SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 30, 2003
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_______ to_______

Commission File No. 0-3189

NATHAN'S FAMOUS, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-3166443
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1400 Old Country Road, Westbury, New York	11590
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

(Title of Class)

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 6, 2003 was approximately $19,479,901.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of June 6, 2003, there were 5,366,364 shares of Common Stock, par value $.01 per share outstanding.

Documents incorporated by reference: Part III (Items 10, 11, 12 and 13) - Registrant's definitive proxy statement to be filed pursuant to Regulation 14-A of the Securities Exchange Act of 1934.

PART I

ITEM 1. BUSINESS

AS USED HEREIN, UNLESS WE OTHERWISE SPECIFY, THE TERMS "WE," "US," "OUR" AND "NATHAN'S" MEAN NATHAN'S FAMOUS, INC. AND ITS SUBSIDIARIES, INCLUDING MIAMI SUBS CORPORATION, OWNER OF THE MIAMI SUBS BRAND, AND NF ROASTERS CORP., OWNER OF THE KENNY ROGERS BRAND.

We have historically operated and franchised fast food units featuring Nathan's famous brand all beef frankfurters, crinkle-cut french fried potatoes, and a variety of other menu offerings. Our Nathan's brand company-owned and franchised units operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Since fiscal 1998, we supplemented our Nathan's franchise program with our Branded Product Program which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, we acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. and also completed a merger with Miami Subs Corporation whereby we acquired the remaining 70% of Miami Subs common stock we did not already own.

Over the past five years, we have focused on developing our restaurant franchise system by continuing to open new restaurants, expanding our Nathan's Branded Product Program and our Nathan's branded retail licensing programs, operating our existing company-owned restaurants and developing an international master franchising program. In an effort to expand our restaurant system and expand our brand portfolio, during fiscal 2000 we completed our merger with Miami Subs Corp. and our acquisition of the intellectual property of the Kenny Rogers Roasters franchise system. In addition, through our acquisition of Miami Subs, we also secured certain co-branding rights to use the Arthur Treachers' brand within the United States. During fiscal 2002 we offered the Nathan's, Kenny Rogers Roasters and Arthur Treachers' signature products to the Miami Subs franchise community. Since then, we have continued to capitalize on the co-branding opportunities within our existing restaurant system, as well as seek to develop new multi-brand marketing and development plans.

At March 30, 2003, our system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 343 franchised units, including six units operating pursuant to management agreements, 12 company-owned units concentrated in the New York metropolitan area and Florida and approximately 2,200 branded product points of sale under our Branded Product Program, located in 41 states, the District of Columbia and 12 foreign countries.

We plan to seek to expand the scope and market penetration of our Branded Product Program, further develop the restaurant operations of existing franchised and company-owned outlets , open new franchised outlets in traditional or captive market environments, expand the Nathan's retail licensing programs and continue to introduce co-branding opportunities within the existing restaurant system. We may selectively consider opening new company-owned restaurants. We also plan to further develop an international presence through the use of master franchising agreements based upon individual or combined use of all three restaurant concepts.

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

ACQUISITIONS

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

On November 25, 1998, we purchased 2,030,250 shares of Miami Subs Corporation (after giving effect to a 4 for 1 reverse stock split), or approximately 30% of its then outstanding common stock for $4,200,000. On September 30, 1999, we completed our merger with Miami Subs and acquired the remaining outstanding shares of Miami Subs in exchange for 2,317,980 shares of our common stock and warrants to acquire 579,040 additional shares of our common stock at a price of $6.00 per share.

RESTAURANT OPERATIONS

Nathan's Concept and Menus

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

Nathans' hot dogs are all-beef and are free from all fillers and starches. Hot dogs are flavored with the original secret blend of spices created by Ida Handwerker in 1916, which historically have distinguished Nathans' hot dogs. Hot dogs are prepared and served in accordance with procedures which have not varied significantly in more than 87 years. Our signature crinkle-cut french fried potatoes are featured at each Nathan's restaurant. Nathans' french fried potatoes are cooked to order in 100% cholesterol-free corn oil. We believe that the majority of sales in our company-owned units consist of Nathan's famous hot dogs, crinkle-cut french fried potatoes and beverages.

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

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

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

Miami Subs Concept and Menu

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

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

Miami Subs restaurants feature a distinctive decor unique to the Miami Subs concept. The exterior of free-standing restaurants feature an unusual roof design and neon pastel highlights for easy recognition. Interiors have a tropical motif in a neon pink and blue color scheme with murals of fish, mermaids, flamingos and tropical foliage. Exteriors and interiors are brightly lit to create an inviting, attractive ambience to distinguish our restaurants from those of our competitors. At March 30, 2003, 89 of the Miami Subs restaurants were located in freestanding buildings, ranging between 2,000 and 5,000 square feet. Certain other Miami Subs restaurants are scaled down to accommodate non-traditional captive market environments.

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

Currently, 87 Miami Subs restaurants have introduced our co-branded menu consisting of Nathan's, Kenny Rogers Roasters or Arthur Treachers' signature products. We have created a new image for Miami Subs based upon this co-branding strategy called "Miami Subs Plus" which has been heavily marketed in Southern Florida beginning in July 2001.

Kenny Rogers Roasters Concept and Menu

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

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

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

Franchise Operations

At March 30, 2003, our franchise system, including our Nathan's, Miami Subs and Kenny Rogers restaurant concepts, consisted of 343 units operating in 22 states and 12 foreign countries.

Today, our franchise system counts among its 149 franchisees and licensees such well known companies as Host Marriott Services USA, Inc., ARAMARK Leisure Services, Inc., CA1 Services, Inc., Centerplate (formerly known as Service America Corp.), Culinart and Sodexho USA. We continue to seek to market our franchising program to larger, experienced and successful operators with the financial and business capability to develop multiple franchise units.

As of March 30, 2003, Host Marriott operated 34 franchised outlets, including 15 units at airports, 15 units within highway travel plazas and 4 units within malls. Additionally, Host Marriott operates 17 locations featuring Nathan's products pursuant to our Branded Product Program.

Nathan's Franchise Program

Franchisees are required to execute a standard franchise agreement prior to opening each Nathan's Famous unit. Our current standard Nathan's franchise agreement provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 5.0% of restaurant sales and the expenditure of 2.0% of restaurant sales on advertising. We also offer a modified franchise agreement tailored to meet the needs of franchisees who desire to operate a Nathan's of a smaller size offering a reduced menu. The modified franchise agreement provides for the initial franchise fee of $15,000 which is payable upon execution of the agreement, monthly royalties of 5.0% and the expenditure of 2.0% of restaurant sales on advertising. We may offer alternatives to the standard franchise agreement, having to do franchise fees or advertising requirements. The initial term of the typical franchise agreement is 20 years, with a 15-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Franchisees are approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement.

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

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

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. All standards and specifications are developed by us and applied on a system-wide basis. We continuously monitor franchisee operations and inspect restaurants. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise or license agreement. We make both announced and unannounced inspections of restaurants to ensure that our practices and procedures are being followed. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise or license agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 30, 2003, ("fiscal 2003") franchisees have opened 13 new Nathan's franchised units and have terminated three Nathan's franchise agreements for non-compliance.

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

Miami Subs Franchise Program

Franchisees are required to execute a standard franchise agreement relating to the operation of each Miami Subs restaurant. Currently, the term of the franchise agreement is between ten and 20 years, and the initial franchise fee is $30,000 for traditional restaurants and $15,000 for certain non-traditional restaurants. The standard franchise agreement provides for the payment of a monthly royalty fee of 4.5% of gross sales in traditional restaurants or 5.0% of gross sales in non-traditional restaurants for the term of the franchise agreement. Additional charges, based on a percentage of restaurant sales are contributed by operators of traditional restaurants, typically totaling 2.25%, to support various system-wide and local advertising funds.

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

Operations personnel train and assist Miami Subs franchisees in opening new restaurants and monitor the operations of existing restaurants as part of the support provided under the franchise program. New franchisees are required to complete a six-week training program. Upon the opening of a new franchised restaurant, we typically send representatives to the restaurant to assist the franchisee during the opening period. These company representatives work in the restaurant to monitor compliance with Miami Subs' standards and provide additional on-site training of the franchisee's restaurant personnel.

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

The six-week training program consists of formal classroom training and in-restaurant training featuring various aspects of day-to-day operations leading to certification in all functioning positions. Topics covered include human resources, accounting, purchasing in addition to labor and food handling laws. Standard operating manuals are provided to each franchisee.

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

Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 30, 2003, franchisees have opened two new Miami Subs franchised units and we terminated two Miami Subs franchise agreements for non-compliance.

Kenny Rogers Roasters Franchise Program

Kenny Rogers Roasters franchisees from the previous franchise system were required to execute amended and restated franchise agreements in order to preserve their franchised units. The amended and restated franchise agreement affirmed the franchisees responsibilities and offered reduced royalties to 3% of sales and waived advertising fund payments through March 31, 2001. These reduced rates have been extended until March 31, 2004. Future Kenny Rogers Roasters franchisees will have to execute our current standard franchise agreement which provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 4.5% of restaurant sales and the expenditure of 2.5% of restaurant sales on advertising. In some specific situations, we may offer alternatives to the standard franchise agreement. The initial term of the typical franchise agreement is 20 years, with up to a 20-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

Franchisees will be approved on the basis of their business background, evidence of restaurant management experience, net worth and capital available for investment in relation to the proposed scope of the development agreement.

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

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

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. We develop all standards and specifications, which are applied on a system-wide basis. We continuously monitor franchisee operations. Franchisees are required to furnish us with detailed monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise or license agreement. We also have the right to terminate a franchise for non-compliance with certain other terms and conditions of the franchise agreement such as non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal year ended March 30, 2003, two Kenny Rogers Roasters franchise agreements were terminated for non-compliance.

