common stock, $.01 par value; 30,000,000 shares authorized; 9,368,792 and 9,336,338 shares issued; and 4,141,387 and 4,194,575 shares outstanding at March 29, 2020 and March 31, 2019, respectively	**94**	93
Additional paid-in capital	**62,130**	60,945
(Accumulated deficit)	**(45,356)**	(52,879)
Stockholders’ equity before treasury stock	**16,868**	8,159
Treasury stock, at cost, 5,227,405 and 5,141,763 shares at March 29, 2020 and March 31, 2019	**(83,269)**	(78,303)
Total stockholders’ deficit	**(66,401)**	(70,144)
Total liabilities and stockholders’ deficit	**$ 105,282**	$ 94,306

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

Nathan's Famous, Inc. and Subsidiaries

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

	Fifty-Two weeks ended March 29, 2020	Fifty-Three weeks ended March 31, 2019
REVENUES		
Sales	**$ 70,559**	$ 71,561
License royalties	**25,859**	23,615
Franchise fees and royalties	**4,572**	4,171
Advertising fund revenue (Note B)	**2,335**	2,502
Total revenues	**103,325**	101,849
COSTS AND EXPENSES		
Cost of sales	**54,488**	52,779
Restaurant operating expenses	**3,476**	3,525
Depreciation and amortization	**1,233**	1,212
General and administrative expenses	**14,779**	13,851
Advertising fund expense (Note B)	**2,177**	2,506
Total costs and expenses	**76,153**	73,873
Income from operations	**27,172**	27,976
Gain on sale of property and equipment (Note F)	**-**	11,177
Interest expense	**(10,601)**	(10,792)
Interest income	**1,357**	840
Other income, net	**86**	209
Income before provision for income taxes	**18,014**	29,410
Provision for income taxes	**4,579**	7,917
Net income	**$ 13,435**	$ 21,493
PER SHARE INFORMATION		
Weighted average shares used in computing income per share:		
Basic	**4,216,000**	4,187,000
Diluted	**4,216,000**	4,220,000
Income per share:		
Basic	**$ 3.19**	$ 5.13
Diluted	**$ 3.19**	$ 5.09
Dividends declared per share	**$ 1.40**	$ 1.00

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Fifty-two weeks ended March 29, 2020 and the Fifty-three weeks ended March 31, 2019

(in thousands, except share and per share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' (Deficit)
Balance, March 25, 2018	9,311,922	$ 93	$ 60,823	$ (68,181)	5,127,373	$ (77,303)	$ (84,568)
Cumulative effect of the adoption of ASC606	-	-	-	(2,004)	-	-	(2,004)
Shares issued in connection with share-based compensation plans	24,416	-	134	-	-	-	134
Withholding tax on net share settlement of share-based compensation plans	-	-	(174)	-	-	-	(174)
Repurchase of common stock	-	-	-	-	14,390	(1,000)	(1,000)
Dividends on common stock	-	-	-	(4,187)	-	-	(4,187)
Share-based compensation	-	-	162	-	-	-	162
Net income	-	-	-	21,493	-	-	21,493
Balance, March 31, 2019	9,336,338	$ 93	$ 60,945	$ (52,879)	5,141,763	$ (78,303)	$ (70,144)

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Fifty-two weeks ended March 29, 2020 and the Fifty-three weeks ended March 31, 2019

(in thousands, except share and per share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' (Deficit)
Balance, March 31, 2019	**9,336,338**	**$ 93**	**$ 60,945**	**$ (52,879)**	**5,141,763**	**$ (78,303)**	**$ (70,144)**
Shares issued in connection with share-based compensation plans	**32,454**	**1**	**1,077**	**-**	**-**	**-**	**1,078**
Withholding tax on net share settlement of share-based compensation plans	**-**	**-**	**(8)**	**-**	**-**	**-**	**(8)**
Repurchase of common stock	**-**	**-**	**-**	**-**	**85,642**	**(4,966)**	**(4,966)**
Dividends on common stock	**-**	**-**	**-**	**(5,912)**	**-**	**-**	**(5,912)**
Share-based compensation	**-**	**-**	**116**	**-**	**-**	**-**	**116**
Net income	**-**	**-**	**-**	**13,435**	**-**	**-**	**13,435**
Balance, March 29, 2020	**9,368,792**	**$ 94**	**$ 62,130**	**$ (45,356)**	**5,227,405**	**$ (83,269)**	**$ (66,401)**

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

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fifty-Two weeks ended March 29, 2020	Fifty-Three weeks ended March 31, 2019
Cash flows from operating activities:		
Net income	$ 13,435	$ 21,493
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,233	1,212
Gain on sale of property and equipment	-	(11,177)
Non cash rental expense	232	-
Amortization of debt issuance costs	691	691
Share-based compensation expense	116	162
Income tax benefit on stock option exercises	228	310
Provision for doubtful accounts	71	100
Deferred income taxes	352	86
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(1,006)	229
Inventories	157	(151)
Prepaid expenses and other current assets	(174)	1,866
Other assets	122	(172)
Accounts payable, accrued expenses and other current liabilities	(2,028)	(3,367)
Deferred franchise fees	(1,088)	(161)
Other liabilities	8	35
Net cash provided by operating activities	12,349	11,156
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	12,775
Purchase of property and equipment	(870)	(447)
Net cash (used in) provided by investing activities	(870)	12,328
Cash flows from financing activities:		
Dividends paid to stockholders	(5,912)	(4,337)
Repurchase of treasury stock	(4,966)	(1,000)
Proceeds from the exercise of stock options	1,078	134
Payments of withholding tax on net share settlement of share-based compensation plans	(8)	(174)
Net cash used in financing activities	(9,808)	(5,377)
Net increase in cash and cash equivalents	1,671	18,107
Cash and cash equivalents, beginning of year	75,446	57,339
Cash and cash equivalents, end of year	$ 77,117	$ 75,446
Cash paid during the year for:		
Interest	$ 9,938	$ 9,938
Income taxes	$ 3,874	$ 6,284
Noncash financing activity:		
Dividends declared per share	$ 1.40	$ 1.00

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

NOTE A - DESCRIPTION AND ORGANIZATION OF BUSINESS

Nathan's Famous, Inc. and subsidiaries (collectively the "Company" or "Nathan's") has historically operated or franchised a chain of retail fast food restaurants featuring the "Nathan's World Famous Beef Hot Dog", crinkle-cut French-fried potatoes and a variety of other menu offerings. Nathan's has also established a Branded Product Program, which enables foodservice retailers to sell select Nathan's proprietary products outside of the realm of a traditional franchise relationship. Nathan's also licenses the manufacture and sale of "Nathan's Famous" packaged hot dogs, crinkle-cut French fries and a number of other products to a variety of third parties for sale to supermarkets, club stores and grocery stores. The Company is also the owner of the Arthur Treacher's brand. Arthur Treacher's main product is its "Original Fish & Chips" product consisting of fish fillets coated with a special batter prepared under a proprietary formula, deep-fried golden brown, and served with English-style chips and corn meal "hush puppies." The Company considers itself to be a brand marketer of its products to the foodservice and retail industries, pursuant to its various business structures. Nathan's has also pursued co-branding and co-hosting initiatives.

At March 29, 2020, the Company's restaurant system included four Company-owned units in the New York City metropolitan area and 216 franchised or licensed units, located in 21 states and nine foreign countries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements:

1. *Principles of Consolidation*

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

2. *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 fiscal year ended March 29, 2020 is on the basis of a 52-week reporting period. The fiscal year ended March 31, 2019 is on the basis of a 53-week reporting period.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Significant estimates made by management in preparing the consolidated financial statements include revenue recognition, the allowance for doubtful accounts, valuation of stock-based compensation, accounting for income taxes, and the valuation of goodwill, intangible assets and other long-lived assets.

4. *Cash and Cash Equivalents*

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents at March 29, 2020. Cash equivalents at March 31, 2019 were $20,000.

At March 29, 2020 and March 31, 2019 substantially all of the Company's cash balances are in excess of Federal government insurance limits. The Company does not believe that it is exposed to any significant risk on these balances.

