FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended DECEMBER 29, 2002.

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the transition period from ________________to __________________.

Commission File Number 1-3189

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

DELAWARE	11-3166443
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)

1400 OLD COUNTRY ROAD, WESTBURY, NEW YORK 11590
(Address of principal executive offices including zip code)

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

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 Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate by check mark whether registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes ____ No X

At February 11, 2003, an aggregate of 5,589,564 shares of the registrant's common stock, par value of $.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	Dec. 29, 2002 (Unaudited)	March 31, 2002
Current assets:		
Cash and cash equivalents including restricted cash of $83 and $83 at December 29, 2002 and March 31, 2002, respectively	$ 1,117	$ 1,834
Marketable securities and investment in limited partnership	5,159	8,819
Notes and accounts receivable, net	2,849	2,808
Inventories	488	592
Assets held for sale	769	1,512
Prepaid expenses and other current assets	438	1,269
Deferred income taxes	1,747	1,747
Total current assets	12,567	18,581
Notes receivable, net	1,662	2,277
Property and equipment, net	7,504	8,925
Goodwill, net	95	11,083
Intangible assets, net	3,627	6,040
Deferred income taxes	2,523	1,539
Other assets, net	270	300
	$ 28,248	$ 48,745
Current liabilities:		
Current maturities of notes payable and capital lease obligations	$ 545	$ 559
Accounts payable	726	1,619
Accrued expenses and other current liabilities	4,574	6,506
Deferred franchise fees	335	332
Total current liabilities	6,180	9,016
Notes payable and capital lease obligations, less current maturities	1,097	1,220
Other liabilities	1,838	2,364
Total liabilities	9,115	12,600
Stockholders' equity:		
Common stock, $.01 par value - 30,000,000 shares authorized; 7,065,202 shares issued; 5,635,464 and 7,023,511 shares outstanding at December 29, 2002 and March 31, 2002, respectively	71	71
Additional paid-in capital	40,746	40,746
Accumulated deficit	(16,525)	(4,537)
Accumulated other comprehensive income	62	-
	24,354	36,280
Treasury stock at cost, 1,429,738 and 41,691 shares at December 29, 2002 and March 31, 2002, respectively	(5,221)	(135)
Total stockholders' equity	19,133	36,145
	$ 28,248	$ 48,745

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Thirteen weeks ended December 29, 2002 and December 23, 2001
(In thousands, except per share amounts)
(Unaudited)

	2002	2001
Sales	$ 5,879	$ 6,889
Franchise fees and royalties	1,722	1,733
License royalties	523	312
Investment and other income	41	955
Interest income	71	112
Total revenues	8,236	10,001
Costs and expenses:		
Cost of sales	3,977	4,654
Restaurant operating expenses	1,392	1,790
Depreciation and amortization	623	441
Amortization of intangible assets	69	221
General and administrative expenses	1,957	2,322
Interest expense	33	40
Impairment charge on long-lived assets	50	-
Impairment charge on notes receivable	222	-
Total costs and expenses	8,323	9,468
(Loss) income from continuing operations before income taxes	(87)	533
(Benefit) provision for income taxes	(35)	229
(Loss) income from continuing operations	(52)	304
Discontinued operations		
Loss from discontinued operations before income taxes	(91)	(73)
Income tax benefit	(37)	(32)
Loss from discontinued operations	(54)	(41)
Net (loss) income	$ (106)	$ 263
Basic (loss) income per share		
(Loss) income from continuing operations	$ (0.01)	$ 0.05
(Loss) from discontinued operations	(0.01)	(0.01)
Net (loss) income	$ (0.02)	$ 0.04
Diluted (loss) income per share		
(Loss) income from continuing operations	$ (0.01)	$ 0.05
(Loss) from discontinued operations	(0.01)	(0.01)
Net (loss) income	$ (0.02)	$ 0.04
Weighted average shares used in computing net (loss) income per share		
Basic	5,878	7,038
Diluted	5,878	7,062

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Thirty-nine weeks ended December 29, 2002 and December 23, 2001
(In thousands, except per share amounts)
(Unaudited)

	2002	2001
Sales	$ 22,213	$ 23,805
Franchise fees and royalties	4,715	5,974
License royalties	1,922	1,624
Investment and other income	92	1,131
Interest income	227	371
Total revenues	29,169	32,905
Costs and expenses:		
Cost of sales	14,625	15,594
Restaurant operating expenses	4,869	5,519
Depreciation and amortization	1,472	1,212
Amortization of intangible assets	208	663
General and administrative expenses	6,117	6,492
Interest expense	111	147
Impairment charge on long-lived assets	471	-
Impairment charge on notes receivable	542	-
Other income	-	(210)
Total costs and expenses	28,415	29,417
Income from continuing operations before income taxes	754	3,488
Provision for income taxes	310	1,527
Income from continuing operations	444	1,961
Discontinued operations		
Loss from discontinued operations before income taxes	(160)	(146)
Income tax benefit	(66)	(64)
Loss from discontinued operations	(94)	(82)
Income before cumulative effect of change in accounting principle	350	1,879
Cumulative effect of change in accounting principle, net of income taxes of $854	(12,338)	-
Net (loss) income	$ (11,988)	$ 1,879
Basic (loss) income per share		
Income from continuing operations	$ 0.07	$ 0.28
(Loss) from discontinued operations	(0.01)	(0.01)
Cumulative effect of change in accounting principle	(2.02)	-
Net (loss) income	$ (1.96)	$ 0.27
Diluted (loss) income per share		
Income from continuing operations	$ 0.07	$ 0.28
(Loss) from discontinued operations	(0.02)	(0.01)
Cumulative effect of change in accounting principle	(1.97)	-
Net (loss) income	$ (1.92)	$ 0.27
Weighted average shares used in computing net (loss) income per share		
Basic	6,113	7,056
Diluted	6,256	7,075

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Thirty-nine weeks ended December 29, 2002
(In thousands, except share amounts)
(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Shares	Treasury Stock, at cost	Total Stockholders" Equity
Balance at April 1, 2002	7,065,202	$ 71	$ 40,746	$ (4,537)	$ -	41,691	$ (135)	$ 36,145
Purchase of treasury stock						1,388,047	(5,086)	(5,086)
Net loss				(11,988)				(11,988)
Unrealized gains on available for sale securities, net of tax provision of $45						62		62
Balance at December 29, 2002	7,065,202	$ 71	$ 40,746	$ (16,525)	$ 62	1,429,738	$ (5,221)	$ 19,133

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Thirty-nine weeks ended December 29, 2002 and December 23, 2001
(In thousands)
(Unaudited)

	2002	2001
Cash flows from operating activities:		
Net (loss) income	$ (11,988)	$ 1,879
Adjustments to reconcile net income to		
net cash provided by (used in) operating activities:		
Cumulative effect of change in accounting principle, net of deferred taxes	12,338	-
Depreciation and amortization	1,569	1,277
Amortization of intangible assets	208	663
Provision for doubtful accounts	88	123
Amortization of bond premium	67	-
Gain on sale of available for sale securities	(8)	-
Gain on sale of fixed assets	(31)	(916)
Impairment charge on long-lived assets	471	-
Impairment charge on notes receivable	542	-
Deferred income taxes	(129)	(34)
Changes in operating assets and liabilities:		
Marketable securities and investment in limited partnership	968	(3,584)
Notes and accounts receivable, net	(227)	(1,009)
Inventories	104	(113)
Prepaid expenses and other current assets	831	478
Accounts payable and accrued expenses	(2,729)	(2,377)
Deferred franchise and area development fees	3	(139)
Other assets, net	30	64
Other non current liabilities	(570)	(293)
Net cash provided by (used in) operating activities	1,537	(3,981)
Cash flows from investing activities:		
Proceeds from sale of available for sale securities	5,079	-
Purchase of available for sale securities	(2,384)	-
Purchase of property and equipment	(452)	(914)
Proceeds from sale of restaurants, net	79	2,725
Proceeds from sale of fixed assets	432	-
Payments received on notes receivable	215	735
Net cash provided by investing activities	2,969	2,546
Cash flows from financing activities:		
Repurchase of common stock	(5,086)	(113)
Principal repayment of borrowings and obligations under capital leases	(137)	(1,302)
Net cash used in financing activities	(5,223)	(1,415)
Net decrease in cash and cash equivalents	(717)	(2,850)
Cash and cash equivalents, beginning of period	1,834	4,325
Cash and cash equivalents, end of period	$ 1,117	$ 1,475
CASH PAID DURING THE YEAR FOR:		
Cash paid during the period for income taxes	$ 45	$ 79
Cash paid during the period for interest	$ 112	$ 154
NONCASH FINANCING ACTIVITY:		
Loan to franchisee in connection with sale of restaurant	$ 44	$ -

See accompanying notes to consolidated financial statements.