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

Company-owned Nathan's Restaurant Operations

As of March 30, 2003, we operated 8 company-owned Nathan's units, including one seasonal location, in New York. Three of these restaurants are older and significantly larger units which do not conform to contemporary designs. These units carry a broader selection of menu items than current designs. The items offered at our restaurants, other than the core menu, tend to have lower margins than the core menu. The older units require significantly higher levels of initial investment than current franchise designs and tend to operate at a lower sales/investment ratio. Consequently, we do not intend to replicate these older units in future company-owned units.

We entered into a food service lease agreement with Home Depot U.S.A., Inc. under which we leased space in certain Home Depot Improvement Centers to operate Nathan's restaurants. The term of each Home Depot agreement was five years from the date on which the restaurant opens, with one five year renewal option. 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 pursant to which the company operated Nathan's Resturants in certain Home Depot improvement centers. In accordance with the termination notices, Nathan's ceased its operations in those locations before Feburary 20, 2003.

Company-owned units currently range in size from approximately 440 square feet to 10,000 square feet and are principally free-standing buildings. All restaurants, except our seasonal boardwalk location, have seating to accommodate between 60 and 350 customers. The restaurants are designed to appeal to all ages and generally are open seven days a week. We have established high standards for food quality, cleanliness and service at our restaurants and regularly monitor the operations of our restaurants to ensure adherence to these standards. Restaurant service areas, seating, signage and general decor are contemporary.

Company-owned Miami Subs Restaurant Operations

As of March 30, 2003, we operated four Miami Subs restaurants located in Southern Florida. All of our company-owned Miami Subs restaurants are free-standing restaurants offering drive-thru operations as well as dine-in seating. The restaurants currently range in size from approximately 2,500 square feet to 4,000 square feet with seating capacity for approximately 90 guests. On March 31, 2003, one company-operated restaurant was sold to a franchisee and we are presently seeking to franchise the remaining restaurants. On June 13, 2003, we entered into an agreement whereby we expect to sell one company-owned restaurant and enter into to management agreement for another company-owned restaurant with a franchisee.

Commencing January 2000, we introduced a re-engineered Miami Subs menu within our company-owned restaurants. Throughout fiscal years 2001 and 2002, our menu development activities emphasized our co-branding strategy of including certain Nathan's, Kenny Rogers Roasters and Arthur Treachers' signature products within the Miami Subs restaurant system.

Company-owned Kenny Rogers Roasters Restaurant Operations

At March 30, 2003, we ceased operating the Kenny Rogers Roasters restaurants in Rockville Centre and Commack, New York. These units were traditional free-standing buildings, each with a drive thru.

In April 2002, we opened a new limited-menu Kenny Rogers food court outlet, as part of a major remodeling of a large company-owned Nathan's facility in Oceanside, New York.

International Development

As of March 30, 2003, our franchisees operated 91 units in 12 foreign countries having significant representations within Malaysia and the Philippines. The vast majority of foreign operations consist of Kenny Rogers Roasters units, although our Nathan's restaurant concept also has foreign franchise operations. During the current fiscal year, our international franchising program opened one Nathan's restaurant in China and nine Kenny Rogers Roasters restaurants as follows: five in Malaysia, three in China and one in Hong Kong.

During fiscal 2003, we executed a Master Franchise Agreement and a Distribution and Manufacturing Agreement for the Nathan's and Miami Subs rights to Japan and are currently in various stages of negotiations for development in other foreign countries. We may continue to grant exclusive territorial rights for franchising and for the manufacturing and distribution rights in foreign countries, which would require that an exclusivity fee be conveyed for these rights. We plan to develop the restaurant franchising system internationally through the use of master franchising agreements based upon individual or combined use of all three restaurant concepts and for the distribution of Nathan's products.

Location Summary

The following table shows the number of our company-owned and franchised or licensed units in operation at March 30, 2003 and their geographical distribution:

Location	Company	Franchise or License(1)	Total
Alabama	-	4	4
Arizona	-	2	2
California	-	4	4
Connecticut	-	6	6
Delaware	-	1	1
Florida	4	99	103
Georgia	-	3	3
Idaho	-	1	1
Indiana	-	1	1
Maryland	-	1	1
Michigan	-	1	1
Minnesota	-	2	2
Missouri	-	4	4
Nevada	-	4	4
New Jersey	-	42	42
New York	8	57	65
North Carolina	-	11	11
Pennsylvania	-	3	3
South Carolina	-	2	2

Tennessee	-	1	1
Texas	-	2	2
Virginia	-	1	1
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Domestic Subtotal	12	252	264
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International Locations			
Brunei	-	1	1
Canada	-	2	2
China	-	4	4
Cypress	-	1	1
Egypt	-	4	4
Indonesia	-	1	1
Israel	-	1	1
Hong Kong	-	1	1
Malaysia	-	35	35
Philippines	-	35	35
Singapore	-	4	4
United Arab Emirates	-	2	2
	--	---	---
International Subtotal	-	91	91
	--	---	---
Grand Total	12	343	355
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(1) Includes six units operated by third parties pursuant to management agreements and does not include our Branded Product Program.

Branded Product Program

The "Branded Product Program" was launched during fiscal 1998. The program was expressly created to provide a new vehicle for the sale of Nathan's hot dogs and other proprietary items. Through the program, Nathan's provides qualified foodservice operators in a variety of venues the opportunity to capitalize on Nathan's superior signature products and valued brand equity. In conjunction with the program, the operators are granted a limited use of the Nathan's trademark, as well as Nathan's point of purchase materials. We sell products either directly to the end users, or to various foodservice distributors who provide the product to retailers.

As of March 2003, the Branded Product Program was comprised of approximately 2,200 points of sale. The program is unique in its flexibility and broad appeal. Hot dogs are offered in a variety of sizes and even come packaged with buns for vending machine use. The Canteen Corporation, America's largest vending company, uses Nathan's packaged hot dogs as part of its system.

During the past two years the locations offering the branded product have been significantly expanded. Today, Nathan's hot dogs are being offered by major hotel and casino operations such as Park Place Entertainment (Caesar's, Paris, Bally's, Flamingo, etc.), as well as by all of the Trump Casino operations in Atlantic City, New Jersey. National movie theaters, such as National Amusement and Muvico, now offer Nathan's at their concession stands. A wide variety of colleges and universities serve Nathan's hot dogs. Our products are also offered in the cafeteria at the House of Representatives and the Kennedy Space Center. Nathan's hot dog was named an official hot dog of the New York Yankees for the 2001-2003 baseball seasons. We have recently executed a new agreement naming Nathan's as the official non-kosher hot dog of the New York Yankees for the 2004-2006 baseball seasons.

Of particular significance is our recent expansion into the convenience store arena, where Nathan's hot dogs are currently being offered at a variety of restaurant chains such as Johnny Rockets, Flamers, and A&W Hot Dogs & More. As we expand the program, we continue to encounter new business opportunities. In addition to over 1,100 convenience stores (including gas stations), Nathan's is offered in retail environments, universities, entertainment centers, airport and travel plazas and on Amtrak Trains throughout the nation.

Expansion Program

We expect to continue opening new franchised units individually and on a co-branded basis, expanding product distribution through various means such as branded products and retail licensing arrangements, developing master franchising programs in foreign countries and continuing to introduce each restaurant concepts' signature products through co-branding efforts within our existing restaurant system.

We anticipate that we will open franchised units individually and develop new co-branded outlets. We may selectively consider opening new company-owned units on an opportunistic basis within the New York metropolitan area or in Southern Florida. Existing company-owned units are located in the New York metropolitan area and Southern Florida market where we have extensive experience in operating restaurants. We may consider new opportunities in both traditional and captive market settings.

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

We will also seek to continue the growth of our Branded Product Program through the addition of new points of sale primarily for Nathan's hot dogs. We believe that as consumers look to assure confidence in the quality of the food that they purchase, there is great potential to increase our sales by converting existing sales of non-branded products into branded products throughout the foodservice industry. In addition, certain Miami Subs, Kenny Rogers Roasters and additional Nathan's products may be included as part of our Branded Product Program.

Co-branding

We believe that there is a an opportunity for co-branding among restaurant concepts. In addition to the three restaurant concepts that we own, we also maintain certain co-branding rights for the use of the brand "Arthur Treacher's Fish & Chips" within the United States. Franchisees wishing to co-brand with our other brands receive a current UFOC and execute a participation agreement as a rider to their franchise agreement.

During the fiscal year ended March 31, 2002, we began to implement our co-branding strategy within our existing restaurant system. "Host Restaurants" operate pursuant to their original franchise agreements. Existing franchisees executed an addendum to their agreement which defined the terms of our co-branding relationship. As part of our co-branding strategy for the Miami Subs franchise system, an entirely new marketing approach was developed to include the name "Miami Subs Plus". In January 2001, we began to implement our co-branding strategy by offering to the Miami Subs franchise community the ability to add Nathan's, Kenny Rogers Roasters and Arthur Treachers' signature products to their menus. During fiscal 2002 and fiscal 2003, we continued to co-brand within our system by adding the Kenny Rogers and Arthur Treacher's brands into Nathan's restaurants. During fiscal 2004, we intend to continue these co-branding efforts.

Currently, the Arthur Treacher's brand is being sold within 125 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 81 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 69 Miami Subs and Nathan's restaurants.

We believe that our diverse brand offerings compliment each other, which has enabled us to market franchises of co-branded units and continue co-branding within existing franchised units. The Nathan's and Miami Subs products are typically stronger during lunch while the Kenny Rogers Roasters and Arthur Treachers' products are generally stronger during dinner.