5. *Inventories*

Inventories, which are stated at the lower of cost or net realizable value, consist primarily of food items and supplies. Cost is determined using the first-in, first-out method.

6. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation and amortization are calculated 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 estimated useful lives are as follows:

Building and improvements (years)	5 – 25
Machinery, equipment, furniture and fixtures (years)	3 – 15
Leasehold improvements (years)	5 – 20

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. *Goodwill and Intangible Assets*

Goodwill and intangible assets consist of (i) goodwill of $95 resulting from the acquisition of Nathan's in 1987; and (ii) trademarks, trade names and other intellectual property of $1,269 in connection with Arthur Treacher's.

As of March 29, 2020 and March 31, 2019, the Company performed its annual impairment of goodwill based upon qualitative analysis and has determined that no impairment is deemed to exist.

At March 31, 2019, the Company's intangible asset had a carrying amount of $1,353 for the trademarks, trade names and other intellectual property in connection with Arthur Treacher's.

During the fiscal year ended March 29, 2020, the Company subsequently determined its indefinite-lived intangible asset to have a finite useful life based on the expected future use of this intangible asset. Based upon the review of the current Arthur Treacher's co-branding agreements, the Company determined that the remaining useful lives of these agreements is twelve years and the intangible asset is subject to annual amortization. The Company has recorded amortization expense of $84 for the year ending March 29, 2020.

Annual amortization of the intangible asset for the next five years and thereafter will approximate the following:

	Estimate for fiscal year
2021	113
2022	113
2023	113
2024	113
2025	113
Thereafter	704
Total	$ 1,269

8. *Long-lived Assets*

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

Each reporting period, management reviews the carrying value of its investments based upon the financial information provided by the investment's management and considers whether indicators of an other-than-temporary impairment exists. If an impairment indicator exists, management evaluates the fair value of its investment to determine if an, other-than-temporary impairment in value has occurred. We are required to recognize an impairment on the investment if such impairment is considered to be other-than-temporary.

Impairment losses are recorded on long-lived assets on a restaurant-by-restaurant basis whenever impairment factors are determined to be present. The Company tests the recoverability of its long-lived assets with finite useful lives whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company tests for recoverability based on the projected undiscounted cash flows to be derived from such asset. If the projected undiscounted future cash flows are less than the carrying value of the asset, the Company will record an impairment loss, if any, based on the difference between the estimated fair value and the carrying value of the asset. The Company generally measures fair value by considering discounted estimated future cash flows from such asset. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should the estimates and assumptions prove to be incorrect, the Company may be required to record impairments in future periods and such impairments could be material. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. No long-lived assets were deemed to be permanently impaired during the fiscal years ended March 29, 2020 and March 31, 2019 based upon quantitative analysis.

9. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

The fair value hierarchy, as outlined in the applicable accounting guidance, is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity’s pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

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

The use of observable market inputs (quoted market prices) when measuring fair value and, specifically, the use of Level 1 quoted prices to measure fair value are required whenever possible. The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures quarterly and based on various factors, it is possible that an asset or liability may be classified differently from year to year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At March 29, 2020 and March 31, 2019, we did not have any assets or liabilities that were recorded at fair value.

The Company's long-term debt had a face value of $150,000 as of March 29, 2020 and a fair value of $138,000 as of March 29, 2020. The Company estimates the fair value of its long-term debt based upon review of observable pricing in secondary markets as of the last trading day of the fiscal period. Accordingly, the Company classifies its long-term debt as Level 2.

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

The majority of the Company's non-financial assets and liabilities are not required to be carried at fair value on a recurring basis. However, the Company is required on a non-recurring basis to use fair value measurements when analyzing asset impairment as it relates to goodwill and other indefinite-lived intangible assets and long-lived assets. The Company utilized the income approach (Level 3 inputs) which utilized cash flow forecasts for future income and were discounted to present value in performing its annual impairment testing of intangible assets.

10. Start-up Costs

Pre-opening and similar restaurant costs are expensed as incurred.

11. Revenue Recognition

We adopted Topic 606 at the beginning of the fiscal year ended March 31, 2019.

12. Revenue Recognition - Branded Product Program

The Company recognizes sales from the Branded Product Program and certain products sold from the Branded Menu Program upon delivery to Nathan's customers via third party common carrier. Rebates provided to customers are classified as a reduction to sales.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. *Revenue Recognition - Company-owned Restaurants*

Sales by Company-owned restaurants, which are typically paid in cash or credit card by the customer, are recognized at the point of sale. Sales are presented net of sales tax.

14. *Revenue Recognition – License Royalties*

The Company earns revenue from royalties on the licensing of the use of its intellectual property in connection with certain products produced and sold by outside vendors. The use of the Company's intellectual property must be approved by the Company prior to each specific application to ensure proper quality and a consistent image. Revenue from license royalties is generally based on a percentage of sales, subject to certain annual minimum royalties, recognized on a monthly basis when it is earned and deemed collectible.

15. *Revenue Recognition - Franchising Operations*

In connection with its franchising operations, the Company receives initial franchise fees, international development fees, royalties, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

The following services are typically provided by the Company prior to the opening of a franchised restaurant.

- Approval of all site selections to be developed.
- Provision of architectural plans suitable for restaurants to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the restaurant.
- Provision of appropriate menus to coordinate with the restaurant design and locations to be developed.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of restaurants being developed.

The Company determined that the services provided in exchange for these upfront restaurant franchise fees do not contain separate and distinct performance obligations from the franchising right and these initial franchise fees, renewal fees and transfer fees shall be deferred and recognized over the term of each respective agreement, or upon termination of the franchise agreement.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company determined that the services provided in exchange for these international development fees do not contain separate and distinct performance obligations from the franchise right and these international development fees are recognized over the term of each respective agreement. Certain other costs, such as legal expenses, are expensed as incurred.

The following is a summary of franchise openings and closings for the Nathan's franchise restaurant system for the fiscal years ended March 29, 2020 and March 31, 2019:

	March 29, 2020	March 31, 2019
Franchised restaurants operating at the beginning of the period	**255**	276
New franchised restaurants opened during the period	**16**	13
Franchised restaurants closed during the period	**(55)**	(34)
Franchised restaurants operating at the end of the period	**216**	255

The Company recognizes franchise royalties on a monthly basis, which are generally based upon a percentage of sales made by the Company's franchisees, when they are earned and deemed collectible. The Company recognizes royalty revenue from its Branded Menu Program directly from the sale of Nathan's products by its primary distributor or directly from the manufacturers.

Franchise fees and royalties that are subsequently deemed to be not collectible are recorded as bad debts until paid by the franchisee or until collectibility is deemed to be reasonably assured.

Contract balances

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

	March 29, 2020	March 31, 2019
Deferred franchise fees (a)	**$ 1,917**	$ 3,005

(a) Deferred franchise fees of $230 and $1,687 are included in Deferred franchise fees – current and long term as of March 29, 2020, respectively and $318 and $2,687 as of March 31, 2019, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant changes in Deferred franchise fees are as follows:

	Fifty-Two Weeks Ended March 29, 2020	Fifty-Three Weeks Ended March 31, 2019
Deferred franchise fees at beginning of period	**$ 3,005**	$ 3,139
Additions to deferred revenue	**157**	371
Revenue recognized during the period	**(1,245)**	(505)
Deferred franchise fees at end of period	**$ 1,917**	$ 3,005

Anticipated Future Recognition of Deferred Franchise Fees

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

	Estimate for fiscal year
2021	230
2022	219
2023	196
2024	184
2025	177
Thereafter	911
Total	$ 1,917

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. *Revenue Recognition – National Advertising Fund*

The Company maintains a national advertising fund (the “Advertising Fund”) established to collect and administer funds contributed for use in advertising and promotional programs for Company-owned and franchised restaurants.

The revenue, expenses and cash flows of the Advertising Fund are fully consolidated into the Company’s Consolidated Statements of Earnings and Statements of Cash Flows.

While this treatment impacts the gross amount of reported advertising fund revenue and related expenses, the impact is expected to approximately offset the increase to both revenue and expense, with minimal impact to income from operations or net income because the Company attempts to manage the Advertising Fund to breakeven over the course of the fiscal year. However, any surplus or deficit in the Advertising Fund will impact income from operations and net income.