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (collectively "Nathan's" or the "Company") for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001 have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, were necessary for a fair presentation of financial condition, results of operations and cash flows for such periods presented. However, these results are not necessarily indicative of results for any other interim period or the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the requirements of the Securities and Exchange Commission. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in Nathan's Annual Report on Form 10-K for the fiscal year ended March 31, 2002.

NOTE B - IMPAIRMENT OF NOTES RECEIVABLE

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

	Dec. 29, 2002 (In thousands)	March 31, 2002 (In thousands)
Total recorded investment in impaired notes receivable	$ 1,723	$ 1,000
Allowance for impaired notes receivable	(1,182)	(640)
Recorded investment in impaired notes receivable, net	$ 541	$ 360

	Thirty-nine Weeks ended Dec. 29, 2002 (In thousands)	Fifty-three Weeks ended March 31, 2002 (In thousands)
Allowance for impaired notes receivable at beginning of fiscal year	$ 640	$ 613
Impairment charges on notes receivable	542	185
Direct writedowns of impaired notes receivable	-	(240)
Other increases in allowance for impaired notes receivable	-	82
Allowance for impaired notes receivable at end of fiscal period	$ 1,182	$ 640

Based on the present value of the estimated cash flows of identified impaired notes receivable, the Company records interest income on its impaired notes receivable on a cash basis. The following represents the interest income recognized and average recorded investment of impaired notes receivable.

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Interest income recorded on impaired notes receivable	$ 9	$ 10	$ 39	$ 30
Average recorded investment in impaired notes receivable	$ 1,625	$ 832	$ 1,414	$ 914

NOTE C - LONG-LIVED ASSETS

Long-lived assets and intangible assets (See Note H) are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In instances where impairment is determined to exist, the Company writes down the asset to its fair value based on the present value of estimated future cash flows.

Impairment losses are recorded on long-lived assets on a restaurant-by-restaurant basis whenever impairment factors are determined to be present. The Company considers a history of restaurant operating losses to be its primary indicator of potential impairment for individual restaurant locations. Through the thirteen and thirty-nine weeks ended December 29, 2002, the Company had identified one and four units, which were expected to continue to operate, that have been impaired and recorded impairment charges of $50,000 and $471,000 in the statement of operations. Three of these restaurants were sold to a franchisee and are being accounted for under the "deposit method" (See Note I). The impairment charge was determined based upon the probability of future cash flows. At December 31, 2002, one of those three restaurants had ceased operating.

NOTE D - SELF INSURANCE ACCRUALS

The Company is self-insured for portions of its general liability coverage. As part of Nathan's risk management strategy, its insurance programs include deductibles for each incident and in the aggregate for a policy year. As such, Nathan's accrues estimates of its ultimate self insurance costs throughout the policy year. These estimates have been developed based upon Nathan's historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, Nathan's annual self insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. The self insurance accruals at December 29, 2002 and March 31, 2002 were $517,000 and $1,346,000, respectively and are included in "Accrued expenses and other current liabilities" in the accompanying consolidated balance sheets. During the thirty-nine weeks ended December 29, 2002, the self insurance accrual was reduced by approximately $829,000, due principally to the satisfaction of a claim against the Company totaling $659,000 (See Note P) and the reversal of approximately $196,000 of previously recorded self insurance accruals in connection with the conclusion of claims relating to prior policy years.

NOTE E - REVENUE RECOGNITION POLICIES

Company-owned Restaurants

Sales by Company-owned restaurants are recognized on a cash basis, upon the performance of services.

Franchising Operations

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

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process are recorded as deferred revenue. Initial franchise fees are recognized as income when substantially all services to be performed by Nathan's and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations. The following services are typically provided by Nathan's prior to the opening of a 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 location to be developed.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of restaurants being developed.

Development fees are nonrefundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled. At December 29, 2002 and March 31, 2002, $335,000 and $332,000, respectively, of deferred franchise fees are included in the accompanying consolidated balance sheets. For the thirteen-week periods ended December 29, 2002 and December 23, 2001, Nathan's earned franchise fees from new unit openings, transfers and co-branding of $220,000 and $160,000, respectively. For the thirty-nine week periods ended December 29, 2002 and December 23, 2001, Nathan's earned franchise fees from new unit openings, transfers and co-branding of $311,000 and $687,000, respectively. During the thirteen week period ended December 29, 2002, the Company also recognized revenue of $150,000 in connection with the termination by the Company of a Master Development Agreement in accordance with its terms due to the breach by the franchisee.

The following is a summary of franchise openings and closings for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Stores operating at beginning of period	350	379	364	386
New franchised stores opened	10	6	12	19
Franchised stores closed	(9)	(8)	(25)	(28)
Stores Operating at End of Period	351	377	351	377

Revenue from sub-leasing properties to franchisees 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 accompanying consolidated statements of operations. Nathan's recognizes franchise royalties 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.

Branded Products Operations

Revenue from the Branded Product Program is recognized by Nathan's when Nathan's is notified by the manufacturer that the products have been shipped via third party common carrier to Nathans' customers. An accrual for the cost of the product to Nathan's is recorded simultaneously with the revenue.

Investment and other income

The Company recognizes gains on the sale of fixed assets upon the change of title to such assets when the proceeds are received or are deemed realizable by the Company.

Deferred revenue associated with supplier contracts is generally amortized on a straight line basis over the life of the contract.

Investments classified as "trading securities" are recorded at fair value and the unrealized gains or losses are recognized as a component to the Company's "Investment and other income" in the consolidated statement of operations. During the thirteen week period ended December 29, 2002, the Company substantially liquidated its investment in "trading securities".

Investment and other income consist of the following:

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Gain on sale of fixed assets	$ 21	$ 823	$ 31	$ 916
Realized losses on marketable securities	(2)	(26)	(243)	(9)
Unrealized gains (losses) on "trading" securities	-	131	-	(14)
Subleasing loss	(87)	(93)	(176)	(207)
Gain from early termination of sales agreement	-	-	135	-
Other	109	120	345	445
Investment and other income	$ 41	$ 955	$ 92	$ 1,131

Interest income

Interest income is accrued when it is earned and deemed realizable by the Company.

NOTE F - ADVERTISING

The Company administers various advertising funds on behalf of its subsidiaries and franchisees to coordinate the marketing efforts of the Company. Under these arrangements, the Company collects and disburses fees paid by franchisees and Company-owned stores for national and regional advertising, promotional and public relations programs. Contributions to the advertising funds are based on specified percentages of net sales, generally ranging up to 3%. These advertising funds are separate entities which are not a component of the consolidated group. Revenues and expenses of these advertising funds are excluded from the Company's statement of operations. Contributions to the advertising funds from Company-owned stores are included in restaurant operating expenses in the accompanying consolidated statements of operations. Net Company-owned store advertising expense was $136,000 and $304,000 for the thirteen week periods ended December 29, 2002 and December 23, 2001, respectively. Net Company-owned store advertising expense was $490,000 and $714,000 for thirty-nine week periods ended December 29, 2002 and December 23, 2001, respectively.

NOTE G - CLASSIFICATIONS OF EXPENSES

Cost of sales contains the following items:

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

Restaurant operating expenses contains the following items:

- Occupancy costs of Company-operated restaurants.
- Utility costs of Company-operated restaurants.
- Repair and maintenance expenses of the 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.