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

Licensing Program

We license SFG, Inc.(successor to SMG, Inc.) to produce packaged hot dogs and other meat products according to Nathans' proprietary recipes and spice formulations, and to use "Nathan's Famous" and related trademarks to sell these products on an exclusive basis in the United States to supermarkets, club stores and groceries, thereby providing foods for off-premises consumption. The SFG agreement expires in 2014 and provides for royalties ranging between 3% to 5% of sales. The percentage varies based on sales volume, with escalating minimum royalties. Earned royalties of approximately $2,091,000 in fiscal 2003 exceeded the contractual minimum established under the agreement. We believe that the overall exposure of the brand and opportunity for consumers to enjoy the "Nathan's Famous" hot dog in their homes helps promote "Nathan's Famous" restaurant patronage. Supermarket sales of our hot dogs are concentrated in the New York metropolitan area, New England, Florida, California, the Mid-Atlantic states and certain other select markets. Royalties from SFG provided the majority of our fiscal 2003 retail license revenues.

In November 1997, we executed a license agreement with J.J. Mathews & Co, Inc. to market a variety of Nathan's packaged menu items for sale within supermarkets and groceries. The agreement called for us to receive royalties based upon sales, subject to minimum annual royalties, as specified in the agreement. During fiscal 2001 the license agreement was terminated.

During fiscal 2003, certain products were also distributed under licensing agreements with Gold Pure Food Product's Co., Inc. and Herman Pickle Packers, Inc. Both companies licensed the "Nathan's Famous" name for the manufacture and sale of various condiments including mustard, salsa, sauerkraut and pickles. These products have been distributed on a limited basis. Fees and royalties earned during fiscal 2003 have not been significant.

We concluded an agreement for the sale of Nathan's in-home grills to be marketed via televised infomercials in late fiscal 2003. Revenues derived under this agreement were insignificant during the fiscal year. We believe that this agreement will provide Nathan's additional revenues in fiscal 2004. Also, we may market selected Nathan's products on QVC and over the Internet.

Additionally, we have reached an agreement with ConAgra to test the production and retail distribution of Nathan's frozen french fries. We expect that the product will be first available at Shop Rite supermarkets in the New York area during the summer of 2003. Future availability shall be determined based upon the outcome of this test.

We also license the manufacture of the proprietary spices and marinade which are used to produce Nathans' hot dogs and Kenny Rogers chicken. During fiscal 2003 and 2002, we earned $274,000 and $249,000, respectively, under these agreements.

PROVISIONS AND SUPPLIES

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

We utilize a unified source for the distribution needs of all of our restaurant concepts pursuant to a national food distribution contract with US Foodservice, Inc. This agreement enables our restaurant operators to order and receive deliveries for the majority of their food and paper products directly through this distributor. We believe that this arrangement is more efficient and cost effective than having multiple distributors.

MARKETING, PROMOTION AND ADVERTISING

We maintain advertising funds for local, regional and national advertising under the Nathan's Famous Systems, Inc. Franchise Agreement. Nathans' franchisees are generally required to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion. Franchisee contributions to the advertising fund for national marketing support are generally based upon the type of restaurant and its location. The difference, if any, between 2.5% and the contribution to the advertising fund must be expended on local programs approved by us as to form, content and method of dissemination.

Throughout fiscal 2003, Nathans' primary marketing emphasis continued to be focused on local store marketing campaigns featuring a value oriented strategy supplemented with promotional "Limited Time Offers." We anticipate that near-term marketing efforts for Nathan's will continue to emphasize local store marketing activities.

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

We maintain a separate Production Advertising Fund for the creation and development of advertising, marketing, public relations, research and related programs for the Miami Subs system, as well as for other activities that are deemed appropriate. Franchisee and company-operated restaurants contribute .5% of each restaurants' gross sales to this fund. In addition, we maintain certain Regional Advertising Funds in which franchised and company-operated restaurants in the region contribute 1.75% of each restaurants' gross sales. If a restaurant is not located in an area where a regional advertising fund has been established, the franchisee or company-operated restaurant is required to spend at least 1.75% of the restaurants' gross sales for local advertising.

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

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

We maintain separate advertising funds on behalf of the Kenny Rogers Roasters franchise system for regional and national advertising under the NF Roasters Corp. Franchise Agreement. Franchisees who signed up to participate in the new system are required to contribute to the advertising funds .50% of restaurant sales for advertising and promotion for the year April 1, 1999 through March 31, 2000 and .75% of restaurant sales for advertising and promotion thereafter. However, contributions to the marketing fund for the years April 1, 2000 through March 31, 2004 have been waived.

New franchisees will be expected to spend on local marketing activities or contribute to the advertising funds up to 2.5% of restaurant sales for advertising and promotion.

During the year, the Kenny Rogers Roasters' primary marketing focus has been toward utilizing promotional "Limited Time Offers". We anticipate that near-term marketing efforts for Kenny Rogers Roasters will continue to emphasize local store marketing activities.

GOVERNMENT REGULATION

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

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

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

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

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

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

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

Alcoholic beverage control regulations require each restaurant that sells such products to apply to a state authority and, in certain locations, county and municipal authorities, for a license or permit to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of customers and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. At March 30, 2003, we offered for sale beer or wine in six of our existing company-operated restaurants. Each of these restaurants have current alcoholic beverage licenses permitting the sale of these beverages. We have never had an alcoholic beverage license revoked.

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

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

EMPLOYEES

At March 30, 2003, we had 484 employees, of whom 56 were corporate management and administrative employees, 54 were restaurant managers and 374 were hourly full-time and part-time food-service employees. Food-service employees at four locations are currently represented by Local 1199 SEIU, New York's Health & Human Service Union, an affiliate of the AFL - CIO, under various agreements which expired in April 2003.The terms of the expired contracts remain in force while we are currently negotiating new contracts with the union. We consider our employee relations to be good and have not suffered any strike or work stoppage for more than 31 years.

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

TRADEMARKS

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

We have registered the marks "MIAMI SUBS AND DESIGN" and "MIAMI SUBS GRILL AND DESIGN" with the United States Patent and Trademark Office. In addition, the marks have been registered in 53 foreign countries.

We have also filed the MIAMI SUBS PLUS trademark on February 15, 2001 and an Amendment to Alleged Use on May 21, 2001. The MIAMI SUBS PLUS application with the U.S. Patent and Trademark Office became effective on September 10, 2002.

We hold trademark and service mark registrations for "KENNY ROGERS ROASTERS", "KENNY ROGERS ROASTERS WOOD FIRE ROASTED CHICKEN & DESIGN", " DOWN RIGHT KICKIN BBQ CHICKEN", "EVERYONE ELSE IS JUST PLAIN CHICKEN", "THERE'S GOODNESS HERE", "YOU'RE GONNA LOVE THIS FOOD", "YOUR HEART IS IN THE RIGHT PLACE", "KENNY ROGERS TAKE IT HOME & DESIGN" and "KENNY ROGERS ROASTERS EXPRESS & DESIGN" within the United States. Some of these marks are covered by corresponding foreign trademark and service mark registrations in more than 80 jurisdictions. The "Kenny Rogers Roasters" marks are subject to the terms of an April 5, 1993 license from Mr. Kenny Rogers; that license agreement was assigned to us on April 1, 1999, when we purchased certain assets relating to the "Kenny Rogers Roasters" franchise system.

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

COMPETITION

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

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

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

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

AVAILABLE INFORMATION

The public may read and copy any materials filed by us with the SEC at the SEC's public reference room at 450 Fifth Street, NW, Washington D.C., 20549. The public may obtain information about the operation of the SEC's public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information about issuers such as us that file electronically with the SEC.

In addition, we make available free of charge on our website at http://www.nathansfamous.com our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) under the Exchange Act as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

ITEM 2. PROPERTIES

Our principal executive offices consist of approximately 9,700 sq. ft. of leased space in a modern, high-rise office building in Westbury, New York which expires in November 2009. We also own Miami Subs' regional office consisting of approximately 8,500 sq. ft. in Fort Lauderdale, Florida. We currently own two restaurant properties consisting of a

2,650 sq. ft. Nathan's restaurant, at 86th Street in Brooklyn, New York located on a 25,000 sq. ft. lot, and a 2,600 sq. ft. Miami Subs restaurant in Miami, FL located on a 25,000 sq. ft. lot. At March 30, 2003, other company-owned restaurants which were operating or developed were located in leased space with terms expiring as shown in the following table:

	Location	Current Lease Expiration Date	Approximate Square Footage
Nathan's Restaurants			
Coney Island	Brooklyn, NY	December 2007	10,000
Coney Island Boardwalk	Brooklyn, NY	October 2005	440
Kings Plaza Shopping Center (A)	Brooklyn, NY	July 2010	4,200
Long Beach Road	Oceanside, NY	May 2011	7,300
Central Park Avenue	Yonkers, NY	April 2010	10,000
Hempstead Turnpike	Levittown, NY	September 2004	4,100
Broad Hollow Road	Farmingdale, NY	April 2008	2,200
Miami Subs Restaurants			
17th Street (B)	Ft. Lauderdale, FL	August 2003	3,000
Lauderhill	Lauderhill, FL	May 2007	4,000
South Miami	Miami, FL	August 2006	3,500
Lejune and 11(C)	Miami, FL	September 2007	2,500

A - Restaurant was sold to a franchisee on May 1, 2003.

B - Exercised five year option on June 19, 2003.

C - Restaurant was sold to a franchisee on March 31, 2003.

Leases for Nathan's restaurants typically provide for a base rent plus real estate taxes, insurance and other expenses and, in some cases, provide for an additional percentage rent based on the restaurants' revenues. Many of the Nathan's leases also provided for renewal options ranging between five and 25 years upon expiration of the prime lease.

Properties leased by Miami Subs restaurants generally provide for an initial lease term of up to 20 years and renewal terms of five to 20 years. The leases generally provide for fixed rents plus adjustments based on changes in the consumer price index or percentage rentals on gross sales. Restaurants and other facilities are leased or sub-leased to franchisees or others on terms which are generally similar to the terms in our lease with the third-party landlord, except that in certain cases the rent has been increased. We remain liable for all lease costs when properties are sub-leased to franchisees or others. At March 30, 2003, we were the sublessor to 33 properties pursuant to these arrangements, 13 of the restaurants leased/sub-leased to franchisees or others are located outside of Florida.