17. *Business Concentrations and Geographical Information*

The Company’s accounts receivable consists principally of receivables from franchisees for royalties and advertising contributions, from sales under the Branded Product Program, and from royalties from retail licensees. At March 29, 2020, three Branded Product customers represented 24%, 11% and 10%, of accounts receivable. At March 31, 2019, four Branded Product customers represented 19%, 18%, 17% and 13%, of accounts receivable. One Branded Products customer accounted for 12% and 14% of total revenue for the years ended March 29, 2020 and March 31, 2019, respectively. One retail licensee accounted for 24% and 22% of the total revenue for the years ended March 29, 2020 and March 31, 2019, respectively.

The Company’s primary supplier of hot dogs represented 92% of product purchases for each of the fiscal years ended March 29, 2020 and March 31, 2019. The Company’s primary distributor of products to its Company-owned restaurants represented 5% of product purchases for each of the fiscal years ended March 29, 2020 and March 31, 2019.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's revenues for the fiscal years ended March 29, 2020 and March 31, 2019 were derived from the following geographic areas:

	March 29, 2020	March 31, 2019
Domestic (United States)	**$ 98,453**	$ 97,871
Non-domestic	**4,872**	3,978
	$ 103,325	$ 101,849

The Company's sales for the fiscal years ended March 29, 2020 and March 31, 2019 were derived from the following:

	March 29, 2020	March 31, 2019
Branded Products	**$ 57,586**	$ 57,960
Company-owned restaurants	**12,973**	13,601
Total sales	**$ 70,559**	$ 71,561
License royalties	**$ 25,859**	$ 23,615
Royalties	**3,327**	3,666
Franchise fees	**1,245**	505
Total franchise fees and royalties	**4,572**	4,171
Advertising fund revenue	**2,335**	2,502
Total revenues	**$ 103,325**	$ 101,849

18. Advertising

The Company administers an advertising fund on behalf of its restaurant system to coordinate the marketing efforts of the Company. Under this arrangement, the Company collects and disburses fees paid by manufacturers, franchisees and Company-owned stores for national and regional advertising, promotional and public relations programs. Contributions to the advertising fund are based on specified percentages of net sales, generally ranging up to 2%. Company-owned store advertising expense, which is expensed as incurred, was $145 and $107, for the fiscal years ended March 29, 2020 and March 31, 2019, respectively, and have been included within restaurant operating expenses in the accompanying Consolidated Statements of Earnings.

19. Stock-Based Compensation

At March 29, 2020, the Company had one stock-based compensation plan in effect which is more fully described in Note M.2.

The cost of all share-based payments, including grants of restricted stock and stock options, is recognized in the financial statements based on their fair values measured at the grant date, or the date of any later modification, over the requisite service period. The Company recognizes compensation cost for unvested stock awards on a straight-line basis over the requisite vesting period.

20. Classification of Operating Expenses

Cost of sales consists of the following:

- The cost of food and other products sold by Company-operated restaurants, through the Branded Product Program and through other distribution channels.
- The cost of labor and associated costs of in-store restaurant management and crew.
- The cost of paper products used in Company-operated restaurants.
- Other direct costs such as fulfillment, commissions, freight and samples.

Restaurant operating expenses consist of the following:

- Occupancy costs of Company-operated restaurants.
- Utility costs of Company-operated restaurants.
- Repair and maintenance expenses of Company-operated restaurant facilities.
- Marketing and advertising expenses done locally and contributions to advertising funds for Company-operated restaurants.
- Insurance costs directly related to Company-operated restaurants.

21. Income Taxes

The Company’s current provision for income taxes is based upon its estimated taxable income in each of the jurisdictions in which it operates, after considering the impact on taxable income of temporary differences resulting from different treatment of items for tax and financial reporting purposes and income tax benefits from share-based payments. 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 any operating loss or tax credit carryforwards. 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. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible. Should management determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made.

Uncertain Tax Positions

The Company has recorded liabilities for underpayment of income taxes and related interest and penalties for uncertain tax positions based on the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Nathan’s recognizes accrued interest and penalties associated with unrecognized tax benefits as part of the income tax provision.

See Note I for a further discussion of our income taxes.

22. *Adoption of New Accounting Standards*

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance on leases, Topic 842, which outlines principles for the recognition, measurement, presentation and disclosure of leases applicable to both lessors and lessees. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases. The Company adopted the new guidance at the beginning of the fiscal year ended March 29, 2020 using the effective date of April 1, 2019 as the date of initial application; therefore, the comparative period has not been adjusted and continues to be reported under the previous lease guidance.

The new standard provides for a number of practical expedients upon adoption. The Company elected the package of practical expedients, which permits the Company not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. For those leases that fall under the definition of a short-term lease, the Company elected the short-term lease recognition exemption. Under this practical expedient, for those leases that qualify, we did not recognize right-of-use (“ROU”) assets or liabilities. The Company also elected the practical expedient for lessees to account for lease components and non-lease components as a single lease component for all underlying classes of assets. The Company did not elect the use-of-hindsight practical expedient.

As a result of adopting this new guidance on the first day of fiscal year 2020, substantially all of the Company's operating lease commitments were subject to the new guidance and were recognized as operating lease assets and liabilities, initially measured as the present value of future lease payments for the remaining lease term discounted using the Company’s incremental borrowing rate based on the remaining lease term as of the adoption date. The Company recognized operating lease assets and liabilities of $7,804 and $8,533, respectively, as of the first day of fiscal year 2020. The difference between the assets and liabilities is attributable to the reclassification of certain existing lease-related assets and liabilities as an adjustment to the right-of-use assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effects of the changes made to the Company's consolidated balance sheet as of April 1, 2019 for the adoption of the new lease guidance were as follows (in thousands):

	Balance at March 31, 2019	Adjustments due to adoption of the new lease guidance	Reclassi-fications	Balance at April 1, 2019
Other Assets				
Operating lease assets	-	7,804	-	7,804
Other assets	465	-	31	496
Current Liabilities				
Current portion of operating lease liabilities	-	1,162	-	1,162
Long Term Liabilities				
Long-term operating lease liabilities	-	7,371	-	7,371
Other liabilities	1,390	(729)	31	692

The adoption of the new guidance is non-cash in nature and had no impact on net cash flows from operating, investing, or financing activities.

See Note L for additional information regarding our lease arrangements and the Company's updated lease accounting policies.

23. *New Accounting Standards Not Yet Adopted*

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In January 2017, the FASB issued an update to the accounting guidance to simplify the testing for goodwill impairment. The update removes the requirement to determine the implied fair value of goodwill to measure the amount of impairment loss, if any, under the second step of the current goodwill impairment test. A company will perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment charge will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of the goodwill. The guidance is effective prospectively for public business entities for annual reporting periods beginning after December 15, 2019. This standard is required to take effect in Nathan's first quarter (June 2020) of our fiscal year ending March 28, 2021. Nathan's does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

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

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

NOTE C - INCOME PER SHARE

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

The following chart provides a reconciliation of information used in calculating the per-share amounts for the fiscal years ended March 29, 2020 and March 31, 2019, respectively:

	Net Income		Shares		Net income per share	
	2020	2019	**2020**	2019	**2020**	2019
Basic EPS						
Basic calculation	**$ 13,435**	$ 21,493	**4,216,000**	4,187,000	**$ 3.19**	$ 5.13
Effect of dilutive employee stock options	**-**	-	**-**	33,000	**-**	(.04)
Diluted EPS						
Diluted calculation	**$ 13,435**	$ 21,493	**4,216,000**	4,220,000	**$ 3.19**	$ 5.09

NOTE C - INCOME PER SHARE (continued)

Options to purchase 10,000 shares of common stock for the year ended March 29, 2020 were not included in the computation of diluted earnings per share because the exercise price exceeded the average market price.