NOTE H - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the first quarter of fiscal 2003, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), which supercedes APB Opinion No. 17, "Intangible Assets" and certain provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"). SFAS No. 142 required that goodwill and other intangibles be reported separately; eliminates the requirement to amortize goodwill and indefinite-lived assets; addresses the amortization of intangible assets with a defined life; and addresses impairment testing and recognition of goodwill and intangible assets. SFAS No. 142 changes the method of accounting for the recoverability of goodwill for the Company, such that it is evaluated at the brand level based upon the estimated fair value of the brand. Fair value can be determined based on discounted cash flows, on comparable sales or valuations of other restaurant brands. The impairment review involves a two-step process as follows:

Step 1 Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit's fair value, move on to step 2. If a reporting unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

Step 2 Allocate the fair value of the reporting unit to its identifiable tangible and intangible assets, excluding goodwill and liabilities. This will derive an implied fair value for the reporting unit's goodwill. Then, compare the implied fair value of the reporting unit's goodwill with the carrying amount of reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess. The transitional impairment charge, if any, is recorded as a cumulative effect of accounting change for goodwill.

The Company completed its initial SFAS No. 142 transitional impairment test of goodwill, including an assessment of a valuation of the Nathan's, Miami Subs and Kenny Rogers Roasters reporting units by an independent valuation consultant, and has recorded an impairment charge requiring the Company to write-off substantially all of the goodwill related to the acquisitions, trademarks and recipes as a cumulative effect of accounting change in the first quarter of fiscal 2003. The fair value was determined through the combination of a present value analysis as well as prices of comparative businesses. The changes in the net carrying amount of goodwill, trademarks and recipes recorded in the first quarter of fiscal 2003 were as follows:

	Goodwill (In thousands)	Trademarks (In thousands)	Recipes (In thousands)	Total (In thousands)
Balance as of April 1, 2002	$ 11,083	$ 2,242	$ 30	$ 13,355
Cumulative effect of accounting change for goodwill and other intangibles	(10,988)	(2,174)	(30)	(13,192)
Balance as of December 29, 2002	$ 95	$ 68	$ -	$ 163

Additionally, the Company ceased amortization of goodwill, trademarks and recipes in accordance with SFAS No. 142, thus lowering amortization expense by a estimated $600,000 per year, as such assets were deemed to have indefinite lives. The following table provides a reconciliation of the reported net (loss) income for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001, adjusted as though SFAS No. 142 had been effective for such periods:

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
NET (LOSS) INCOME	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Reported net (loss) income	$ (106)	$ 263	$ (11,988)	$1,879
Add back discontinued amortization expense	-	152	-	455

Adjusted net (loss) income	$ (106)	$ 415	$ (11,988)	$2,334
	======	=====	=========	======

DILUTED (LOSS) INCOME PER SHARE	Thirteen Weeks Ended Dec. 29, 2002	Dec. 23, 2001	Thirty-nine Weeks Ended Dec. 29, 2002	Dec. 23, 2001
Reported net (loss) income	$(0.02)	$ 0.04	$ (1.92)	$ 0.27
Add back discontinued amortization expense	-	0.02	-	0.06
Adjusted net (loss) income	$(0.02)	$ 0.06	$ (1.92)	$ 0.33

The table below presents amortized and unamortized intangible assets as of December 29, 2002 and March 31, 2002 (In thousands):

	December 29, 2002			March 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Royalty streams	$ 4,259	$ (943)	$ 3,316	$ 4,259	$ (747)	$ 3,512
Favorable leases	285	(42)	243	285	(31)	254
Other	16	(16)	-	62	(60)	2
	$ 4,560	$(1,001)	$ 3,559	$ 4,606	$ (838)	$ 3,768
Unamortized intangible assets:						
Goodwill			$ 95	$ 17,043	$ (5,960)	$ 11,083
Trademarks, tradenames and recipes			68	2,425	(153)	2,272
			$ 163	$ 19,468	$ (6,113)	$ 13,355

Total amortization expense for the intangible assets was $69,000 and $208,000 for the thirteen and thirty-nine weeks ended December 29, 2002. Nathan's estimates future annual amortization expense of approximately $280,000 per year for each of the next five years.

During the fiscal 2003 period, the Company adopted the provisions of Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). This statement supersedes SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". This Statement retained the fundamental provisions of SFAS 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. SFAS No. 144 has broadened the definition of discontinued operations to include components of an entity whose cash flows are clearly identifiable as compared to a segment of a business. SFAS No. 144 requires the Company to classify as discontinued operations any restaurant that it sells, abandons or otherwise disposes of where the Company has no further involvement in such restaurant's operations. In the case of restaurants to be abandoned, depreciation expense is to be revised based upon the expected remaining useful lives of the affected restaurants. During the second quarter fiscal 2003, the Company revised its depreciation estimate on eight restaurants, which are expected to be closed by February 20, 2003, and recorded an additional expense of $422,000. During the fiscal 2003 period, two Company-owned restaurants which were not considered available for sale at March 31, 2002 were presented as discontinued operations, including the first restaurant that was closed pursuant to the Home Depot License termination (See Note J). Pursuant to SFAS No. 144, the results of the remaining restaurants operating within Home Depot locations have been included with results of continuing operations until these restaurants are abandoned.

Following is a summary of the results of operations for these two restaurants for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001:

	Thirteen Weeks Ended (In thousands) Dec. 29, 2002	Dec. 23, 2001	Thirty-nine Weeks Ended (In thousands) Dec. 29, 2002	Dec. 23, 2001
Revenues	$ 280	$ 379	$ 973	$ 1,136
Income before income taxes	$ (91)	$ (73)	$ (160)	$ (146)

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (EITF) Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Nathan's expects to record a charge of approximately $150,000 in the fourth quarter fiscal 2003 in connection with the termination of 8 employees relating to a reduction in administrative personnel.

Nathan's has adopted the provisions of FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN No. 45"). For financial statements of interim or annual periods ending after December 15, 2002 FIN No. 45 has clarified that a guarantor is required to disclose (a) the nature of the guarantee; (b) maximum potential amount of future payments under the guarantee; (c) carrying amount of the liability, if any, for the guarantor's obligations under the guarantee; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. Also, beginning January 1, 2003, the Company will have to recognize at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee.

The Company has guaranteed 34 equipment loans on behalf of its franchisees principally in connection with the Company's co-branding initiatives. The Company's maximum exposure for these loans is $651,000. Currently the Company is making periodic payments on four loans on which the franchisees have defaulted. The Company would generally obtain title to the equipment in the event it was required to fully satisfy a defaulted obligation and would seek to use the equipment itself or resell the equipment to another franchisee. The Company will continue to guarantee the existing indebtedness until fiscal 2008.

The Company has also guaranteed one real estate loan on behalf of a franchisee having a maximum exposure of $306,000. In the event the Company is required to cure a default by the franchisee, the Company would be able to gain possession of the premises and operate the restaurant provided that the Company complies with the lease. The Company will continue to guarantee this indebtedness until August 2006.

NOTE I - SALES OF RESTAURANTS

The Company observes the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," which establishes accounting standards for recognizing profit or loss on sales of real estate. SFAS No. 66 provides for profit recognition by the full accrual method, provided (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obligated to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and other methods of profit recognition shall be followed. In accordance with SFAS No. 66, the Company recognizes profit on sales of restaurants under both the installment method and the deposit method, depending on the specific terms of each sale. The Company continues to record depreciation expense on the property subject to the sales contracts that are accounted for under the deposit method and records any principal payments received as a deposit until such time that the transaction meets the sales criteria of SFAS No. 66.

As of December 29, 2002 and March 31, 2002, the Company had deposits on sales of restaurants of $214,000 included in accrued expenses in the accompanying consolidated balance sheets.

During the thirty-nine weeks ended December 29, 2002, the Company sold three Company-owned restaurants for a total of $591,000. In August 2002, an operating restaurant, which had been classified as held for sale at March 31, 2002, was sold to a non-franchisee for $75,000. In October 2002, a non-operating restaurant, which had been classified as held for sale was sold to a non-franchisee for $466,000 and an operating restaurant was sold to a franchisee in exchange for a $50,000 note. As these restaurants were either classified as held-for-sale prior to the adoption of SFAS No. 144 or the Company has a continuing stream of cash flows in the case of the franchised restaurant, the results of operations for the Company-operated restaurants that were sold are included in "(Loss) income from continuing operations before income taxes" in the accompanying consolidated statements of operations for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001. During the thirteen weeks ended December 29, 2002 and December 23, 2001 restaurant sales were $28,000 and $555,000 from the operation of one and three sold restaurants, respectively. During the thirty-nine weeks ended December 29, 2002 and December 23, 2001 restaurant sales were $769,000 and $2,247,000 from the operation of two and four sold restaurants, respectively. Results of operations of the two restaurants that have been abandoned subsequent to the adoption of SFAS No. 144 have been included in discontinued operations (See Note H).