Aggregate rental expense, net of sublease income, under all current leases amounted to $2,340,000 in fiscal 2003.

ITEM 3. LEGAL PROCEEDINGS

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

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. On March 31, 2003, this action was dismissed without prejudice by stipulation.

Elizabeth B. Jackson and Joseph Jackson commenced an action, in the circut court of the fifteenth Judical Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD corporation, a Miami Subs franchaisee ("the franchaisee") claiming neglegence in connection with a slip and fall which allegdly occured on the premises of the franchise agreement, the franchisee is obligated to indemnify Miami Subs and hold them harmless against claims asserted and procured an insurance policy which named Miami Subs as an additional insured, Miami Subs has denied any liability to plantiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted the insurer has agreed to indemnify and defend Miami subs and has assumed the defense of this action for Miami Subs.

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

None.

PART II

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

COMMON STOCK PRICES

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

	High	Low
Fiscal year ended March 30, 2003		
First quarter	$ 4.31	$ 3.35
Second quarter	4.00	3.07
Third quarter	3.82	3.04
Fourth quarter	3.70	3.50
Fiscal year ended March 31, 2002		
First quarter	$ 3.50	$ 2.87
Second quarter	3.55	3.10
Third quarter	3.60	3.07
Fourth quarter	3.62	3.21

At June 6, 2003 the closing price per share for our common stock, as reported by Nasdaq was $3.63.

DIVIDEND POLICY

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

SHAREHOLDERS

As of June 6, 2003, we had 822 shareholders of record, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers.

EQUITY COMPENSATION PLAN INFORMATION

The following chart summarizes the options and warrants outstanding and available to be issued at March 30, 2003:

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS AND WARRANTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS AND WARRANTS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (c)
EQUITY COMPENSATION PLANS APPROVED BY SECURITY HOLDERS	1,272,999	$4.5711	413,500
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	800,000	$3.5529	-0-
TOTAL	2,072,999	$4.1782	413,500

Warrants

In November 1993, we granted to our Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of our common stock at an exercise price of $9.71 per share, representing 105% of the market price of our common stock on the date of grant, which exercise price was reduced on January 26, 1996 to $4.50 per share. The shares vested at a rate of 25% per annum commencing November 1994 and the warrant expires in November 2003.

On July 17, 1997, we granted to our Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of our common stock at an exercise price of $3.50 per share, representing the market price of our common stock on the date of grant. The shares vested at a rate of 25% per annum commencing July 17, 1998 and the warrant expires in July 2007.

1998 Stock Option Plan

In April 1998, our Board of Directors adopted the Nathan's Famous, Inc. 1998 Stock Option Plan, under which any of our directors, officers, employees or consultants, or those of a subsidiary or an affiliate, may be granted options to purchase an aggregate 500,000 shares of common stock. The 1998 Plan is to be administered by the Board of Directors of Nathan's; provided, however, that the Board may, in the exercise of its discretion, designate from among its members a compensation committee or a stock option committee consisting of no fewer than two "non-employee directors", as defined in the Securities Exchange Act of 1934. The Compensation Committee currently administers the 1998 Plan. Subject to the terms of the 1998 Plan, the Compensation Committee may determine and designate those directors, officers, employees and consultants who are to be granted stock options under the 1998 Plan and the number of shares to be subject to options and the term of the options to be granted, which term may not exceed ten years. The Board of Directors or the committee shall also, subject to the express provisions of the 1998 Plan, have authority to interpret the 1998 Plan and to prescribe, amend and rescind the rules and regulations relating to the 1998 Plan. Only non-qualified stock options may be granted under the terms of the 1998 Plan. The exercise price for the options granted under the 1998 Plan will be not less than the fair market value on the date of grant. The option price, as well as the number of shares subject to the option, shall be appropriately adjusted by the committee in the event of stock splits, stock dividends, recapitalizations, and other specified events involving a change in Nathan's capital.

On June 6, 2003, there were options outstanding to purchase an aggregate 500,000 shares of common stock with a weighted average exercise price of $3.3597, each of which has a term of ten years from its grant date are issued and outstanding. No options have lapsed since the inception of the 1998 Plan.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	FISCAL YEARS ENDED				
	MARCH 30, 2003	MARCH 31, 2002 (1)	MARCH 25, 2001	MARCH 26, 2000 (2)	MARCH 28, 1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Statement of Operations Data:					
Revenues:					
Sales	$ 24,920	$ 27,492	$ 29,852	$ 25,601	$ 19,756
Franchise fees and royalties	5,977	7,944	8,814	5,906	3,230
License royalties, investment and other income	3,033	4,106	3,561	2,343	1,953
Total revenues	33,930	39,542	42,227	33,850	24,939
Costs and Expenses:					
Cost of sales	16,750	18,336	19,217	16,460	12,252
Restaurant operating expenses	5,621	6,559	7,621	7,231	4,862
Depreciation and amortization	1,314	1,395	1,535	1,142	851
Amortization of intangible assets	278	888	839	716	384
General and administrative expenses	8,600	9,292	8,978	8,222	4,722
Interest expense	132	256	310	198	1
Impairment of long-lived assets	1,367	392	127	465	302
Impairment of notes receivable	1,425	185	151	840	--
Other (income) expense	232	(210)	462	427	(349)
Total costs and expenses	35,719	37,093	39,240	35,701	23,025
(Loss) income from continuing operations before income taxes	(1,789)	2,449	2,987	(1,851)	1,914
(Benefit) provision for income taxes	(283)	1,057	1,402	(382)	(576)
(Loss) income from continuing operations	(1,506)	1,392	1,585	(1,469)	2,490

Discontinued operations					
(Loss) income from discontinued operations before income taxes	(206)	(238)	35	331	396
(Benefit) provision for income taxes	(82)	(95)	14	132	158
(Loss) income from discontinued operations	(124)	(143)	21	199	238
(Loss) income before cumulative effect of accounting change	(1,630)	1,249	1,606	(1,270)	2,728
Cumulative effect of change in accounting principle, net of tax benefit of $854	(12,338)	--	--	--	--
Net (loss) income	($ 13,968)	$ 1,249	$ 1,606	($ 1,270)	$ 2,728
Basic (loss) income per share:					
(Loss) income from continuing operations	($ 0.25)	$ 0.20	$ 0.23	($ 0.25)	$ 0.53
(Loss) income from discontinued operations	(0.03)	(0.02)	0.00	0.03	0.05
Cumulative effect of change in accounting principle	(2.06)	--	--	--	--
Net (loss) income	($ 2.34)	$ 0.18	$ 0.23	($ 0.22)	$ 0.58
Diluted (loss) income per share:					
(Loss) income from continuing operations	($ 0.25)	$ 0.20	$ 0.23	($ 0.25)	$ 0.52
(Loss) income from discontinued operations	(0.03)	(0.02)	0.00	0.03	0.05
Cumulative effect of change in accounting principle	(2.06)	--	--	--	--
Net (loss) income	($ 2.34)	$ 0.18	$ 0.23	($ 0.22)	$ 0.57
Dividends	--	--	--	--	--
Weighted average shares used in computing net income (loss) per share					
Basic	5,976	7,048	7,059	5,881	4,722
Diluted (3)	5,976	7,083	7,098	5,881	4,753
Balance Sheet Data at End of Fiscal Year:					
Working capital (deficit)	$ 5,935	$ 9,565	$ 5,210	($ 322)	$ 3,708
Total assets	25,886	48,745	51,826	48,583	31,250
Long term debt, net of current maturities	1,053	1,220	1,789	3,131	0
Stockholders' equity	$ 16,383	$ 36,145	$ 35,031	$ 33,347	$ 26,348
Selected Restaurant Operating Data:					
Systemwide Restaurant Sales:					
Company-owned	$ 21,955	$ 27,484	$ 30,946	$ 27,478	$ 21,981
Franchised (4)	161,740	185,389	208,889	152,627	64,178
Total	$ 183,695	$ 212,873	$ 239,835	$ 180,105	$ 86,159

Number of Units Open at End of Fiscal Year:					
Company-owned	12	22	25	32	25
Franchised	343	364	386	415	163
Total	355	386	411	447	188

Notes to Selected Financial Data

(1) Our fiscal year ends on the last Sunday in March which results in a 52 or 53 week year. Fiscal 2002 was a 53 week year.

(2) On April 1, 1999 Nathan's acquired the intellectual property of Roasters Corp. and Roasters Franchise Corp. On September 30, 1999, Nathan's completed the acquisition of Miami Subs Corp. by acquiring the remaining 70% of the outstanding common stock Nathan's did not already own.

(3) Common stock equivalents have been excluded from the computation for the years ended March 30, 2003 and March 26, 2000 as the impact of their inclusion would have been anti-dilutive.

(4) Company-owned restaurant sales represent sales from restaurants presented as continuing operations and discontinued operations.

ITEM 7. 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 125 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 81 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 69 Miami Subs and Nathan's restaurants.

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 March 30, 2003, our combined system consisted of 343 franchised or licensed units, 12 company-owned units and over 2,200 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 12 foreign countries. At March 30, 2003, our company-owned restaurant system included eight Nathan's units and four Miami Subs units, as compared to 16 Nathan's units, four Miami Subs units and two Kenny Rogers Roasters units at March 31, 2002.

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 No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") 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. In the first quarter of fiscal 2003, Nathan's adopted SFAS No. 142. 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 income tax benefit of $854,000.

Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") 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 $1,367,000 relating to seven restaurants during the fifty-two weeks ended March 30, 2003.

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: a) indications that the borrower is experiencing business problems such as operating losses, marginal working capital, inadequate cash flow or business interruptions; b) whether the loan is secured by collateral that is not readily marketable; or c) 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 $1,425,000 relating to nine notes during the fifty-two weeks ended March 30, 2003.