NOTE D - ACCOUNTS AND OTHER RECEIVABLES, NET

Accounts and other receivables, net, consist of the following:

	March 29, 2020	March 31, 2019
Branded product sales	**$ 6,789**	$ 7,432
Franchise and license royalties	**4,299**	2,661
Other	**257**	665
	11,345	10,758
Less: allowance for doubtful accounts	**237**	585
Accounts and other receivables, net	**$ 11,108**	$ 10,173

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

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

Changes in the Company's allowance for doubtful accounts for the fiscal years ended March 29, 2020 and March 31, 2019 are as follows:

	March 29, 2020	March 31, 2019
Beginning balance	**$ 585**	$ 468
Reclassification to conform with Topic 606	**-**	77
Bad debt expense	**71**	100
Accounts written off	**(419)**	(60)
Ending balance	**$ 237**	$ 585

NOTE E - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	March 29, 2020	March 31, 2019
Income taxes	$ -	$ 106
Real estate taxes	**75**	67
Insurance	**263**	244
Marketing	**369**	412
Other	**474**	178
Total prepaid expenses and other current assets	**$ 1,181**	$ 1,007

NOTE F - SALES OF REAL ESTATE

On October 23, 2018, the Company completed the sale of its Company-owned restaurant located in Bay Ridge, Brooklyn, NY for proceeds of $11,445, net of direct expenses, and recorded a gain of $10,854, which represented the excess of the proceeds, before legal fees of $33, over the carrying value on that date.

On August 9, 2018, the Company completed the sale of its regional office building located in Fort Lauderdale, Florida for proceeds of $1,330, net of direct expenses, and recorded a gain of $323, which represented the excess of the proceeds, before legal fees of $17, over the carrying value on that date.

NOTE G - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	March 29, 2020	March 31, 2019
Land	**$ 123**	$ 123
Building and improvements	**1,456**	1,452
Machinery, equipment, furniture and fixtures	**5,529**	5,422
Leasehold improvements	**6,891**	6,481
Construction-in-progress	**79**	22
Total property and equipment	**14,078**	13,500
Less: accumulated depreciation and amortization	**9,468**	8,611
Property and equipment, net	**$ 4,610**	$ 4,889

Depreciation and amortization expense related to properties was $1,149 and $1,212 for the fiscal years ended March 29, 2020 and March 31, 2019, respectively.

NOTE H - ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	March 29, 2020	March 31, 2019
Payroll and other benefits	$ 3,075	$ 3,150
Accrued rebates	514	770
Rent and occupancy costs	84	113
Deferred revenue	797	807
Construction costs	105	58
Interest	4,084	4,111
Professional fees	194	146
Corporate income taxes	176	-
Sales, use and other taxes	17	27
Other	251	202
Total accrued expenses and other current liabilities	$ 9,297	$ 9,384

Other liabilities consist of the following:

	March 29, 2020	March 31, 2019
Reserve for uncertain tax positions (Note I)	567	496
Deferred rental liability	-	670
Other	129	224
Total other liabilities	$ 696	$ 1,390

NOTE I - INCOME TAXES

The income tax provision consists of the following for the fiscal years ended March 29, 2020 and March 31, 2019:

	March 29, 2020	March 31, 2019
Federal		
Current	$ 2,904	$ 5,385
Deferred	322	43
Total Federal income tax	3,226	5,428
State and local		
Current	1,323	2,447
Deferred	30	42
Total State and local income tax	1,353	2,489
Total provision for income taxes	$ 4,579	$ 7,917

NOTE I - INCOME TAXES (continued)

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

The income tax provisions for the years ended March 29, 2020 and March 31, 2019 reflect effective tax rates of 25.4% and 26.9%, respectively.

During the fiscal year ended March 31, 2019, pursuant to Staff Accounting Bulletin No. 118 ("SAB No. 118"), Nathan's refined and completed the accounting for the Tax Cuts and Jobs Act as the Company obtained, prepared, and analyzed additional information and as additional legislative, regulatory, and accounting guidance and interpretations became available, resulting in an increase in the provision for income taxes of $99 or 0.3 percentage points.

The total income tax provision for the fiscal years ended March 29, 2020 and March 31, 2019 differs from the amounts computed by applying the United States Federal income tax rate of 21% to income before income taxes as a result of the following:

	March 29, 2020	March 31, 2019
Computed tax expense	**$ 3,783**	$ 6,176
State and local income taxes, net of Federal income tax benefit	**1,028**	1,875
Change in uncertain tax positions, net	**60**	86
Nondeductible meals and entertainment and other	**(95)**	(66)
Nondeductible compensation	**31**	57
Tax reform act	-	99
Tax benefit share based payments	**(228)**	(310)
Total provision for income taxes	**$ 4,579**	$ 7,917

NOTE I - INCOME TAXES (continued)

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

	March 29, 2020	March 31, 2019
Deferred tax assets		
Accrued expenses	**$ 394**	$ 387
Allowance for doubtful accounts	**57**	58
Deferred revenue	**485**	955
Deferred stock compensation	**45**	70
Excess of straight line over actual rent	**205**	162
Other	**94**	85
Total deferred tax assets	**$ 1,280**	$ 1,717
Deferred tax liabilities		
Deductible prepaid expense	**246**	210
Depreciation expense	**720**	783
Amortization	**323**	381
Total deferred tax liabilities	**1,289**	1,374
Net deferred tax asset (liability)	**$ (9)**	$ 343

A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. We consider the level of historical taxable income, scheduled reversal of temporary differences, tax planning strategies and projected future taxable income in determining whether a valuation allowance is warranted. Based upon these considerations, management believes that it is more likely than not that the Company will realize the benefit of its deferred tax asset.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties, for the fiscal years ended March 29, 2020 and March 31, 2019.

	March 29, 2020	March 31, 2019
Unrecognized tax benefits, beginning of year	**$ 253**	$ 263
Decreases of tax positions taken in prior years	**(10)**	(8)
Increases based on tax positions taken in current year	**52**	46
Settlements of tax positions taken in prior years	**16**	(48)
Unrecognized tax benefits, end of year	**$ 311**	$ 253

The amount of unrecognized tax benefits at March 29, 2020 and March 31, 2019 were $311 and $253, respectively, all of which would impact Nathan's effective tax rate, if recognized. As of March 29, 2020 and March 31, 2019, the Company had $259 and $245, respectively, accrued for the payment of interest and penalties. For the fiscal years ended March 29, 2020 and March 31, 2019 Nathan's recognized interest and penalties in the amounts of $32 and $31, respectively. During the fiscal year ending March 28, 2021, Nathan's will seek to settle additional uncertain tax positions with the tax authorities. As a result, it is reasonably possible the amount of unrecognized tax benefits, excluding the related accrued interest and penalties, could be reduced by up to $16**,** which would favorably impact Nathan's effective tax rate, although no assurances can be given in this regard.

NOTE I - INCOME TAXES (continued)

In November 2019, the State of New Jersey notified Nathan's that our tax returns for the fiscal years ended March 27, 2016, March 26, 2017 and March 25, 2018 will be audited. The audit is ongoing.

In January 2018, Nathan's received notification from the State of Virginia that it was seeking to review Nathan's tax returns for the period April 2014 through March 2017. The review has been completed and the effects of the review, which were not significant, were factored into the Company's effective tax rate for fiscal 2019.

The earliest tax years' that are subject to examination by taxing authorities by major jurisdictions are as follows:

Jurisdiction	**Fiscal Year**
Federal	2017
New York State	2017
New York City	2017
New Jersey	2016
California	2016

NOTE J - SEGMENT INFORMATION

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

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

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

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

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

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

Gain on sale of property and equipment, loss on debt extinguishment, interest expense, interest income, impairment charge and other income, net are managed centrally at the corporate level, and, accordingly, such items are not presented by segment since they are excluded from the measure of profitability reviewed by the CODM.

Corporate assets consist primarily of cash and cash equivalents, and long-lived assets.