The results of operations for these Company-owned restaurants for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001 are as follows:

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Revenues (A)	$ 28	$ 1,405	$ 769	$ 3,204
(Loss) income from continuing operations before income taxes (A)	$ (11)	$ 679	$ (69)	$ 740

A - Includes gains from the sales of restaurants of $850 and $ 957 during the thirteen and thirty-nine week periods ended December 23, 2001.

NOTE J - FOOD SERVICE LICENSE TERMINATION WITHIN HOME DEPOT STORES

In August 2002, the Company received written notice from Home Depot U.S.A., Inc. ("Home Depot") that Home Depot terminated eight License Agreements with the Company pursuant to which the Company operates Nathan's restaurants in certain Home Depot Improvement Centers. In accordance with the termination notices, Nathan's expects to cease its operations in those locations before February 20, 2003. Nathan's believes it is entitled to payments of approximately $216,000 pursuant to the termination provisions of selected Lease Agreements.

Pursuant to SFAS No. 144, the results of operations for these restaurants, which will be disposed of by other than sale, will continue to be included with the results of continuing operations until the restaurants have ceased operating. As of December 29, 2002, one restaurant has ceased operating and has been classified as discontinued operations. The Company has revised the estimated useful lives of these assets to reflect the shortened useful lives and recorded additional depreciation expense of approximately $320,000 and $422,000 during the thirteen and thirty-nine week periods ended December 29, 2002. The Company conducted an impairment analysis and determined that no impairment charge was deemed necessary at December 29, 2002.

Following is a summary of the results of operations for the restaurants for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001:

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
	Dec. 29, 2002	Dec. 23, 2001	Dec. 29, 2002	Dec. 23, 2001
Revenues	$ 847	$ 997	$ 2,929	$ 3,113
Income before income taxes (A)	$ 16	$ 49	$ 216	$ 269

(A) - Income before income taxes for the thirteen and thirty-nine week periods ended December 29, 2002 excludes additional depreciation expense of $320 and $422, respectively, as a result of revising the estimated useful lives of these restaurants.

NOTE K - MARKETABLE SECURITIES and INVESTMENT IN LIMITED PARTNERSHIP

Effective April 1, 2002, the Company transferred certain securities formerly classified as "trading" securities to "available for sale" due to a change in the Company's investment strategies. As required by FASB Statement No. 115, the transfer of these securities between categories of investments has been accounted for at fair value and the unrealized holding gain or loss previously recorded through the date of transfer from the trading category will not be reversed. The unrealized gain for the period ended December 29, 2002 totaling $62,000 net of income taxes has been included as a component of comprehensive income. Investments classified as "trading securities" are recorded at fair value and the unrealized gains or losses are recognized as a component to the Company's "Investment and other income" in the consolidated statement of operations. On October 3, 2002, the Company substantially liquidated its investment in a limited partnership and received proceeds of $751,000 and recorded a loss of $241,000 which is included as a component of investment and other income in the accompanying consolidated statement of operations for the thirty-nine weeks ended December 29, 2002. At December 29, 2002, all marketable securities are classified as available for sale.

NOTE L - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) are as follows:

	Thirteen weeks ended (In thousands) December 29, 2002	Thirty-nine weeks ended (In thousands) December 29, 2002
Net loss	$ (106)	$ (11,988)
Unrealized (loss) gain on available-for-sale securities, Net of tax (benefit) provision of $(2) and $50, respectively	(3)	62
Comprehensive loss	$ (109)	$ (11,926)

Comprehensive income for the thirteen and thirty-nine week periods ended December 23, 2001 was the same as net income for those periods.

NOTE M - OTHER INCOME

During the quarter ended June 24, 2001, Nathans's reversed an accrual of $210,000 related to its successful appeal of a previous award in an action entitled: Miami Subs Corporation or MIAMI S V. MURRAY FAMILY TRUST/KENNETH DASH PARTNERSHIP. In this case the court found that Miami Subs breached a fiduciary duty it owed to defendants and awarded the Murray Family Trust $200,000. Both Miami Subs and defendants appealed the court's decision, and in November 1996, the appeal was argued before the Supreme Court of New Hampshire. In December 1997, the Supreme Court ruled in favor of Miami Subs, vacated the damage award, reversed the award of attorney fees and remanded to a trial court for a determination of damages for the alleged breach of fiduciary duty to Murray Family Trust. In May 1998, the trial court awarded the Murray Family Trust compensatory damages in the amount of $200,000 which Miami Subs accrued for on its books. Miami Subs appealed the damage award, and in December 1999, the Supreme Court of New Hampshire heard the second appeal. On February 1, 2001, the Supreme Court of New Hampshire ruled in favor of Miami Subs and vacated the damage award. The plaintiff had the right to further appeal the reversal for a period of 90 days, until May 2, 2001. No further action was taken by the plaintiff and upon passage of the 90 day period the litigation award was reversed into income.

NOTE N - INCOME (LOSS) FROM CONTINUING OPERATIONS PER SHARE

The following chart provides a reconciliation of information used in calculating the per share amounts for the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001, respectively.

THIRTEEN WEEKS

	(Loss) Income from Continuing Operations (In thousands)		Number of Shares (In thousands)		(Loss) Income from Continuing Operations Per Share	
	2002	2001	2002	2001	2002	2001
BASIC EPS						
Basic calculation	$ (52)	$ 304	5,878	7,038	$ (.01)	$ .05
Effect of dilutive employee stock options and warrants	-	-	-	24	-	-
Diluted EPS						
Diluted calculation	$ (52)	$ 304	5,878	7,062	$ (.01)	$ .05

THIRTY-NINE WEEKS

	Income from Continuing Operations (In thousands)		Number of Shares (In thousands)		Income from Continuing Operations Per Share	
	2002	2001	2002	2001	2002	2001
Basic EPS						
Basic calculation	$ 444	$ 1,961	6,113	7,056	$ .07	$ .28
Effect of dilutive employee stock options and warrants	-	-	143	19	-	-
Diluted EPS						
Diluted calculation	$ 444	$ 1,961	6,256	7,075	$ .07	$ .28

Common stock equivalents aggregating 89,000 shares have been excluded from the diluted EPS calculation for the thirteen week period ended December 29, 2002 as the impact of their inclusion would have been anti-dilutive.

Options and warrants issued to employees to purchase 902,838 and 1,347,901 shares of common stock in each of the thirteen and thirty-nine week periods ended December 29, 2002 and December 23, 2001, respectively, were not included in the computation of diluted EPS because the exercise prices exceeded the average market price of common shares for the periods. These options and warrants were still outstanding at the end of the related periods.

NOTE O - STOCK REPURCHASE PROGRAM

On September 14, 2001, Nathan's was authorized to purchase up to 1 million shares of its common stock. Nathan's completed its initial Stock Repurchase Program on August 30, 2002 at a cost of approximately $3,670,000. On October 7, 2002, Nathan's was authorized to purchase up to 1 million additional shares of its common stock. Through December 29, 2002, Nathan's purchased an additional 429,738 shares of common stock at a cost of approximately $1,614,000 and through January 10, 2003, subsequently purchased an additional 45,900 shares of common stock at a cost of approximately $168,000. Purchases of stock will be made from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

NOTE P - CONTINGENCIES

Nathan's Famous, Inc. and Nathan's Famous Operating Corp. were named as two of three defendants in an action commenced in July 2001, in the Supreme Court of New York, Westchester County. According to the amended complaint, the plaintiffs, a minor and her mother, sought damages in the amount of $17 million against Nathan's Famous and Nathan's Famous Operating Corp. and one of Nathan's Famous' former employees claiming that the Nathan's entities failed to properly supervise minor employees, failed to monitor its supervisory personnel, and were negligent in hiring, retaining and promoting the individual defendant, who allegedly molested, harassed and raped the minor plaintiff, who was also an employee. On May 29, 2002, as a result of a mediation, this action was settled, subject to court approval. The court approved the original settlement and on September 9, 2002, the plaintiffs were paid $659,000 of which $650,000 had been accrued as of March 31, 2002.