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 fiscal year ended March 30, 2003 for those claims on which the Company's exposure has been settled.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED MARCH 30, 2003 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2002

Revenues from Continuing Operations

Total sales from continuing operations decreased by 9.4% or $2,572,000 to $24,920,000 for the fifty-two weeks ended March 30, 2003 ("fiscal 2003 period") as compared to $27,492,000 for the fifty-three weeks ended March 31, 2002 ("fiscal 2002 period"). Sales from the Branded Product Program increased by 33.8% to $6,509,000 for the fiscal 2003 period as compared to sales of $4,864,000 in the fiscal 2002 period. Company-owned restaurant sales decreased 18.6% or $4,217,000 to $18,411,000 from $22,628,000 primarily due to the operation of five fewer company-owned stores as compared to the prior fiscal year and an overall 5.3% sales decrease at our comparable restaurants (consisting of eight Nathan's and four Miami Subs restaurants). The reduction in company-owned stores is the result of our franchising three restaurants and selling 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 $3,294,000 and improved restaurant operating profits by $52,000 versus the fiscal 2002 period. During the fiscal 2002 period, approximately $341,000 in restaurant sales were generated during the additional week of operations.

Franchise fees and royalties decreased by 24.8% or $1,967,000 to $5,977,000 in the fiscal 2003 period compared to $7,944,000 in the fiscal 2002 period. Franchise royalties decreased by $1,409,000 or 20.8% to $5,352,000 in the fiscal 2003 period as compared to $6,761,000 in the fiscal 2002 period. The majority of this decline is due to the decrease in the amount of franchise sales, primarily within the South Florida marketplace for the Miami Subs brand, causing an increase in the amount of royalties deemed unrealizable during the fiscal 2003 period as compared to the fiscal 2002 period. Royalty income was not recorded from 59 domestic franchised locations during the fiscal 2003 period as compared to 48 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 12.8% to $161,740,000 in the fiscal 2003 period as compared to $185,389,000 in the fiscal 2002 period. At March 30, 2003, 343 franchised or licensed restaurants were operating as compared to 364 franchised or licensed restaurants at March 31, 2002. Franchise fee income derived from new openings, co-branding activities and forfeitures was $625,000 in the fiscal 2003 period as compared to $1,183,000 in the fiscal 2002 period. This decrease was attributable to lower franchise fees earned of $247,000, the reduction in co-branding fees earned of $210,000 and lower forfeitures of $101,000 between the two periods. Revenues from new unit openings were lower during the fiscal 2003 period as compared to the fiscal 2002 period although 24 new franchised restaurants were opened, including our first Nathan's unit in China and nine Kenny Rogers Roasters units in Foreign Countries, as compared to 18 new franchised restaurants during the fiscal 2002 period. Franchise fees attributable to new Kenny Rogers Roasters restaurants is recognized upon payment by the franchisee, which payments have not been received. During the fiscal 2002 period, the one-time co-branding initiative was substantially concluded. During the fiscal 2003 period, we earned $207,000 in connection with the termination of two Master Development Agreements in accordance with their terms due to non-compliance by the franchisees as compared to $308,000 during the fiscal 2002 period in connection with forfeited area development fees.

License royalties were $2,585,000 in the fiscal 2003 period as compared to $2,038,000 in the fiscal 2002 period. This increase is attributable to higher royalties earned from sales made by SFG, 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.

Interest income decreased by $208,000 to $292,000 in the fiscal 2003 period versus $500,000 in the fiscal 2002 period due to lower interest income on its investments in marketable securities and its notes receivable.

Investment and other income decreased by $1,412,000 to $156,000 in the fiscal 2003 period versus $1,568,000 in the fiscal 2002 period. During the fiscal 2003 period, Nathans' investment loss was approximately $206,000 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 in October 2002, as compared to being held for the entire fiscal 2002 period. Nathan's loss from sub-leasing was approximately $28,000 more 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 $126,000 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 $1,226,000 which included $850,000 from the successful appeal of a condemnation award from the State of Florida and gains primarily in connection with the sale of two company-owned restaurants and one non-restaurant property.

Costs and Expenses from Continuing Operations

Cost of sales from continuing operations decreased by $1,586,000 to $16,750,000 in the fiscal 2003 period from $18,336,000 in the fiscal 2002 period. During the fiscal 2003 period, restaurant cost of sales were lower than the fiscal 2002 period by approximately $2,661,000. Cost of sales were lower by approximately $2,237,000 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 62.6% in the fiscal 2003 period as compared to 61.5% in the fiscal 2002 period due primarily to higher labor costs. Higher product and other direct costs of approximately $1,075,000 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 from continuing operations decreased by $938,000 to $5,621,000 in the fiscal 2003 period from $6,559,000 in the fiscal 2002 period. Restaurant operating costs were lower in the fiscal 2003 period by approximately $1,105,000, 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 and current insurance costs net of lower marketing and utility costs during the fiscal 2003 period.

Depreciation and amortization from continuing operations decreased by $81,000 to $1,314,000 in the fiscal 2003 period from $1,395,000 in the fiscal 2002 period due to our additional capital spending.

Amortization of intangibles decreased by $610,000 to $278,000 in the fiscal 2003 period from $888,000 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 of 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 $692,000 to $8,600,000 in the fiscal 2003 period as compared to $9,292,000 in the fiscal 2002 period. The decrease in general and administrative expenses was due primarily to lower litigation expense of approximately $450,000, lower bad debts expense of approximately $185,000, lower compensation and related expenses of approximately $106,000 and lower travel expenses of $106,000 which were partly offset by higher insurance costs of approximately $172,000.

Interest expense was $132,000 during the fiscal 2003 period as compared to $256,000 during the fiscal 2002 period. The reduction in interest expense relates primarily to the repayment of outstanding bank debt between the two periods.

Impairment charge on long-lived assets of $1,367,000 during the fiscal 2003 period represents the write-down relating to seven under-performing stores, three of which are expected to continue operating.

Impairment charge on notes receivable of $1,425,000 during the fiscal 2003 period relates to the write-down of nine notes receivable.

Other expense in the fiscal 2003 period represents lease reserves relating to four vacant properties. 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.

(Benefit) provision for Income Taxes from Continuing Operations

In the fiscal 2003 period, the income tax benefit from continuing operations was $283,000 or 15.8% of loss from continuing operations before income taxes as compared to a provision for income taxes of $1,057,000 or 43.2% 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 in part 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 eight Company-owned restaurants, all of which were abandoned, including seven which were abandoned in connection with the Home Depot early lease terminations. Revenues generated by these eight restaurants were $3,543,000 during the fiscal 2003 period as compared to $4,857,000 during the fiscal 2002 period. Losses before income taxes from these restaurants were $206,000 during the fiscal 2003 period as compared to $238,000 during the fiscal 2002 period. The fiscal 2003 loss before tax included $428,000 of additional depreciation expense due to a change in the estimated useful lives of the restaurants operating within Home Depot Improvement Centers for which Nathan's received early lease termination notifications during the second quarter fiscal 2003 period.

Cumulative Effect of Change in Accounting Principle

In the first quarter fiscal 2003 period, 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.

FISCAL YEAR ENDED MARCH 31, 2002 COMPARED TO FISCAL YEAR ENDED MARCH 25, 2001

Revenues from Continuing Operations

Total sales from continuing operations decreased by 7.9% or $2,360,000 to $27,492,000 for the fifty-three weeks ended March 31, 2002 ("fiscal 2002 period") as compared to $29,852,000 for the fifty-two weeks ended March 25, 2001 ("fiscal 2001 period"). Sales from the Branded Product Program increased by 26.2% or $1,011,000 to $4,864,000 for the fiscal 2002 period as compared to sales of $3,853,000 in the fiscal 2001 period. Company-owned restaurant sales decreased 13.0% or $3,371,000 to $22,628,000 from $25,999,000 primarily due to operating nine fewer company-owned stores as compared to the prior fiscal period and lower sales at the new restaurant that began operating during the fiscal 2001 period. These reductions were partially offset by sales during the fiscal 2002 period from a restaurant that was closed for renovation during the fiscal 2001 period and increased sales at the Coney Island restaurant during the summer season. Fiscal 2002 was a 53 week reporting period while fiscal 2001 was a 52 week reporting period. Approximately $362,000 in restaurant sales were generated during the additional week of operations. The unit reduction was the result of our franchising two company-owned restaurants, transferring one company-owned restaurant to a franchisee pursuant to a management agreement, closing four unprofitable company-owned units (including three Miami Subs restaurants pursuant to our divesture plan), selling one unit pursuant to an order of condemnation and closing one unit due to its lease expiration. The financial impact associated with these nine restaurants lowered restaurant sales by $3,749,000 and improved restaurant operating profits by $30,000 versus the fiscal 2001 period, excluding any one time gains or royalties to be received from restaurants sold to franchisees. Comparable restaurant sales (consisting of nine Nathan's and four Miami Subs restaurants that have been operating for 18 months or longer as of the beginning of the fiscal year) during the comparable 52 week period increased by 3.3% versus the fiscal 2001 period.

Franchise fees and royalties decreased by 9.9% or $870,000 to $7,944,000 in the fiscal 2002 period compared to $8,814,000 in the fiscal 2001 period. Franchise royalties decreased by $1,299,000 or 16.1% to $6,761,000 in the fiscal 2002 period as compared to $8,060,000 in the fiscal 2001 period. Domestic franchise restaurant sales decreased by 11.2% to $185,389,000 in the fiscal 2002 period as compared to $208,889,000 in the fiscal 2001 period. The majority of this decline was due to fewer franchised restaurants operating during the fiscal 2002 period as compared to the fiscal 2001 period. During the initial months subsequent to September 11, 2001, we experienced lower royalties from franchised restaurants that operate in markets which are significant tourist destinations, such as Las Vegas and South Florida, and from franchised restaurants operating at airports throughout the United States. Further contributing to the decline was an increase in the amount of royalties deemed to be unrealizable. At March 31, 2002, 364 franchised or licensed restaurants were operating as compared to 386 franchised or licensed restaurants at March 25, 2001. Franchise fee income derived from new openings and co-branding was $875,000 in the fiscal 2002 period as compared to $754,000 in the fiscal 2001 period. This increase was primarily attributable to the fees earned from the co-branding initiative within the existing restaurant system. During the fiscal 2002 period, 18 new franchised or licensed units opened and 47 units were co-branded. During the fiscal 2002 period we realized $308,000 in connection with forfeited development fees.