NOTE J - SEGMENT INFORMATION (continued)

Operating segment information is as follows:

	Fifty-Two weeks ended March 29, 2020	Fifty-Three weeks ended March 31, 2019
Revenues		
Branded Product Program	$ 57,586	$ 57,960
Product licensing	25,859	23,615
Restaurant operations	17,545	17,772
Corporate (1)	2,335	2,502
Total revenues	$ 103,325	$ 101,849
Income from operations		
Branded Product Program	$ 7,688	$ 10,302
Product licensing	25,677	23,433
Restaurant operations	1,637	2,398
Corporate	(7,830)	(8,157)
Income from operations	$ 27,172	$ 27,976
Gain on sale of property and equipment	$ -	$ 11,177
Interest expense	(10,601)	(10,792)
Interest income	1,357	840
Other income, net	86	209
Income before provision for income taxes	$ 18,014	$ 29,410
Total assets		
Branded Product Program	$ 7,352	$ 8,334
Product licensing	3,906	2,127
Restaurant operations	12,915	6,411
Corporate	81,109	77,434
Total assets	$ 105,282	$ 94,306
Depreciation & amortization expense		
Branded Product Program	$ 312	$ 312
Restaurant operations	641	657
Corporate	280	243
Total depreciation & amortization expense	$ 1,233	$ 1,212

(1) Represents advertising fund revenue

NOTE K - LONG-TERM DEBT

Long-term debt consists of the following:

	March 29, 2020	March 31, 2019
6.625% Senior Secured Notes due 2025	**$ 150,000**	$ 150,000
Less: unamortized debt issuance costs	**(3,860)**	(4,551)
Long-term debt, net	**$ 146,140**	$ 145,449

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

The 2025 Notes bear interest at 6.625% per annum, payable semi-annually on May 1st and November 1st of each year. The Company made its required semi-annual interest payments of $4,969 on May 1, 2019 and November 1, 2019. On May 1, 2020, the Company paid its first semi-annual interest payment of fiscal 2021.

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

The terms and conditions of the 2025 Notes are as follows (terms not defined shall have the meanings set forth in the Indenture):

There are no ongoing financial maintenance covenants associated with the 2025 Notes. As of March 29, 2020, Nathan’s was in compliance with all covenants associated with the 2025 Notes.

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

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

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

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

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

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

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

NOTE K - LONG-TERM DEBT (continued)

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

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

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

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

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

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

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

NOTE K - LONG-TERM DEBT (continued)

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

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

Effective June 1, 2020, Nathan’s Board of Directors authorized the repurchase of up to $10 million of the 2025 Notes by the Company (at par or better) from time to time. There is no set time limit on the repurchases.

NOTE L - LEASES

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

Determination of Whether a Contract Contains a Lease

We determine if an arrangement is a lease at inception or modification of a contract, and classify each lease as either an operating or finance lease at commencement. The Company only reassesses lease classification subsequent to commencement upon a change to the expected lease term or the contract being modified. Operating leases represent the Company’s right to use an underlying asset as lessee for the lease term, and lease obligations represent the Company’s obligation to make lease payments arising from the lease.

A contract contains a lease if the contract conveys the right to control the use of the identified property, plant or equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating lease or finance lease where the Company is a lessee, or as an operating, sales-type or direct financing lease where the Company is a lessor, based on their terms.

ROU Model and Determination of Lease Term

The Company uses the ROU model to account for leases where the Company is the lessee, which requires an entity to recognize a lease liability and ROU asset on the lease commencement date. A lease liability is measured equal to the present value of the remaining lease payments over the lease term and is discounted using the incremental borrowing rate, as the rate implicit in the Company’s leases is not readily determinable. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Lease payments include payments made before the commencement date and any residual value guarantees, if applicable. The initial ROU asset consists of the initial measurement of the lease liability, adjusted for any payments made before the commencement date, initial direct costs and lease incentives earned. When determining the lease term, as both lessee and lessor, the Company includes option periods when it is reasonably certain that those options will be exercised.

Operating leases

For operating leases, minimum lease payments or receipts, including minimum scheduled rent increases, are recognized as rent expense where the Company is a lessee, or income where the Company is a lessor, as applicable, on a straight-line basis ("Straight-Line Rent") over the applicable lease terms. There is a period under certain lease agreements referred to as a rent holiday ("Rent Holiday") that generally begins on the possession date and ends on the rent commencement date. During a Rent Holiday, no cash rent payments are typically due under the terms of the lease; however, rent expense is recorded for that period on a straight-line basis. The excess of the Straight-Line Rent over the minimum rents paid is included in the ROU asset where the Company is a lessee. The excess of the Straight-Line Rent over the minimum rents received is recorded as a deferred lease asset and is included in "Other Assets" where the Company is a lessor. The Company recorded $32 in Other Assets at March 29, 2020. Certain leases contain provisions, referred to as contingent rent ("Contingent Rent"), that require additional rental payments based upon restaurant sales volume. Contingent Rent is recognized each period as the liability is incurred or the asset is earned.

Lease cost for operating leases is recognized on a straight-line basis and includes the amortization of the ROU asset and interest expense relating to the operating lease liability. Variable lease cost for operating leases include Contingent Rent and payments for executory costs such as real estate taxes, insurance and common area maintenance, which are excluded from the measurement of the lease liability. Short-term lease cost for operating leases includes rental expense for leases with a term of less than 12 months. Leases with an initial expected term of 12 months or less are not recorded in the Consolidated Balance Sheets and the related lease expense is recognized on a straight-line basis over the lease term. Lease costs are recorded in the Consolidated Statements of Earnings based on the nature of the underlying lease as follows: (1) rental expense related to leases for Company-operated restaurants is recorded to "Restaurant Operating Expenses," (2) rental expense for leased properties that are subsequently subleased to franchisees is recorded to "Other income, net" and (3) rental expense related to leases for corporate offices and equipment is recorded to "General and administrative expenses."

Rental income for operating leases on properties subleased to franchisees is recorded to "Other income, net."

Significant Assumptions and Judgement

Management makes certain estimates and assumptions regarding each new lease and sublease agreement, renewal and amendment, including, but not limited to, property values, market rents, property lives, discount rates and probable term, all of which can impact (1) the classification and accounting for a lease or sublease as operating or finance, (2) the Rent Holiday and escalations in payment that are taken into consideration when calculating Straight-Line Rent, (3) the term over which leasehold improvements for each restaurant are amortized and (4) the values and lives of adjustments to the initial ROU asset where the Company is the lessee, or favorable and unfavorable leases where the Company is the lessor. The amount of depreciation and amortization, interest and rent expense and income would vary if different estimates and assumptions were used.

NOTE L - LEASES (continued)

Company as lessee

The components of the net lease cost for the fiscal year ended March 29, 2020 were as follows (in thousands):

	Fiscal year ended March 29, 2020
Statement of Earnings	
Operating lease cost	$ 1,238
Short term lease cost	17
Variable lease cost	1,517
Less: Sublease income, net	(85)
Total net lease cost (a)	$ 2,687

(a) Includes $2,137, net recorded to "Restaurant Operating Expenses" for leases for Company-operated restaurants, $635 recorded to "General and administrative expenses" for leases for corporate offices and equipment and $85 recorded to "Other income, net" for leased properties that are leased to franchisees:

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

	Fiscal year ended March 29, 2020
Operating cash flows from operating leases	$ 375

On November 29, 2019, the Company entered into an amendment to its lease agreement for its Coney Island Boardwalk restaurant, commencing on December 1, 2019 (the "Renewal Commencement Date"), extending the term for an additional eight (8) years, expiring November 30, 2027. The Company recorded an operating lease asset and liability of $1,911 on the Renewal Commencement date.

The weighted average remaining lease term and weighted-average discount rate for operating leases as of March 29, 2020 were as follows:

Weighted average remaining lease term (years):	
Operating leases	8.1
Weighted average discount rate:	
Operating leases	8.869%

NOTE L - LEASES (continued)

Future lease commitments to be paid and received by the Company as of March 29, 2020 were as follows (in thousands):

	Payments Operating Leases	Receipts Subleases	Net Leases
Fiscal year:			
2021	$ 1,583	$ 245	$ 1,338
2022	1,837	247	1,590
2023	1,849	168	1,681
2024	1,774	169	1,605
2025	1,678	169	1,509
Thereafter	5,474	352	5,122
Total lease commitments	$ 14,195	$ 1,350	$ 12,845
Less: Amount representing interest	4,080		
Present value of lease liabilities (a)	$ 10,115		

(a) The present value of minimum operating lease payments of $1,583 and $8,532 are included in “Current portion of operating lease liabilities” and “Long-term operating lease liabilities,” respectively.