Nathan's Famous was served on January 10, 2003 with a summons in connection with an action commenced by Mitchell Putterman and Michael Pellegrino in the Supreme Court of New York, Suffolk County seeking damages of $1,000,000 for claims of breach of contract and fraud in connection with a letter of intent with the Company's subsidiary, NF Roasters of Commack, Inc. Although the letter of intent contains specific disclaimer language stating that it did not convey any rights or obligations and contemplated the execution of a management agreement, which was never executed, plaintiffs purport nonetheless to have certain claims in connection therewith. The Company has served a notice of appearance and demand for a complaint.

NOTE Q - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the December 29, 2002 presentation.

NOTE R - RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Nathan's is currently evaluating the effect of adoption on its financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" which will be effective for the Company for fiscal years beginning after May 15, 2002, although earlier adoption is encouraged. SFAS No. 145 eliminates the classification of debt extinguishment activity as extraordinary items, eliminates inconsistencies in lease modification treatment and makes various technical corrections or clarifications of other existing authoritative pronouncements. Nathan's has not yet determined the effect of adoption on its financial position and results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which addresses financial accounting and reporting for recording expenses for the fair value of stock options. SFAS 148 provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of this Statement are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Nathan's is currently evaluating the effect of adoption on its financial position and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

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

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

In addition to plans for expansion through franchising and our Branded Product Program, Nathan's is continuing to capitalize on the co-branding opportunities within our existing restaurant system. Currently, the Arthur Treacher's brand is being sold within 126 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 83 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 74 Miami Subs and Nathan's restaurants. We have continued testing the Miami Subs brand in three company-owned Nathan's restaurants and one Kenny Rogers franchised restaurant.

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. To date, we have terminated leases on 16 of those properties, sold one of the properties to a non-franchisee and are continuing to market the remaining property for sale. We also terminated 10 additional leases for properties outside of the divestiture plan and may terminate additional leases in the future that were not part of our divestiture plan.

At December 29, 2002, our combined system consisted of 351 franchised or licensed units, 18 company-owned units and over 2,000 Nathan's Branded Product points of sale that feature Nathan's world famous all-beef hot dogs, located in 41 states, the District of Columbia and 13 foreign countries. At December 29, 2002, our company-owned restaurant system included 14 Nathan's units and four Miami Subs units, as compared to 16 Nathan's units, five Miami Subs units and two Kenny Rogers Roasters units at December 23, 2001.

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 judgement due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset and liability amounts.

Impairment of Goodwill and Other Intangible Assets

Statement of Financial Accounting Standards, or SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill and intangible assets with indefinite lives will no longer be amortized but will be reviewed annually (or more frequently if impairment indicators arise) for impairment. The most significant assumptions which are used in this test are estimates of future cash flows. We typically use the same assumptions for this test as we use in the development of our business plans. If these assumptions differ significantly from actual results, additional impairment expenses may be required.

Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires management judgements regarding the future operating and disposition plans for underperforming assets, and estimates of expected realizable values for assets to be sold. The application of SFAS No. 144 has affected the amounts and timing of charges to operating results in recent years. We evaluate possible impairment of each restaurant individually, and record an impairment charge whenever we determine that impairment factors exist. We consider a history of restaurant operating losses to be the primary indicator of potential impairment of a restaurant's carrying value. We have identified certain restaurants that have been impaired and recorded impairment charges of approximately $471,000 relating to four restaurants during the thirty-nine weeks ended December 29, 2002.

Impairment of Notes Receivable

Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," requires management judgements regarding the future collectibility of notes receivable and the underlying fair market value of collateral. We consider the following factors when evaluating a note for impairment: 1) indications that the borrower is experiencing business problems such as operating losses, marginal working capital, inadequate cash flow or business interruptions; 2) whether the loan is secured by collateral that is not readily marketable; or 3) whether the collateral is susceptible to deterioration in realizable value. When determining possible impairment, we also assess our future intention to extend certain leases beyond the minimum lease term and the debtor's ability to meet its obligation over that extended term. We have identified certain notes receivable that have been impaired and recorded impairment charges of approximately $542,000 relating to four notes during the thirty-nine weeks ended December 29, 2002.

Revenue Recognition

In the normal course of business, we extend credit to franchisees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Notes and accounts receivable, 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 collectibility based upon historical trends and an evaluation of the impact of current and projected economic conditions. In the event that the collectibility of a receivable is doubtful, the associated revenue is not recorded until the facts and circumstances change in accordance with Staff Accounting Bulletin SAB No. 101, "Revenue Recognition".

Self-insurance Liabilities

We are self-insured for portions of our general liability coverage. As part of our risk management strategy, our insurance programs include deductibles for each incident and in the aggregate for a policy year. As such, we accrue estimates of our ultimate self insurance costs throughout the policy year. These estimates have been developed based upon our historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, our annual self insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. In conjunction with our external risk manager we have completed an evaluation of the outstanding claims and reserves relating to prior years and have reversed $196,000 of previously recorded self insurance accruals during the thirteen weeks ended December 29, 2002 for those claims on which the Company's exposure has been settled.

RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED DECEMBER 29, 2002 COMPARED TO DECEMBER 23, 2001

Revenues from Continuing Operations

Total sales decreased by 14.7% or $1,010,000 to $5,879,000 for the thirteen weeks ended December 29, 2002 ("third quarter fiscal 2003") as compared to $6,889,000 for the thirteen weeks ended December 23, 2001 ("third quarter fiscal 2002"). Sales from the Branded Product Program increased by 35.4% to $1,412,000 for the third quarter fiscal 2003 as compared to sales of $1,043,000 in the third quarter fiscal 2002. Company-owned restaurant sales decreased 23.6% or $1,379,000 to $4,467,000 from $5,846,000 primarily due to the operation of four fewer company-owned stores as compared to the third quarter fiscal 2002 and a 10.4% sales decrease at our comparable restaurants (consisting of 14 Nathan's and four Miami Subs restaurants). The reduction in company-owned stores is the result of the franchise of two restaurants and the sale of two restaurants, one of which was to the State of Florida pursuant to an order of condemnation. The financial impact associated with the four restaurants lowered restaurant sales by $860,000 and improved restaurant operating profits by $82,000 versus the fiscal 2002 period.

Franchise fees and royalties decreased by 0.6% or $11,000 to $1,722,000 in the third quarter fiscal 2003 compared to $1,733,000 in the third quarter fiscal 2002. Franchise royalties decreased by 14.0% or $221,000 to $1,352,000 in the third quarter fiscal 2003 as compared to $1,573,000 in the third quarter fiscal 2002. The majority of this decline is due to the decrease in the amount of franchise sales and the increased amount of royalties deemed unrealizable during the third quarter fiscal 2003 as compared to the third quarter fiscal 2002. Royalty income was not recorded from 63 domestic franchised locations for the third quarter fiscal 2003 as compared to 43 domestic franchised locations for the third quarter fiscal 2002 as a result of the determination that collectibility of the royalties was not reasonably assured. Domestic franchise restaurant sales decreased by 6.9% to $41,445,000 in the third quarter fiscal 2003 as compared to $44,513,000 in the third quarter fiscal 2002. At December 29, 2002, 351 franchised or licensed restaurants were operating as compared to 377 franchised or licensed restaurants at December 23, 2001. Franchise fee income derived from new openings and our co-branding activities was $220,000 in the third quarter fiscal 2003 as compared to $160,000 in the third quarter fiscal 2002. During the third quarter fiscal 2003, 10 new franchised restaurants were opened, including our first unit in China, as compared to six new franchised restaurants during the third quarter fiscal 2002. Nathan's earned $150,000 in connection with the termination of a Master Development Agreement in the third quarter fiscal 2003 in accordance with its terms due to the breach by the franchisee.

License royalties were $523,000 in the third quarter fiscal 2003 as compared to $312,000 in the third quarter fiscal 2002. This increase is attributable to higher royalties earned from sales made by SMG, Inc., Nathans' licensee for the sale of Nathan's frankfurters within supermarkets and club stores and royalties earned under a new license agreement in connection with the Branded Product Program.

Investment and other income decreased by $914,000 to $41,000 in the third quarter fiscal 2003 versus $955,000 in the third quarter fiscal 2002. During the third quarter fiscal 2003, Nathans' investment loss was approximately $2,000 as compared to income of approximately $105,000 during the third quarter fiscal 2002 due primarily to Nathan's liquidating its investment in a limited partnership on October 3, 2002. During the third quarter fiscal 2002, Nathan's recognized $850,000 of additional income resulting from the successful appeal of a condemnation award from the State of Florida.