License royalties were $2,038,000 in the fiscal 2002 period as compared to $1,958,000 in the fiscal 2001 period. This increase was comprised of higher royalties earned from sales by SFG, Inc., Nathans' licensee for the sale of Nathan's frankfurters within supermarkets and club stores.

Interest income was $500,000 in the fiscal 2002 period versus $537,000 in the fiscal 2001 period which was due primarily to earning lower interest rates on our investments due the changes in the marketplace.

Investment income was $1,568,000 in the fiscal 2002 period versus $1,066,000 in the fiscal 2001 period. During the fiscal 2002 period, Nathan's recognized net gains of $1,226,000 in connection with the sale of two company-owned restaurants and a third non-restaurant property. During the fiscal 2002 period, Nathans' investment loss was approximately $384,000 less than in the fiscal 2001 period due primarily to differences in performance of the financial markets between the two periods. In the fiscal 2001 period, Nathan's recognized income of approximately $479,000 in connection with the introduction of a consolidated food distribution agreement and earned a $500,000 transfer fee in connection with a change in ownership of Nathan's licensee, SFG, Inc.

Costs and Expenses from Continuing Operations

Cost of sales from continuing operations decreased by $881,000 to $18,336,000 in the fiscal 2002 period from $19,217,000 in the fiscal 2001 period. During the fiscal 2002 period, restaurant cost of sales were lower than the fiscal 2001 period by approximately $1,980,000. Restaurant cost of sales were reduced by approximately $2,423,000 as a result of operating fewer company-owned restaurants. Additionally, lower cost of sales at one of the Kenny Rogers Roasters restaurants opened last year partly offset the higher costs at our comparable restaurants. Notwithstanding the lower costs and expenses of the Kenny Rogers Roasters restaurant, this restaurant continued to underperform. Consequently, we decided to sell the Kenny Rogers Roasters restaurant in Rockville Centre, New York in fiscal 2003. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 62.1% in the fiscal 2002 period as compared to 60.9% in the fiscal 2001 period due primarily to higher labor and related costs. Higher costs of approximately $1,100,000 were incurred in connection with the growth of our Branded Product Program and higher product costs incurred for much of the fiscal 2002 period. During the first twenty-six weeks of fiscal 2002, commodity prices of our primary meat products were at their highest levels in recent years causing the majority of the cost increase. In response, we raised retail prices on a selective basis in an attempt to partially offset these increases. Beginning in the third quarter fiscal 2002 these costs were lowered to their historical levels.

Restaurant operating expenses from continuing operations decreased by $1,062,000 to $6,559,000 in the fiscal 2002 period from $7,621,000 in the fiscal 2001 period. Restaurant operating costs were lower in the fiscal 2002 period by approximately $1,357,000, as compared to the fiscal 2001 period as a result of operating fewer restaurants. Restaurant operating expenses of the Kenny Rogers Roasters restaurant opened last year were $40,000 lower during the fiscal 2002 period due in part to the higher costs attributable to last years' openings. These reductions in restaurant operating expenses were partially offset by an increase of approximately $330,000 at the comparable restaurants which were primarily driven by higher marketing and insurance costs.

Depreciation and amortization from continuing operations decreased by $140,000 to $1,395,000 in the fiscal 2002 period from $1,535,000 in the fiscal 2001 period. Lower depreciation expense of operating fewer company-owned restaurants during the fiscal 2002 period versus the fiscal 2001 period was partially offset by additional depreciation expense attributable to fiscal 2001's capital spending.

Amortization of intangibles increased by $49,000 to $888,000 in the fiscal 2002 period from $839,000 in the fiscal 2001 period. Amortization of intangibles increased as a result of fiscal 2001's final purchase price allocation of the Miami Subs acquisition.

General and administrative expenses increased by $314,000 to $9,292,000 in the fiscal 2002 period as compared to $8,978,000 in the fiscal 2001 period. The increase in general and administrative expenses was due primarily to higher legal and professional expenses of approximately $544,000, including a litigation expense of $450,000, and higher bad debts of approximately $76,000 which were partly offset by lower personnel and incentive compensation expense of approximately $389,000.

Interest expense was $256,000 during the fiscal 2002 period as compared to $310,000 during the fiscal 2001 period. The reduction in interest expense relates primarily to the repayment of outstanding debt between the two periods.

Impairment charges on long-lived assets from continuing operations of $392,000 during the fiscal 2002 period and $127,000 during the fiscal 2001 period reflect write-downs relating to one under-performing store in the fiscal 2002 period and one under-performing store in the fiscal 2001 period.

Impairment charges on notes receivable of $185,000 during the fiscal 2002 period and $151,000 during the fiscal 2001 period relate to write-downs of two and one notes receivable, respectively.

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. Other expense of $462,000 during the fiscal 2001 period relates primarily to lease termination expenses of units that were not part of the final divestiture plan of $463,000.

Provision for Income Taxes from Continuing Operations

In the fiscal 2002 period, the provision for income taxes from continuing operations was $1,057,000 or 43.2% as compared to $1,402,000 or 46.9% of income from continuing operations before income taxes in the fiscal 2002 period.

Discontinued Operations

Discontinued operations is comprised of eight Company-owned restaurants, all of which were abandoned during fiscal 2003, including seven which were abandoned in connection with the Home Depot early lease terminations. Revenues generated by these eight restaurants were $4,857,000 during the fiscal 2002 period as compared to $4,947,000 during the fiscal 2001 period. Loss before income taxes from these restaurants was $238,000 during the fiscal 2002 period as compared to income before income taxes of $35,000 during the fiscal 2001 period.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 30, 2003 aggregated $1,415,000, decreasing by $419,000 during the fiscal 2003 period. At March 30, 2003, marketable securities and investment in limited partnership decreased by $4,196,000 from March 31, 2002 to $4,623,000 and net working capital decreased to $5,935,000 from $9,565,000 at March 31, 2002. During fiscal 2003, Nathan's liquidated its investment in limited partnership and invested the proceeds with its other marketable securities.

Cash provided by operations of $2,296,000 in the fiscal 2003 period is primarily attributable to net loss of $13,968,000, non-cash charges of $17,482,000, including the cumulative effect of accounting change of $12,338,000, depreciation and amortization of $1,907,000, impairment charges on long-lived assets and notes receivable of $2,792,000, amortization of intangible assets of $278,000, provision for doubtful accounts of $82,000 and amortization of bond premium of $85,000. Changes in the other assets and liabilities consisted of decreases in marketable securities and investment in limited partnership of $981,000, prepaid expenses and other current assets of $627,000, inventories of $203,000, accounts payable and accrued expenses of $1,647,000, other liabilities of $577,000 and deferred franchise fees of $205,000.

Cash provided by investing activities of $3,696,000 in the fiscal 2003 period is comprised primarily of proceeds from the sale of available-for-sale securities of $6,088,000, proceeds from the sale of a restaurant and other fixed assets of $781,000 and repayments on notes receivable of $273,000 which were partly offset by the purchases of available-for-sale securities of $2,884,000 and expenditures relating to capital improvements of selected company-owned restaurants and other fixed asset additions of $562,000.

Cash used in financing activities of $6,411,000 in the fiscal 2003 period represents repurchases of 1,599,547 shares of common stock at a total cost of $5,858,000 and repayments of notes payable and obligations under capital leases in the amount of $553,000, including the repayment of a mortgage in the amount of $373,000 on December 31, 2002.

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to our stock repurchase program, we repurchased one 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 one million additional shares of its common stock. Through March 30, 2003, Nathan's purchased 641,238 shares of common stock at a cost of approximately $2,323,000. Subsequent to March 30, 2003, Nathan's purchased an additional 57,600 shares of common stock at a cost of approximately $211,000. To date, Nathan's has purchased a total of 1,698,838 shares of common stock at a cost of approximately $6,204,000. 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 that had 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 33 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 including: rent, property taxes and insurance. 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 March 30, 2003 was approximately $1,004,000.

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	1 - 3 Years	4-5 Years	After 5 Years
		Payments Due by Period			
Long-Term Debt	$ 1,167	$ 167	$ 333	$ 333	$ 334
Capital Lease Obligations	59	6	14	17	22
Employment Agreements	1,071	733	338	--	--
Operating Leases	25,657	4,204	8,041	6,885	6,527
Gross Cash Contractual Obligations	27,954	5,110	8,726	7,235	6,883
Sublease Income	12,606	1,969	3,744	3,072	3,821
Net Cash Contractual Obligations	$15,348	$ 3,141	$ 4,982	$ 4,163	$ 3,062

Other Contractual Commitments	Total Amounts Committed	Less than 1 Year	1 - 3 Years	4-5 Years	After 5 Years
		Amount of Commitment Expiration Per Period			
Loan Guarantees	$ 1,004	$ 363	$ 408	$ 233	--
Total Commercial Commitments	$ 1,004	$ 363	$ 408	$ 233	--

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.