Company as lessor

The components of lease income for the fiscal year ended March 29, 2020 were as follows (in thousands):

	Fiscal year ended March 29, 2020
Operating lease income, net	**$ 84**

NOTE M - STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS

1. *Dividends*

On May 31, 2018, Nathans' Board of Directors authorized the commencement of a regular dividend of $1.00 per share per annum, payable at the rate of $0.25 per quarter. Through March 31, 2019, the Company declared and paid four regular quarterly dividends of $0.25 per common share aggregating $4,187. The Company also paid the remaining dividends payable of $150 from the previously declared special dividends.

Effective June 14, 2019, the Board declared its first quarterly cash dividend of $0.35 per share for fiscal year 2020. Through March 29, 2020, the Company declared and paid four regular quarterly dividends of $0.35 per common share aggregating $5,912.

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

On November 1, 2017, the Company's Board of Directors declared a special cash dividend of $5.00 per share payable to stockholders of record as of December 22, 2017 of which approximately $20,923 was paid on January 4, 2018 to the stockholders. The Company also accrued $25 for the dividends payable on unvested restricted shares pursuant to the terms of the restricted stock agreement. The restricted stock vested, and the dividend was paid during the year ended March 31, 2019.

On March 10, 2015, the Company's Board of Directors declared a special cash dividend of $25.00 per share payable to stockholders of record as of March 20, 2015 of which approximately $115,100 was paid on March 27, 2015 to the stockholders. The Company accrued $1,000 for the expected dividends payable on unvested restricted shares pursuant to the terms of the restricted stock agreements. As unvested restricted stock vests, the declared dividend is paid. As of March 31, 2019 we had paid the entire accrued dividend on the restricted stock.

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

NOTE M - STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

2. *Stock Incentive Plans*

On September 14, 2010, the Company's shareholders approved the Nathan's Famous, Inc. 2010 Stock Incentive Plan (the "2010 Plan"), which provides for the issuance of nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock-based awards to directors, officers and key employees. The Company was initially authorized to issue up to 150,000 shares of common stock under the 2010 Plan, together with any shares which had not been previously issued under the Company's previous stock option plans as of July 19, 2010 (171,000 shares), plus any shares subject to any outstanding options or restricted stock grants under the Company's previous stock option plans that were outstanding as of July 19, 2010 and that subsequently expire unexercised, or are otherwise forfeited, up to a maximum of an additional 100,000 shares.

On September 13, 2012, the Company amended the 2010 Plan increasing the number of shares available for issuance by 250,000 shares. Shares to be issued under the 2010 Plan may be made available from authorized but unissued stock, common stock held by the Company in its treasury, or common stock purchased by the Company on the open market or otherwise. The number of shares issuable and the grant, purchase or exercise price of outstanding awards are subject to adjustment in the amount that the Company's Compensation Committee considers appropriate upon the occurrence of certain events, including stock dividends, stock splits, mergers, consolidations, reorganizations, recapitalizations, or other capital adjustments. In the event that the Company issues restricted stock awards pursuant to the 2010 Plan, each share of restricted stock would reduce the amount of available shares for issuance by either 3.2 shares for each share of restricted stock granted or 1 share for each share of restricted stock granted. As of March 29, 2020, there were up to 208,584 shares available to be issued for future option grants or up to 184,808 shares of restricted stock that may be granted under the 2010 Plan.

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

Once effective, we will be able to issue up to: (a) 369,584 shares of common stock under the 2019 Plan which includes: (i) shares that have been authorized but not issued pursuant to the 2010 Plan as of July 1, 2020 up to a maximum of an additional 208,584 shares and (ii) any shares subject to any outstanding options or restricted stock grants under any plan of the Company that were outstanding as of July 1, 2020 and that subsequently expire unexercised, or are otherwise forfeited, up to a maximum of an additional 11,000 shares.

In general, options granted under the Company's stock incentive plans have terms of five or ten years and vest over periods of between three and five years. The Company has historically issued new shares of common stock for options that have been exercised and used the Black-Scholes option valuation model to determine the fair value of options granted at the grant date.

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

The weighted-average option fair values, as determined using the Black-Scholes option valuation model, and the assumptions used to estimate these values for stock options granted during the year ended March 31, 2019 were as follows:

Weighted-average option fair values	$	25.6314
Expected life (years)		4.5
Interest rate		2.87%
Volatility		32.57%
Dividend Yield		1.11%

The expected dividend yield is based on historical and projected yields for regular dividends. The Company estimates expected volatility based primarily on historical monthly price changes of the Company's stock equal to the expected life of the option. The risk free interest rate is based on the U.S. Treasury yield in effect at the time of the grant. The expected option term is the number of years the Company estimates the options will be outstanding prior to exercise based on expected employment termination behavior.

During the fiscal year ended March 31, 2019, the Company granted 1,000 shares of restricted stock at a fair value of $89.90 per share representing the closing price on the date of grant, which will be fully vested three years from the date of grant. The restrictions on the shares lapse ratably over a three-year period on the annual anniversary of the date of grant. The compensation expense related to this restricted stock award is expected to be $90 and will be recognized, commencing on the grant date, over the next three years.

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

	March 29, 2020	March 31, 2019
Stock options	**$ 85**	$ 102
Restricted stock	**31**	60
	$ 116	$ 162

The tax benefit on stock-based compensation expense was $29 and $44 for the years ended March 29, 2020 and March 31, 2019, respectively. As of March 29, 2020, there was $169 of unamortized compensation expense related to stock-based incentive awards. The Company expects to recognize this expense over approximately seventeen months, which represents the remaining requisite service periods for such award.

In connection with the Company's special cash dividend, paid on January 4, 2018, to stockholders of record as of December 22, 2017, the Company performed an analysis, pursuant to the anti-dilution provisions of the 2010 Plan (the "2010 Plan"), and issued replacement options to purchase 68,498 shares at an exercise price of $33.438 for the unvested stock options outstanding as of the record date of December 22, 2017, cancelling 64,384 shares at an exercise price of $35.58 per share. Nathan's performed its evaluation based on the closing price of its common stock on December 20, 2017, the day before the stock went ex-dividend, of $83.20 per share, or $78.20 per share excluding the dividend of $5.00 per share. No other terms or conditions of the outstanding options were modified. The anti-dilution provisions of the original award were structured to equalize the award's fair value before and after the modification.

In connection with the Company's special cash dividend, paid on March 27, 2015, to stockholders of record as of March 20, 2015, the Company performed an analysis, pursuant to the anti-dilution provisions of the 2010 Plan, and issued replacement options to purchase 75,745 shares at an exercise price of $35.58 for the unvested stock options outstanding as of March 29, 2015, canceling 50,000 shares at an exercise price of $53.89. Nathan's performed its evaluation based on the closing price of its common stock on March 27, 2015 of $73.56 per share, or $48.56 per share excluding the dividend of $25.00 per share. No other terms or conditions of the outstanding options were modified. The anti-dilution provisions of the original award were structured to equalize the award's fair value before and after the modification.

A summary of the status of the Company's stock options at March 29, 2020 and March 31, 2019 and changes during the fiscal years then ended is presented in the tables below:

	2020		2019	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Options outstanding – beginning of year	**42,234**	**$ 46.807**	68,498	$ 33.438
Granted	-	-	10,000	89.90
Expired	-	-	-	-
Exercised	**(32,234)**	**33.438**	(36,264)	33.438
Options outstanding - end of year	**10,000**	**$ 89.90**	42,234	$ 46.807
Options exercisable - end of year	**3,333**	**$ 89.90**	32,234	$ 33.438

The exercise price of outstanding options at March 29, 2020 was $89.90.

During the fiscal years ended March 29, 2020 and March 31, 2019, options to purchase 32,234 and 36,264 shares were exercised which aggregated proceeds of $1,078 and $134, respectively, to the Company. The aggregate intrinsic values of the stock options exercised during the fiscal years ended March 29, 2020 and March 31, 2019 was $1,134 and $1,488, respectively.