Interest income decreased by $41,000 to $71,000 in the third quarter fiscal 2003 versus $112,000 in the third quarter fiscal 2002 due to lower interest income on its investments in marketable securities and its notes receivable

Costs and Expense from Continuing Operations

Cost of sales decreased by $677,000 to $3,977,000 in the third quarter fiscal 2003 from $4,654,000 in the third quarter fiscal 2002. During the third quarter fiscal 2003, restaurant cost of sales were lower than the third quarter fiscal 2002 by approximately $893,000. Cost of sales was reduced by approximately $622,000 as a result of operating four fewer company-owned restaurants. The cost of restaurant sales at our comparable units was lower than the third quarter fiscal 2002 although, as a percentage of restaurant sales was 65.0% in the third quarter fiscal 2003 as compared to 63.7% in the third quarter fiscal 2002 due primarily to higher labor costs. Higher product and other direct costs of approximately $216,000 were incurred in connection with the growth of our Branded Product Program which was partially offset by lower commodity costs during the third quarter fiscal 2003.

Restaurant operating expenses decreased by $398,000 to $1,392,000 in the third quarter fiscal 2003 from $1,790,000 in the third quarter fiscal 2002. Restaurant operating costs were lower in the third quarter fiscal 2003 by approximately $330,000, as compared to the third quarter fiscal 2002 as a result of operating four fewer restaurants. In addition to the reduction in restaurant operating expenses from operating fewer restaurants, lower marketing costs more than offset higher occupancy and current insurance costs during the third quarter fiscal 2003.

Depreciation and amortization increased by $182,000 to $623,000 in the third quarter fiscal 2003 from $441,000 in the third quarter fiscal 2002. The Company recorded additional depreciation expense of $320,000 due to a change in the estimated useful lives of the eight restaurants operating within Home Depot Improvement Centers for which Nathan's received early lease termination notifications during the second quarter fiscal 2003. This additional expense was partly offset by the reduction in Company-owned restaurants operating between the two periods.

Amortization of intangibles decreased by $152,000 to $69,000 in the third quarter fiscal 2003 from $221,000 in the third quarter fiscal 2002. Amortization of intangibles decreased as a result of the adoption of SFAS No. 142 " Goodwill and Other Intangible Assets" in the first quarter fiscal 2003. Pursuant to SFAS No. 142, we have discontinued the amortization of Goodwill, Trademarks, Trade Names and Recipes.

General and administrative expenses decreased by $365,000 to $1,957,000 in the third quarter fiscal 2003 as compared to $2,322,000 in the third quarter fiscal 2002. The difference in general and administrative expenses was due primarily to lower professional fees of approximately $123,000, lower compensation and related expenses of approximately $77,000, lower insurance costs of approximately $72,000 due to the reversal of previously recorded self insured reserves and lower bad debts expense of approximately $33,000.

Interest expense was $33,000 during the third quarter fiscal 2003 as compared to $40,000 during the third quarter fiscal 2002. The reduction in interest expense relates primarily to the repayment of outstanding trade debt between the two periods.

Impairment charge on notes receivable of $222,000 during the third quarter fiscal 2003 relates to the write-down of one note receivable.

Impairment charge on long-lived assets of $50,000 during the third quarter fiscal 2003 relates to the write-down of one restaurant.

Provision for Income Taxes from Continuing Operations

In the third quarter fiscal 2003, the income tax benefit was $35,000 or 40.2% of loss from continuing operations as compared to the income tax provision of $229,000 or 43.0% of income from continuing operations in the third quarter fiscal 2002. The effective income tax rate was lower in the third quarter fiscal 2003 due to the adoption of SFAS No. 142 which requires that goodwill no longer be amortized. Such goodwill amortization was not tax deductible by Nathan's which increased the effective tax rate in prior years.

Discontinued Operations

During the third quarter fiscal 2003, discontinued operations included two Company-owned restaurants both of which were abandoned, including one which was abandoned in connection with the Home Depot early lease terminations. Revenues generated by these restaurants were $280,000 during the thirteen weeks ended December 29, 2002 as compared to $379,000 during the thirteen weeks ended December 23, 2001. Losses from these restaurants were $91,000 during the thirteen weeks ended December 29, 2002 as compared to $73,000 during the thirteen weeks ended December 23, 2001

THIRTY-NINE WEEKS ENDED DECEMBER 29, 2002 COMPARED TO DECEMBER 23, 2001

Revenues from Continuing Operations

Total sales decreased by 6.7% or $1,592,000 to $22,213,000 for the thirty-nine weeks ended December 29, 2002 ("fiscal 2003 period") as compared to $23,805,000 for the thirty-nine weeks ended December 23, 2001 ("fiscal 2002 period"). Sales from the Branded Product Program increased by 38.5% to $4,894,000 for the fiscal 2003 period as compared to sales of $3,534,000 in the fiscal 2002 period. Company-owned restaurant sales decreased 14.6% or $2,952,000 to $17,319,000 from $20,271,000 primarily due to the operation of five fewer company-owned stores as compared to the prior fiscal year and a 3.1% sales decrease at our comparable restaurants (consisting of 14 Nathan's and four Miami Subs restaurants). The reduction in company-owned stores is the result of our franchise of three restaurants and the sale of two restaurants, one of which was to the State of Florida pursuant to an order of condemnation. The financial impact associated with these five restaurants lowered restaurant sales by $2,483,000 and improved restaurant operating profits by $1,000 versus the fiscal 2002 period.

Franchise fees and royalties decreased by 21.1% or $1,259,000 to $4,715,000 in the fiscal 2003 period compared to $5,974,000 in the fiscal 2002 period. Franchise royalties decreased by $1,033,000 or 19.5% to $4,254,000 in the fiscal 2003 period as compared to $5,287,000 in the fiscal 2002 period. The majority of this decline is due to the decrease in the amount of franchise sales and the increased amount of royalties deemed unrealizable during the fiscal 2003 period as compared to the fiscal 2002 period. Royalty income was not recorded from 63 domestic franchised locations during the fiscal 2003 period as compared to 43 domestic franchised locations during the fiscal 2002 period as a result of determining that collectibility of the royalties was not reasonably assured. Domestic franchise restaurant sales decreased by 11.9% to $124,309,000 in the fiscal 2003 period as compared to $141,178,000 in the fiscal 2002 period. At December 29, 2002, 351 franchised or licensed restaurants were operating as compared to 377 franchised or licensed restaurants at December 23, 2001. Franchise fee income derived from new openings and our co-branding activities was $311,000 in the fiscal 2003 period as compared to $687,000 in the fiscal 2002 period. This decrease was primarily attributable to the difference between the number of franchised units opened between the two periods and the absence during the fiscal 2003 period of initial fees earned from existing restaurants within our system that co-branded during the fiscal 2002 period. During the fiscal 2003 period, 12 new franchised restaurants were opened, including our first unit in China, as compared to 19 new franchised restaurants during the fiscal 2002 period. During the fiscal 2002 period, we earned $245,000 in connection with our co-branding strategy within the Miami Subs system to offer Nathan's, Kenny Rogers Roasters and Arthur Treacher's products. These activities were substantially completed during fiscal 2002. During the third quarter fiscal 2003, we earned $150,000 in connection with the termination of a Master Development Agreement in accordance with its terms due to the breach by the franchisee.

License royalties were $1,922,000 in the fiscal 2003 period as compared to $1,624,000 in the fiscal 2002 period. This increase is attributable to higher royalties earned from sales made by SMG, Inc., Nathans' licensee for the sale of Nathan's frankfurters within supermarkets and club stores, the manufacture of certain proprietary spices and seasonings, the sale of condiments sold under the Nathan's brand and royalties earned under a new license agreement in connection with the Branded Product Program.