SEASONALITY

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

IMPACT OF INFLATION

During the past several years, our commodity costs have remained relatively stable. As such, we believe that inflation has not materially impacted earnings during that period of time. However, during the first half of the fiscal 2002 period, commodity prices of our primary meat products were at their highest levels in recent years. These costs were in line with historical norms during the fiscal 2003 period. We also experienced increased costs for utilities and insurance during the fiscal 2002 and 2003 periods. Last year, various Federal and New York State legislators proposed changes to the minimum wage requirements, however, none of the proposals were enacted. We believe that increases in the minimum wage could have a significant financial impact on our financial results. Prolonged increases in labor, food and other operating expenses could adversely affect our operations and those of the restaurant industry and we might have to reconsider our pricing strategy as a means to offset reduced operating margins.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 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. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Nathan's has evaluated the effect of adoption on its financial position and results of operations, and it is not expected to have a material impact on the financial position and results of operations of the Company.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. Additionally, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. In addition, SFAS No. 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. SFAS No. 145 has not had, and is not expected to have a material impact on the financial position and results of operations of the Company.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("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. SFAS No. 146 is effective for disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the financial position and results of operations of the Company.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("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 No. 148 provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation. Additionally, SFAS No. 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. The adoption of SFAS No. 148 had no impact on the financial position and results of operations of the Company.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 except for the provisions that were cleared by the FASB in prior pronouncements. The Company is currently evaluating the effect of the adoption of SFAS No. 149 on its financial position and results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. This Statement shall be effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective for the year ended December 31, 2003. The Company is currently evaluating the effect of the adoption of SFAS No. 150 on its financial position and results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No. 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("Fin No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has adopted FIN No. 46 effective January 31, 2003. The Company does not anticipate that the adoption of FIN No. 46 will have a material impact on the Company's consolidated financial condition or results of operations taken as a whole.

FORWARD LOOKING STATEMENTS

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: 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.

ITEM 7A. 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 March 30, 2003, Nathans' cash and cash equivalents aggregated $1,415,000. Earnings on these cash and cash equivalents would increase or decrease by approximately $3,500 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 March 30, 2003, the market value of Nathans' marketable investment securities aggregated $4,623,000. Interest income on these marketable investment securities would increase or decrease by approximately $11,600 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 March 30, 2003 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	$ 4,843	$ 4,777	$4,712	$4,650	$4,589	$4,530	$ 4,473

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. During fiscal 2003, Nathan's liquidated its investment in limited partnership. Accordingly, Nathan's investment in limited partnership has no further exposure to the equity markets.

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 March 30, 2003, total outstanding debt, including capital leases, aggregated $1,226,000 of which $1,167,000 is at risk due to changes in interest rates. The current interest rate is 4.50% per annum and will adjust in January 2006 and 2009 to prime plus .25%. Nathan's also maintains a $7,500,000 credit line which bears interest at the prime rate (4.25% at March 30, 2003). 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 fifty-two weeks ended March 30, 2003 would have increased or decreased cost of sales by approximately $1,133,000.

FOREIGN CURRENCIES

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

On March 15, 2002, we dismissed Arthur Andersen LLP, our independent auditors for the fiscal year ended March 25, 2001 and, effective March 25, 2002, replaced them with Grant Thornton LLP, our auditors for the fiscal year ended March 31, 2002. The decision to change accountants was ratified by our Audit Committee on March 19, 2002.

The report of Arthur Andersen LLP for the year ended March 25, 2001 and does not contain an adverse opinion or a disclaimer of opinion, or a qualification or modification as to uncertainty, audit scope or accounting principles.

In connection with the audit for our fiscal year ended March 25, 2001 and for the period from March 26, 2001 through the date of change in auditors, there were no disagreements with Arthur Andersen LLP on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have caused it to make a reference to the subject matter of the disagreement in connection with its report.

We did not have any discussions nor received any written reports or oral advice from Grant Thornton LLP during the fiscal year ended March 25, 2001 and through March 24, 2002, with respect to either the application of accounting principles to a specified transaction, either completed or proposed, or as to the type of audit opinion that might be rendered on our financial statements.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14. CONTROLS AND PROCEDURES

(a) Under the supervision and with the participation of our Chief Executive Officer ("CEO"), Chief Operating Officer ("COO")and Chief Financial Officer ("CFO") the Company's disclosure controls and procedures were evaluated as of a date 90 days prior to the filing of this report. Based on that evaluation, the Company's CEO, COO and CFO concluded that the company's disclosure controls and procedures were effective.

(b) Our CEO, COO and CFO are involved in ongoing evaluations of our internal controls. There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to our last evaluation.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

We were billed by Grant Thornton LLP the aggregate amount of approximately $146,000 in respect of fiscal 2003 and $128,500 in respect to fiscal 2002 for fees for professional services rendered for the audit of our annual financial statements and review of our financial statements included in our forms 10-Q.

AUDIT-RELATED FEES

We were billed by Grant Thornton LLP the aggregate amount of approximately $20,000 in respect of fiscal 2003 and $0 in respect to fiscal 2002 for fees for assurance and related services related to the performance of the audit.

TAX FEES

Grant Thornton LLP did not render any tax compliance, tax advice or tax planning services for fiscal 2003 and 2002.

ALL OTHER FEES

Grant Thornton LLP did not render any other services, other than as set forth above, for fiscal 2003 and 2002. Consequently, aggregate fees billed for all other services rendered by Grant Thornton LLP for fiscal 2003 and 2002 were $0.

PRE-APPROVAL POLICIES

Our audit committee has not adopted any policies pursuant to which it has pre-approved the provision by Grant Thornton LLP of any audit or non-audit services.

Our audit committee approved all of the services provided by Grant Thornton LLP and described in the preceding paragraphs.

PART IV

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) CONSOLIDATED FINANCIAL STATEMENTS

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

(2) FINANCIAL STATEMENT SCHEDULE

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

(3) EXHIBITS

Certain of the following exhibits (as indicated in the footnotes to the list), were previously filed as exhibits to other reports or registration statements filed by the Registrant under the Securities Act of 1933 or under the Securities Exchange Act of 1934 and are herein incorporated by reference.

Exhibit No.	Exhibit
3.1	Certificate of Incorporation.(Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 No. 33-56976.)
3.2	Amendment to the Certificate of Incorporation, filed December 15, 1992.(Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 No. 33-56976.)
3.3	By-Laws, as amended. (Incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K for the fiscal year ended March 28, 1999.)
4.1	Specimen Stock Certificate.(Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 No. 33-56976.)
4.2	Form of Warrant issued to Ladenburg, Thalmann & Co., Inc. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-1 No. 33-56976.)
4.3	Form of Warrant issued to Howard M. Lorber. (Incorporated by reference to Exhibit 4.3 to the Annual Report filed on Form 10-K for the fiscal year ended March 27, 1994.)
4.4	Amendment to Warrant issued to Howard M. Lorber (Incorporated by reference to Exhibit 4.4 to the Annual Report filed on Form 10-K for the fiscal year ended March 31, 1996.)
4.5	Specimen Rights Certificate (Incorporated by reference to Exhibit 4 to the Current Report on Form 8-K dated July 14, 1995.)
10.1	Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 No. 33-56976.)
10.2	Leases for premises at Coney Island, New York, as follows: (Incorporated by reference Exhibit 10.3 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease, dated November 22, 1967, between Nathan's Realty Associates and the Company.
	b) Lease, dated November 22, 1967, between Ida's Realty Associates and the Company. c) Lease, dated November 17, 1967, between Ida's Realty Associates and the Company.
10.3	Leases for the premises at Yonkers, New York, as follows: (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-1 No. 33-56976.)
	a) Lease Modification of Land and Building Lease between the Yonkers Corp. and the Company, dated November 19, 1980;
	b) Lease Modification of Land and Building Lease between 787 Central Park Avenue, Inc., and the Company dated May 1, 1980.
10.4	Lease with NWCM Corp. for premises at Oceanside, New York, dated March 14, 1975. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)
10.5	1992 Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-8 No. 33-93396.)

10.6 Area Development Agreement with Marriott Corporation, dated February 19, 1993. (Incorporated by reference to Exhibit 10.9(a) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993.)

10.7	Area Development Agreement with Premiere Foods, dated September 11, 1990. (Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1 No. 33-56976.)
10.8	Form of Standard Franchise Agreement. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 No. 33-56976.)
10.9	401K Plan and Trust. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)
10.10	Amendment dated November 8, 1993, to the Employment Agreement, dated December 28, 1992, with Wayne Norbitz. (Incorporated by reference to Exhibit 10.19 to the Annual Report filed on Form 10-K for the fiscal year ended March 27, 1994.)
10.11	License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc., including amendments and waivers thereto. (Incorporated by reference to Exhibit 10.21 to the Annual Report filed on Form 10-K for the fiscal year ended March 27, 1994.)
10.12	Outside Director Stock Option Plan. (Incorporated by reference to Exhibit 10.22 to Registration Statement on Form S-8 No. 33-89442.)
10.13	Modification Agreement to the Employment Agreement with Wayne Norbitz, dated December 28, 1992. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended December 29, 1996.)
10.14	Amendment to License Agreement dated as of February 28, 1994, among Nathan's Famous Systems, Inc. and SMG, Inc. including waivers and amendments thereto. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended December 29, 1996.)
10.15	Second Amended and Restated Rights Agreement dated as of April 6, 1998 between Nathan's Famous, Inc. and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 2 to Form 8-A/A dated April 6, 1998.)
10.16	1998 Stock Option Plan. (Incorporated by reference to Exhibit 10.26 to the Annual Report filed on Form 10-K for the fiscal year ended March 29, 1998.)
10.17	North Fork Bank Promissory Note.(Incorporated by reference to Exhibit 10.21 to the Annual Report filed on Form 10-K for the fiscal year ended March 28, 1999.)
10.18	Amended and Restated Employment Agreement with Donald L. Perlyn effective September 30, 1999. (Incorporated by reference to Exhibit 10.20 to the Annual Report filed on Form 10-K for the fiscal year ended March 26, 2000.)
10.19	Third Amended and Restated Rights Agreement dated as of December 10, 1999 between Nathan's Famous, Inc. and American Stock Transfer and Trust Company (Incorporated by reference to Exhibit 2 to Form 8-A/A dated December 10, 1999.)
10.20	Employment Agreement dated as of January 1, 2000 with Howard M. Lorber.(Incorporated by reference to Exhibit 10.24 to the Annual Report filed on Form 10-K for the fiscal year ended March 26, 2000.)
10.21	Marketing Agreement with beverage supplier. (Incorporated by reference to Exhibit 10.25 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended June 25, 2000.)
10.22	2001 Stock Option Plan. (Incorporated by reference to Exhibit 4 to Registration Statement on Form S-8 No. 333-82760.)
10.23	2002 Stock Incentive Plan. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8 No. 333-101355.)
10.24	Master Distributor Agreement with U.S. Foodservice, Inc. dated February 5, 2003.
21	List of Subsidiaries of the Registrant.
23.1	Consent of Grant Thornton LLP dated June 26, 2003.
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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on the 20th day of June, 2003.