The following table summarizes information about outstanding stock options at March 29, 2020:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding at March 29, 2020	**10,000**	**$ 89.90**	**3.45**	**$ -**
Options exercisable at March 29, 2020	**3,333**	**$ 89.90**	**3.45**	**$ -**

The exercise price of outstanding options at March 29, 2020 was $89.90.

Restricted stock:

Transactions with respect to restricted stock for the fiscal year ended March 29, 2020 are as follows:

	Shares	**Weighted-Average Grant-date Fair value Per share**
Unvested restricted stock at March 31, 2019	**1,000**	**$ 89.90**
Granted	-	$ -
Vested	**333**	**$ 89.90**
Unvested restricted stock at March 29, 2020	**667**	**$ 89.90**

The aggregate fair value of restricted stock vested during the fiscal years ended March 29, 2020 and March 31, 2019 was $23 and $434, respectively.

3. *Common Stock Purchase Rights*

On June 5, 2013, Nathan's adopted a new stockholder rights plan (the "2013 Rights Plan") under which all stockholders of record as of June 17, 2013 received rights to purchase shares of common stock.

The 2013 Rights were distributed as a dividend. Initially, the 2013 Rights will attach to, and trade with, the Company's common stock. Subject to the terms, conditions and limitations of the 2013 Rights Plan, the 2013 Rights would become exercisable if (among other things) a person or group acquires 15% or more of the Company's common stock. Upon such an event and payment of the purchase price of $100.00 (the "2013 Right Purchase Price"), each 2013 Right (except those held by the acquiring person or group) would have entitled the holder to acquire one share of the Company's common stock (or the economic equivalent thereof) or, if the then-current market price is less than the then current 2013 Right Purchase Price, a number of shares of the Company's common stock which at the time of the transaction had a market value equal to the then current 2013 Right Purchase Price at a purchase price per share equal to the then current market price of the Company's Common Stock.

On June 14, 2018, the Company and American Stock Transfer and Trust Company, LLC, the Rights Agent, amended the 2013 Rights Plan. The Amendment postponed the expiration date to September 30, 2018, at which time the 2013 Rights Plan expired.

4. *Stock Repurchase Programs*

During the period from October 2001 through March 29, 2020, Nathan's purchased 5,227,405 shares of common stock at a cost of approximately $83,269 pursuant to various stock repurchase plans previously authorized by the Board of Directors.

During the fiscal year ended March 29, 2020, Nathan's repurchased 85,642 shares of its common stock at a cost of approximately $4,966 pursuant to its sixth stock repurchase program.

In 2016, the Company's Board of Directors authorized increases to the sixth stock repurchase plan for the purchase of up to 1,200,000 shares of its common stock on behalf of the Company. As of March 29, 2020, Nathan's had repurchased 1,039,774 shares at a cost of $35,607 under the sixth stock repurchase plan. At March 29, 2020, there were 160,226 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company's stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

On March 13, 2020, the Company's Board of Directors approved a 10b5-1 stock plan ("10b5-1 Plan") which will expire on the earlier of (a) August 12, 2020 or (b) the earlier of when (i) the aggregate purchase price of all shares of common stock purchased under the 10b5-1 Plan equals $5,550 and (ii) the aggregate purchases under the 10b5-1 Plan equals 100,000 shares unless terminated earlier by the Company's Board of Directors.

During the fiscal year ended March 29, 2020, the Company repurchased in open market transactions 50,918 shares of the Company's common stock at an average share price of $53.54 for a total cost of $2,727 under the 10b5-1 Plan.

At March 29, 2020, $2,823 or 49,082 shares were available for repurchase under the 10b5-1 Plan.

Through June 5, 2020, the Company repurchased an additional 26,676 shares of the Company's common stock at an average share price of $56.26 for a total cost of $1,502. At June 5, 2020, $1,316 or 22,406 shares were available for repurchase under the 10b5-1 Plan.

5. *Employment Agreements*

Effective January 1, 2007, Howard M. Lorber, previously Chairman of the Board and Chief Executive Officer, assumed the newly-created position of Executive Chairman of the Board of Nathan's and Eric Gatoff, previously Vice President and Corporate Counsel, became Chief Executive Officer of Nathan's.

In connection with the foregoing, the Company entered into an employment agreement with each of Messrs. Lorber (as amended, the "Lorber Employment Agreement") and Gatoff (as amended, the "Gatoff Employment Agreement"). Under the terms of the Lorber Employment Agreement, Mr. Lorber would serve as Executive Chairman of the Board from January 1, 2007 until December 31, 2012, unless his employment is terminated in accordance with the terms of the Lorber Employment Agreement. On November 1, 2012, the Company amended its employment agreement with Mr. Lorber, extending the term of the employment agreement to December 31, 2017 and increasing the base compensation of Mr. Lorber to $600 per annum. In addition, Mr. Lorber received a grant of 50,000 shares of restricted stock subject to vesting as provided in a Restricted Stock Agreement between Mr. Lorber and the Company. Mr. Lorber will not receive a contractually-required bonus. On December 6, 2017, the Company amended its employment agreement with Mr. Lorber, extending the term of the employment agreement from December 31, 2017 to December 31, 2022 and increasing the base compensation of Mr. Lorber to $1,000 per annum. The Lorber Employment Agreement provides for a three-year consulting period after the termination of employment during which Mr. Lorber will receive a consulting fee of $200 per year in exchange for his agreement to provide no less than 15 days of consulting services per year, provided, Mr. Lorber is not required to provide more than 50 days of consulting services per year.

The Lorber Employment Agreement provides Mr. Lorber with the right to participate in employment benefits offered to other Nathan's executives. During and after the contract term, Mr. Lorber is subject to certain confidentiality, non-solicitation and non-competition provisions in favor of the Company.

In the event that Mr. Lorber's employment is terminated without cause, he is entitled to receive his salary and bonus for the remainder of the contract term. The Lorber Employment Agreement further provides that in the event there is a change in control, as defined in the agreement, Mr. Lorber has the option, exercisable within one year after such event, to terminate the agreement. Upon such termination, he has the right to receive 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, in each case together with 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 the Company's common stock and such then current market price. In addition, Nathan's will provide Mr. Lorber with a tax gross-up payment to cover any excise tax due.

In the event of termination due to Mr. Lorber's death or disability, he is entitled to receive an amount equal to his salary and annual bonuses for a three-year period, 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.

Under the terms of the Gatoff Employment Agreement, Mr. Gatoff initially served as Chief Executive Officer from January 1, 2007 until December 31, 2008, which period automatically extends for additional one-year periods unless either party delivers notice of non-renewal no less than 180 days prior to the end of the term then in effect. Consequently, the Gatoff Employment Agreement is expected to be extended through December 31, 2021, based on the original terms, and no non-renewal notice has been given.

Pursuant to the agreement, Mr. Gatoff will receive a base salary, currently $500 effective June 1, 2016, and an annual bonus based on his performance measured against the Company's financial, strategic and operating objectives as determined by the Compensation Committee pursuant to the terms of the 2018 Management Incentive Plan approved by shareholders on September 12, 2018. The Gatoff Employment Agreement provides for an automobile allowance and the right of Mr. Gatoff to participate in employment benefits offered to other Nathan's executives. The employment agreement automatically extends for successive one-year periods unless notice of non-renewal is provided in accordance with the agreement. During and after the contract term, Mr. Gatoff is subject to certain confidentiality, non-solicitation and non-competition provisions in favor of the Company. On June 4, 2013, Mr. Gatoff received a grant of 25,000 shares of restricted stock at a fair value of $49.80 per share representing the closing price on the date of grant, subject to vesting as provided in a Restricted Stock Agreement between Mr. Gatoff and the Company. The compensation expense related to this restricted stock award was $1,245 and was recognized, commencing on the grant date, over the next five years.

The Company and one employee of Nathan's entered into a change of control agreement effective May 31, 2007 for annual compensation of $136 per year. The agreement additionally includes a provision under which the employee has the right to terminate the agreement and receive payment equal to approximately three times his 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 on up to 30-days' prior written notice by the Company in the event of disability or "cause," as defined in each agreement.