Investment and other income decreased by $1,039,000 to $92,000 in the fiscal 2003 period versus $1,131,000 in the fiscal 2002 period. During the fiscal 2003 period, Nathans' investment loss was approximately $220,000 greater than in the fiscal 2002 period due primarily to differences in performance of the financial markets during the time that Nathan's maintained its investments in "trading securities", which "trading securities" were substantially liquidated October 2002, as compared to being held for the entire fiscal 2002 period. Nathan's loss from sub-leasing was approximately $31,000 less than in the fiscal 2002 period. In the fiscal 2003 period, Nathan's realized a gain of $135,000 in connection with the early termination of a Branded Product Program sales agreement. During the fiscal 2003 period, Nathan's earned approximately $101,000 less miscellaneous income than in the fiscal 2002 period principally in connection with its ice cream sales. During the fiscal 2002 period, Nathan's recognized net gains of $916,000 primarily in connection with the sale of two company-owned restaurants, which included $850,000 from the successful appeal of a condemnation award from the State of Florida.

Interest income decreased by $144,000 to $227,000 in the fiscal 2003 period versus $371,000 in the fiscal 2002 period due to lower interest income on its investments in marketable securities and its notes receivable.

Costs and Expenses from Continuing Operations

Cost of sales decreased by $969,000 to $14,625,000 in the fiscal 2003 period from $15,594,000 in the fiscal 2002 period. During the fiscal 2003 period, restaurant cost of sales were lower than the fiscal 2002 period by approximately $1,840,000. Cost of sales were lower by approximately $1,634,000 as a result of operating fewer company-owned restaurants. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 61.6% in the fiscal 2003 period as compared to 60.9% in the fiscal 2002 period due primarily to higher labor costs. Higher product and other direct costs of approximately $871,000 were incurred in connection with the growth of our Branded Product Program which was partially offset by lower commodity costs during the fiscal 2003 period. During the fiscal 2003 period, commodity prices of our primary meat products were in line with historical norms as compared to being at their highest levels in recent years through most of the twenty-six weeks ended September 23, 2001.

Restaurant operating expenses decreased by $650,000 to $4,869,000 in the fiscal 2003 period from $5,519,000 in the fiscal 2002 period. Restaurant operating costs were lower in the fiscal 2003 period by approximately $829,000, as compared to the fiscal 2002 period as a result of operating fewer restaurants. The reduction in restaurant operating expenses from operating fewer restaurants was partially offset by higher occupancy, utility, and current insurance costs during the fiscal 2003 period.

Depreciation and amortization increased by $260,000 to $1,472,000 in the fiscal 2003 period from $1,212,000 in the fiscal 2002 period. The Company recorded $442,000 of additional depreciation expense due to a change in the estimated useful lives of the eight restaurants operating within Home Depot Improvement Centers for which Nathan's received early lease termination notifications during the second quarter fiscal 2003, which was partly offset by the reduction in company-owned restaurants operating between the two periods.

Amortization of intangibles decreased by $455,000 to $208,000 in the fiscal 2003 period from $663,000 in the fiscal 2002 period. Amortization of intangibles decreased as a result of the adoption of SFAS No. 142 "Goodwill and Other Intangible Assets" in the first quarter fiscal 2003. Pursuant to SFAS No. 142, we have discontinued the amortization of Goodwill, Trademarks, Trade Names and Recipes.

General and administrative expenses decreased by $375,000 to $6,117,000 in the fiscal 2003 period as compared to $6,492,000 in the fiscal 2002 period. The difference in general and administrative expenses was due primarily to lower professional fees of approximately $195,000, compensation and related expenses of approximately $73,000, lower insurance costs of approximately $72,000 due to the reversal of previously recorded self insured reserves and lower bad debts expense of approximately $35,000.

Interest expense was $111,000 during the fiscal 2003 period as compared to $147,000 during the fiscal 2002 period. The reduction in interest expense relates primarily to the repayment of outstanding trade debt between the two periods.

Impairment charge on long-lived assets of $471,000 during the fiscal 2003 period represents the write-down relating to four under-performing stores, two of which are expected to continue operating.

Impairment charge on notes receivable of $542,000 during the fiscal 2003 period relates to the write-down of four notes receivable.

Other income of $210,000 in the fiscal 2002 period represents the reversal of a previously recorded litigation provision for an award that was settled, upon appeal, in our favor.

Provision for Income Taxes from Continuing Operations

In the fiscal 2003 period, the income tax provision from continuing operations was $310,000 or 41.1% of income from continuing operations before income taxes as compared to $1,527,000 or 43.8% of income from continuing operations before income taxes in the fiscal 2002 period. The effective income tax rate was lower in the fiscal 2003 period due to the adoption of SFAS No. 142 which requires that goodwill no longer be amortized. Such goodwill amortization was not tax deductible by Nathan's which increased the effective tax rate in prior years.

Discontinued Operations

During the fiscal 2003 period , discontinued operations included two Company-owned restaurants both of which were abandoned, including one which was abandoned in connection with the Home Depot early lease terminations. Revenues generated by these two restaurants were $973,000 during the thirty-nine weeks ended December 29, 2002 as compared to $1,136,000 during the thirty-nine weeks ended December 23, 2001. Losses from these restaurants were $160,000 during the thirty-nine weeks ended December 29, 2002 as compared to $146,000 during the thirty-nine weeks ended December 23, 2001.

Cumulative effect of change in accounting principle

In the first quarter fiscal 2003, Nathan's adopted SFAS No. 142, "Goodwill and Other Intangibles." In connection with the implementation of this new standard, Goodwill, Trademarks, Trade Names and Recipes were deemed to be impaired and their carrying value was written down by $13,192,000, or $12,338,000, net of tax (See Note H).

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 29, 2002 aggregated $1,117,000, decreasing by $717,000 during the fiscal 2003 period. At December 29, 2002, marketable securities and investment in limited partnership decreased by $3,660,000 from March 31, 2002 to $5,159,000 and net working capital decreased to $6,387,000 from $9,565,000 at March 31, 2002. On October 3, 2002, Nathan's substantially liquidated its investment in limited partnership and invested the proceeds with its other marketable securities.

Cash provided by operations of $1,537,000 in the fiscal 2003 period is primarily attributable to net loss of $11,988,000, non-cash charges of $15,283,000, including the cumulative effect of accounting change of $12,338,000, depreciation and amortization of $1,569,000, impairment charges on long-lived assets and notes receivable of $1,013,000, amortization of intangible assets of $208,000, provision for doubtful accounts of $88,000 and amortization of bond premium of $67,000. Changes in the other assets and liabilities consisted of decreases in marketable securities and investment in limited partnership of $968,000 and prepaid expenses and other current assets of $831,000, accounts payable and accrued expenses of $2,729,000, other liabilities of $570,000 and an increase in notes and accounts receivable of $227,000.

Cash provided by investing activities of $2,969,000 in the fiscal 2003 period is comprised primarily of proceeds from the sale of securities of $5,079,000, the sale of a restaurant and other fixed assets of $511,000 and repayments on notes receivable of $215,000 which were partly offset by the purchases of available for sale securities of $2,384,000 and expenditures relating to capital improvements of selected company-owned restaurants and other fixed asset additions of $452,000.

Cash used in financing activities of $5,223,000 in the fiscal 2003 period represents repurchases of 1,388,047 shares of common stock at a total cost of $5,086,000 and repayments of notes payable and obligations under capital leases in the amount of $137,000. On December 31, 2002, Nathan's paid off a mortgage in the amount of $373,000.

On September 14, 2001, Nathan's was authorized to purchase up to 1 million shares of its common stock. Pursuant to our stock repurchase program, we repurchased 1 million shares of common stock in open market transactions and a private transaction at a total cost of $3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to 1 million additional shares of its common stock. Through December 29, 2002, Nathan's purchased 429,738 shares of common stock at a cost of approximately $1,551,000. Subsequent to December 29, 2002, Nathan's purchased an additional 45,900 shares of common stock at a cost of approximately $168,000. To date, Nathan's has purchased a total of 1,475,638 shares of common stock at a cost of approximately $5,389,000. We expect to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

We expect that we will make additional investments in certain existing restaurants in the future and that we expect to fund those investments from our operating cash flow. We do not expect to incur significant capital expenditures to develop new company-owned restaurants through March 29, 2004.

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. To date, we have terminated leases on 16 of those properties, sold one of the remaining properties to a non-franchisee and are continuing to market the remaining property for sale. The sale of the restaurant was consummated on October 4, 2002. Since acquiring Miami Subs, we have accrued approximately $1,461,000 and made payments of approximately $1,273,000 for lease obligations and termination costs, as part of the acquisition, for units having total future minimum lease obligations of $7,680,000 with remaining lease terms of one year up to approximately 17 years. We may incur future cash payments, consisting primarily of future lease payments, including costs and expenses associated with terminating additional leases, that were not part of our divestiture plan.