6. *Defined Contribution and Union Pension Plans*

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all nonunion 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 20% of their total annual salary. Historically, the Company has matched 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 29, 2020 and March 31, 2019 were $44 and $42, respectively.

The Company participates in a noncontributory, multi-employer, defined benefit pension plan (the "Union Plan") covering substantially all of the Company's union-represented employees. The risks of participating in the Union Plan are different from a single-employer plan in the following aspects: (a) assets contributed to the Union Plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if the Company chooses to stop participating in the Union Plan, the Company may be required to pay the Union Plan an amount based on the underfunded status of the Union Plan, referred to as a withdrawal liability. The most recent estimate of our potential withdrawal liability is $396 as of December 31, 2019. The Company has no plans or intentions to stop participating in the plan as of March 29, 2020 and does not believe that there is a reasonable possibility that a withdrawal liability will be incurred. Any adjustment for withdrawal liability will be recorded only when it is probable that a liability exists and can be reasonably estimated, in accordance with U.S. GAAP. Contributions to the Union Plan were $6 and $7 for the fiscal years ended March 29, 2020 and March 31, 2019, respectively.

7. *Other Benefits*

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

NOTE N - COMMITMENTS AND CONTINGENCIES

1. *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).

Revenue from sub-leasing properties is recognized in income as the revenue is earned and deemed collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated Statements of Earnings.

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,647 and $1,579 of which, $1,310 and $1,287 were a component of restaurant operating expenses, for the fiscal years ended March 29, 2020 and March 31, 2019, respectively. The remaining rents of $423 and $378 were included in general and administrative expenses for the fiscal years ended March 29, 2020 and March 31, 2019, respectively. Sublease rental income of $86 was included in Other income, net for the fiscal years ended March 29, 2020 and March 31, 2019, respectively.

Contingent rental payments on building leases are typically made based on the percentage of gross sales of 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, which is inclusive of common area maintenance charges, was approximately $511 and $480 for the fiscal years ended March 29, 2020 and March 31, 2019, respectively.

At March 29, 2020, the Company leases one site which it in turn subleases to a franchisee, which expires in April 2027 exclusive of renewal options. The Company remains liable for all lease costs when property is subleased to a franchisee.

2. *Legal Proceedings*

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

NOTE N - COMMITMENTS AND CONTINGENCIES (continued)

3. *Guaranty*

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

NOTE O - RELATED PARTY TRANSACTIONS

A firm to which the Company's Executive Chairman of the Board is as an investor (and, prior to January 2012, a consultant), and the firm's affiliates, received ordinary and customary insurance commissions aggregating approximately $29 and $37 for the fiscal years ended March 29, 2020 and March 31, 2019, respectively.

A subsidiary of a firm to which the Company's Executive Chairman of the Board is the President and Chief Executive Officer, received ordinary and customary real estate brokerage commissions aggregating approximately $72 in connection with the sale of the Florida regional office during the fiscal year ended March 31, 2019.

NOTE P - SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. This contagious virus has adversely affected workforces, customers, economics, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many business, including ours. As of the date of this filing, certain Company-owned restaurants, franchise restaurants and Branded Menu Program locations are closed or only offering food through take-out and delivery services. Our Branded Product Program has been negatively impacted as many of our customers operate in venues that are currently closed and may be slow to re-open, such as professional sports venues, amusement parks, shopping malls and movie theatres. While it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak of COVID-19 and its effects on our business or results of operations at this time, we do anticipate that it will have an adverse effect on our revenue and profitability in fiscal year 2021.

NOTE P - SUBSEQUENT EVENTS (continued)

On April 21, 2020, the Company was granted a loan (the “PPP Loan”) from a lender in the aggregate amount of $1,225 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act.

The Company applied for the PPP Loan and received the amount of the PPP Loan prior to the issuance of guidance from the United States Treasury Department and U.S. Small Business Administration on April 23, 2020 (the “New Guidance”). In light of the New Guidance, the Company determined to repay the PPP Loan to the lender. The PPP Loan was repaid in full on April 29, 2020.

Exhibit 4.5

DESCRIPTION OF OUR CAPITAL STOCK

The following is a description of the material terms of Nathan's Famous, Inc.'s (the "Company", "we", "us" and "our") common stock. The following description is a summary and should be read together with our certificate of incorporation, as amended, and by-laws, which are included as exhibits to our Annual Report on Form 10-K for the year ended March 29, 2020 and incorporated by reference herein.

Authorized Capitalization

Our authorized capital stock consists of 30,000,000 shares of common stock, $.01 par value per share.

Common Stock

Voting Rights. Each share of the Company's common stock entitles the holder thereof to one vote, either in person or by proxy, at meetings of the stockholders. The Company's board of directors consists of one class which is re-elected every year at the annual meeting of the stockholders. The holders are not permitted to vote their shares cumulatively. Accordingly, the holders of more than 50% of the outstanding shares of our common stock can elect all of the directors of the Company standing for election at a stockholders' meeting.

Dividend Rights. All shares of the Company's common stock are entitled to participate ratably in dividends when and as declared by the Company's board of directors out of the funds legally available therefor. Any dividends may be paid in cash, property or additional shares of the Company's common stock. Payment of future dividends is subject to the discretion of the Company's board of directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements, general business conditions and other pertinent facts.

Miscellaneous Rights and Provisions. Holders of the Company's common stock have no preemptive or other subscription rights, conversion rights, redemption or sinking fund provisions. In the event of the liquidation or dissolution, whether voluntary or involuntary, of the Company, each share of common stock is entitled to share ratably in any assets available for distribution to holders of the equity of the Company after satisfaction of all liabilities.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Listing

Our common stock is listed on The NASDAQ Global Market under the symbol “NATH.”

Exhibit 21

Nathan's Famous, Inc.
SUBSIDIARIES

Company Name	State of Incorporation
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
Nathan's Famous of Yonkers, Inc.	New York
Nathan's Famous of Kings Plaza, Inc.	New York
Nathan's Famous of Farmingdale, Inc.	New York
Namasil Realty Corp.	New York
Nathan's Famous of Lynbrook, Inc.	Delaware
NF Treachers Corp.	Delaware
6300 NW 31 Avenue Corp.	Florida
Nathan’s Famous of Central Park Avenue, Inc.	Delaware
Nathan’s Famous Systems of Russia, Inc.	Delaware
Nathan's Famous of 2807 Long Beach Road, Inc.	Delaware

EXHIBIT 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Nathan's Famous, Inc. on Forms S-8 [File Nos. 333-184722 and 333-177736] of our report dated June 12, 2020, with respect to our audits of the consolidated financial statements of Nathan's Famous, Inc. and Subsidiaries as of March 29, 2020 and for the fifty-two weeks ended March 29, 2020 and our report dated June 12, 2020 with respect to our audit of internal control over financial reporting of Nathan's Famous, Inc. and Subsidiaries as of March 29, 2020, which reports are included in this Annual Report on Form 10-K of Nathan's Famous, Inc. for the year ended March 29, 2020.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases in 2020 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective April 1, 2019 using the modified retrospective approach.

/s/ Marcum llp
Marcum llp
New York, NY
June 12, 2020

Exhibit 31.1

CERTIFICATION

I, Eric Gatoff, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended March 29, 2020 of Nathan’s Famous, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 12, 2020

/s/ ERIC GATOFF
Eric Gatoff
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ronald G. DeVos, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended March 29, 2020 of Nathan’s Famous, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 12, 2020

/s/ RONALD G. DEVOS
Ronald G. DeVos
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

The annual report on Form 10-K of Nathan's Famous, Inc. for the fiscal year ended March 29, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ ERIC GATOFF
Name: Eric Gatoff
Date: June 12, 2020

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

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald G. DeVos, Chief Financial Officer of Nathan’s Famous, Inc., certify that:

The annual report on Form 10-K of Nathan’s Famous, Inc. for the fiscal year ended March 29, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ RONALD G. DEVOS
Name: Ronald G. DeVos
Date: June 12, 2020

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