There are currently 31 properties that we either own or lease from third parties which we lease or sublease to franchisees and non-franchisees. We remain contingently liable for all costs associated with these properties. Additionally, we guaranteed financing on behalf of certain franchisees with two third-party lenders. Our maximum obligation for loans funded by the lenders as of December 29, 2002 was approximately $957,000.

The following schedules represent Nathan's cash contractual obligations and the expiration of other contractual commitments by maturity (In thousands):

Cash Contractual Obligations	Total	Less than 1 Year	Payments Due by Period 1-3 Years	4-5 Years	After 5 Years
Long-Term Debt	$ 1,581	$ 539	$ 333	$ 333	$ 376
Capital Lease Obligations	61	6	13	16	26
Employment Agreements	1,055	805	250	-	-
Operating Leases	26,110	4,174	7,835	7,051	7,050
Gross Cash Contractual Obligations	28,807	5,524	8,431	7,400	7,452
Sublease Income	13,520	2,028	3,704	3,189	4,599
Net Cash Contractual Obligations	$ 15,287	$ 3,496	$ 4,727	$ 4,211	$ 2,853

Other Contractual Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Loan Guarantees	$ 957	$ 330	$ 385	$ 242	-
Total Commercial Commitments	$ 957	$ 330	$ 385	$ 242	-

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital to finance our operations for at least the next twelve months. We maintain a $7,500,000 uncommitted bank line of credit and have never borrowed any funds under this line of credit.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

CASH AND CASH EQUIVALENTS

We have historically invested our cash and cash equivalents in short term, fixed rate, highly rated and highly liquid instruments which are reinvested when they mature throughout the year. Although our existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of December 29, 2002, Nathans' cash and cash equivalents aggregated $1,117,000. Earnings on these cash and cash equivalents would increase or decrease by approximately $2,800 per annum for each .25% change in interest rates.

MARKETABLE INVESTMENT SECURITIES

We have invested our marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments. These investments are subject to fluctuations in interest rates. As of December 29, 2002, the value of Nathans' marketable investment securities aggregated $5,144,000. Interest income on these marketable investment securities would increase or decrease by approximately $12,900 per annum for each .25% change in interest rates. The following chart presents the hypothetical changes in the fair value of the marketable investments securities held at December 29, 2002 that are sensitive to interest rate fluctuations (in thousands):

	Valuation of securities Given an interest rate Decrease of X Basis points			Fair	Valuation of securities Given an interest rate Increase of X Basis points		
	(150BPS)	(100BPS)	(50BPS)	Value	+50BPS	+100BPS	+150BPS
Municipal notes and bonds	$ 5,348	$ 5,278	$ 5,210	$ 5,144	$ 5,080	$ 5,018	$ 4,957

INVESTMENT IN LIMITED PARTNERSHIP

We had invested in a highly liquid investment limited partnership that invested principally in equity securities. These investments were subject to the performance of the equity markets. On October 3, 2002, Nathan's substantially liquidated its investment in limited partnership. As of December 29, 2002, Nathans' investment in limited partnership aggregated approximately $15,000. Accordingly, fluctuations in the value of this investment would be immaterial to our financial results.

BORROWINGS

The interest rate on our borrowings are generally determined based upon prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. We do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings. At December 29, 2002, total outstanding debt, including capital leases, aggregated $1,642,000 of which $1,208,000 is at risk due to changes in interest rates. The current interest rate is 8.75% per annum and will adjust in January 2003, 2006 and 2009 to prime plus .25%, or 4.50% based upon current market conditions. At 4.50%, Nathan's annualized interest expense would be approximately $51,000 less than at the current rate. Nathan's also maintains a $7,500,000 credit line which bears interest at the prime rate (4.25% at December 29, 2002). The Company has never borrowed any funds under this line. Accordingly, the Company does not believe that fluctuations in interest rates would have a material impact on its financial results.

COMMODITY COSTS

The cost of commodities are subject to market fluctuation. We have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, our future commodities purchases are subject to changes in the prices of such commodities. Generally, we attempt to pass through permanent increases in our commodity prices to our customers, thereby reducing the impact of long term increases on our financial results. A short term increase or decrease of 10% in the cost of our food and paper products for the entire thirty-nine weeks ended December 29, 2002 would have increased or decreased cost of sales by approximately $883,000.

FOREIGN CURRENCIES

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

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our Chairman of the Board and our President, who are our principal executive officers, and our Vice President - Finance, who is our principal financial officer, there were various in person and telephonic meetings as of a date within 90 days of the date of this report during which there were evaluations of our disclosure controls and procedures. Based on such evaluations, these officers have advised us they believe such controls and procedures are effective.

Our principal executive officers and principal financial officer have advised us that there have been no significant changes in our internal controls or in other factors that would significantly affect our internal controls since the date of their evaluation.

FORWARD LOOKING STATEMENT

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our current judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: the ongoing effects of the events of September 11, 2001; economic, weather, legislative and business conditions; the collectibility of receivables; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; the ability to continue to attract franchisees; the ability to purchase our primary food and paper products at reasonable prices; no material increases in the minimum wage; and our ability to attract competent restaurant and managerial personnel. We generally identify forward-looking statements with the words "believe", "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

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

Nathan's Famous, Inc. and Nathan's Famous Operating Corp. were named as two of three defendants in an action commenced in July 2001, in the Supreme Court of New York, Westchester County. According to the amended complaint, the plaintiffs, a minor and her mother, sought damages in the amount of $17 million against Nathan's Famous and Nathan's Famous Operating Corp. and one of Nathan's Famous' former employees claiming that the Nathan's entities failed to properly supervise minor employees, failed to monitor its supervisory personnel, and were negligent in hiring, retaining and promoting the individual defendant, who allegedly molested, harassed and raped the minor plaintiff, who was also an employee. On May 29, 2002, as a result of a mediation, this action was settled, subject to court approval. The court approved the original settlement and on September 9, 2002, the plaintiffs were paid $659,000 of which $650,000 had been accrued as of March 31, 2002.

Nathan's Famous was served on January 10, 2003 with a summons in connection with an action commenced by Mitchell Putterman and Michael Pellegrino in the Supreme Court of New York, Suffolk County seeking damages of $1,000,000 for claims of breach of contract and fraud in connection with a letter of intent with the Company's subsidiary, NF Roasters of Commack, Inc. Although the letter of intent contains specific disclaimer language stating that it did not convey any rights or obligations and contemplated the execution of a management agreement, which was never executed, plaintiffs purport nonetheless to have certain claims in connection therewith. The Company has served a notice of appearance and demand for a complaint.

ITEM 4: SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

None

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

99.1 Certification by Howard M. Lorber, 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.

99.2 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.

(b) Reports on Form 8-K filed during the quarter ended December 29, 2002.

On October 7, 2002 - Item 5 - the Company announced a stock repurchase program which authorized the purchase of up to 1 million shares of its common stock.

SIGNATURES

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

NATHAN'S FAMOUS, INC.

Date: February 11, 2003	By: /s/ Wayne Norbitz Wayne Norbitz President and Chief Operating Officer (Principal Executive Officer)
Date: February 11, 2003	By: /s/ Ronald G. DeVos Ronald G. DeVos Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

CERTIFICATION

I, Howard M. Lorber, Chief Executive Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nathan's Famous, Inc;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2003

/s/ Howard M. Lorber

Howard M. Lorber
Chief Executive Officer

CERTIFICATION

I, Wayne Norbitz, President and Chief Operating Officer, of Nathan's Famous, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nathan's Famous, Inc;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2003

/s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Nathan's Famous, Inc;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2003

/s/ Ronald G. DeVos

Ronald G. DeVos
Chief Financial Officer

Exhibit 99.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard M. Lorber, Chief Executive Officer of Nathan's Famous, Inc., certify that:

The Form 10-Q of Nathan's Famous, Inc. for the period ended December 29, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Nathan's Famous, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Howard M. Lorber

Name: Howard M. Lorber

Date: February 11, 2003

Exhibit 99.2

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 Form 10-Q of Nathan's Famous, Inc. for the period ended December 29, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Nathan's Famous, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Ronald G. DeVos

Name: Ronald G. DeVos

Date: February 11, 2003