Nathan's Famous, Inc.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 20th day of June, 2003.

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

CERTIFICATION

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

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

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

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 annual 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: June 20, 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 annual report on Form 10-K of Nathan's Famous, Inc;

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

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 annual 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: June 20, 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 annual report on Form 10-K of Nathan's Famous, Inc;

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

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 annual 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: June 20, 2003

/s/ Ronald G. DeVos

Ronald G. DeVos
Chief Financial Officer

Nathan's Famous, Inc. and Subsidiaries

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Nathan's Famous, Inc. (a Delaware Corporation) and subsidiaries (the "Company") as of March 30, 2003 and March 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the fifty-two weeks ended March 30, 2003 and the fifty-three weeks ended March 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company for the fifty-two weeks ended March 25, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 14, 2001.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nathan's Famous, Inc. and subsidiaries as of March 30, 2003 and March 31, 2002, and the results of their operations and their cash flows for the fifty-two weeks ended March 30, 2003 and the fifty-three weeks ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

We have also audited Schedule II for the fifty-two weeks ended March 30, 2003 and the fifty-three weeks ended March 31, 2002. In our opinion, this schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information therein.

As described in Notes B and F to the consolidated financial statements, the Company adopted Statements of Financial Accounting Standards Nos. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") and 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") on April 1, 2002.

As described above, the financial statements of the Company for the fifty-two weeks ended March 25, 2001 were audited by other auditors who have ceased operations. As described in Notes B and F, these financial statements have been revised to include the transitional disclosures required by SFAS No. 142 and the reclassification and disclosures of discontinued operations required SFAS No. 144. Our audit procedures with respect to the disclosures in Note B with respect to 2001 included agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including related tax effects) recognized in that period related to goodwill and intangible assets that are no longer amortized, as a result of initially applying SFAS No. 142, to the Company's underlying records obtained from management. We also tested the mathematical accuracy of the reconciliation of adjusted net income to reported net income and the related earnings-per-share amounts. Our audit procedures with respect to the reclassification of the financial statement and the disclosures in Note F with respect to 2001 included agreeing the amounts reclassified to discontinued operations to the Company's underlying records obtained from management and testing the mathematical accuracy of the revision in income from continuing operations and discontinued operations and the related earnings-per-share amounts. In our opinion, the reclassification and disclosures for the fifty-two weeks ended March 25, 2001 contained in the financial statement Notes B and F are appropriate and have been appropriately applied. However, we were not engaged to audit, review or apply any procedures to the 2001 financial statements of the Company other than with respect to such reclassification and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

/s/ GRANT THORNTON LLP
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Melville, New York
May 23, 2003

THE BELOW REPORT OF ARTHUR ANDERSEN LLP ("ANDERSEN") IS A COPY OF THE PREVIOUSLY ISSUED REPORT OF ANDERSEN AND THE REPORT HAS NOT BEEN REISSUED BY ANDERSEN.

NOTE THAT THIS PREVIOUSLY ISSUED ANDERSEN REPORT CONTAINS REFERENCES TO CERTAIN FISCAL YEARS AND PERIODS, WHICH ARE NOT REQUIRED TO BE PRESENTED IN THE ACCOMPANYING FINANCIAL STATEMENTS AS OF AND FOR THE THREE FISCAL YEARS ENDED MARCH 30, 2003. AS DISCUSSED IN NOTES B AND F, THE COMPANY HAS REVISED ITS FINANCIAL STATEMENTS FOR THE FIFTY-TWO WEEKS ENDED MARCH 25, 2001 TO INCLUDE THE TRANSITIONAL DISCLOSURES REQUIRED BY STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS" AND THE RECLASSIFICATION OF DISCONTINUED OPERATIONS AND NET ASSETS HELD FOR SALE REQUIRED BY STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 144, "ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS". THE ANDERSEN REPORT DOES NOT EXTEND TO THESE CHANGES. THE REVISIONS TO THE 2001 FINANCIAL STATEMENTS RELATED TO THESE TRANSITIONAL DISCLOSURES AND RECLASSIFICATIONS WERE REPORTED ON BY GRANT THORNTON LLP, AS STATED IN THEIR REPORT APPEARING HEREIN.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Nathan's Famous, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Nathan's Famous, Inc., (a Delaware Corporation) and subsidiaries as of March 25, 2001 and March 26, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years ended March 25, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nathan's Famous, Inc. and subsidiaries as of March 25, 2001 and March 26, 2000, and the results of their operations and their cash flows for each of the three fiscal years ended March 25, 2001 in conformity with accounting principles generally accepted in the United States.

/s/Arthur Andersen LLP

Melville, New York
June 14, 2001

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	MARCH 30, 2003	March 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,415	$ 1,834
Marketable securities and investment in limited partnership	4,623	8,819
Notes and accounts receivable, net	2,607	2,808
Inventories	389	592
Assets available for sale	799	1,512
Prepaid expenses and other current assets	642	1,269
Deferred income taxes	2,079	1,747
Total current assets	12,554	18,581
Notes receivable, net	740	2,277
Property and equipment, net	6,263	8,925
Goodwill	95	11,083
Intangible assets, net	3,319	6,040
Deferred income taxes	2,647	1,539
Other assets, net	268	300
	$ 25,886	$ 48,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of notes payable and capital lease obligations	$ 173	$ 559
Accounts payable	1,377	1,619
Accrued expenses and other current liabilities	4,942	6,506
Deferred franchise fees	127	332
Total current liabilities	6,619	9,016
Notes payable and capital lease obligations, less current maturities	1,053	1,220
Other liabilities	1,831	2,364
Total liabilities	9,503	12,600
COMMITMENTS AND CONTINGENCIES (Note L)		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; 30,000,000 shares authorized; 7,065,202 and 7,065,202 shares issued; and 5,423,964 and 7,023,511 shares outstanding at March 30, 2003 and March 31, 2002, respectively	71	71
Additional paid-in capital	40,746	40,746
Accumulated deficit	(18,505)	(4,537)
Accumulated other comprehensive income	64	-
	22,376	36,280
Treasury stock, at cost, 1,641,238 and 41,691 shares at March 30, 2003 and March 31, 2002, respectively	(5,993)	(135)
Total stockholders' equity	16,383	36,145
	$ 25,886	$ 48,745

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

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

	FIFTY-TWO WEEKS ENDED MARCH 30, 2003	Fifty-three weeks ended March 31, 2002	Fifty-two weeks ended March 25, 2001
REVENUES			
Sales	$ 24,920	$ 27,492	$ 29,852
Franchise fees and royalties	5,977	7,944	8,814
License royalties	2,585	2,038	1,958
Interest income	292	500	537
Investment and other income	156	1,568	1,066
Total revenues	33,930	39,542	42,227
COSTS AND EXPENSES			
Cost of sales	16,750	18,336	19,217
Restaurant operating expenses	5,621	6,559	7,621
Depreciation and amortization	1,314	1,395	1,535
Amortization of intangible assets	278	888	839
General and administrative expenses	8,600	9,292	8,978
Interest expense	132	256	310
Impairment charge on long-lived assets	1,367	392	127
Impairment charge on notes receivable	1,425	185	151
Other expense (income), net	232	(210)	462
Total costs and expenses	35,719	37,093	39,240
(Loss) income from continuing operations before (benefit) provision for income taxes	(1,789)	2,449	2,987
(Benefit) provision for income taxes	(283)	1,057	1,402
(Loss) income from continuing operations	(1,506)	1,392	1,585
(Loss) income from discontinued operations, net of income tax (benefit) provision of $(82), $(95) and $14 in 2003, 2002 and 2001, respectively	(124)	(143)	21
(Loss) income from operations before cumulative effect of accounting change	(1,630)	1,249	1,606
Cumulative effect of change in accounting principle, net of tax benefit of $854	(12,338)	-	-
Net (loss) income	$ (13,968)	$ 1,249	$ 1,606
PER SHARE INFORMATION			
Basic (loss) income per share:			
(Loss) income from continuing operations	$ (.25)	$ .20	$ .23
Loss from discontinued operations	(.03)	(.02)	.00
Cumulative effect of change in accounting principle	(2.06)	-	-
Net (loss) income	$ (2.34)	$ .18	$ .23
Diluted (loss) income per share:			
(Loss) income from continuing operations	$ (.25)	$ .20	$ .23
Loss from discontinued operations	(.03)	(.02)	.00
Cumulative effect of change in accounting principle	(2.06)	-	-
Net (loss) income	$ (2.34)	$ .18	$ .23
Weighted average shares used in computing net income (loss) per share			
Basic	5,976,000	7,048,000	7,059,000
Diluted	5,976,000	7,083,000	7,098,000

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Fifty-two weeks ended March 30, 2003, fifty-three weeks ended March 31, 2002 and fifty-two weeks ended March 25, 2001

(in thousands, except share amounts)

	Common shares	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income
Balance, March 26, 2000	7,040,196	$ 70	$ 40,669	$ (7,392)	-
Stock compensation	25,000	1	77	-	-
Warrants exercised	6	-	-	-	-
Net income	-	-	-	1,606	-
Comprehensive income	-	-	-	-	-
Balance, March 25, 2001	7,065,202	71	40,746	(5,786)	-
Repurchase of treasury stock	-	-	-	-	-
Net income	-	-	-	1,249	-
Comprehensive income	-	-	-	-	-
Balance, March 31, 2002	7,065,202	71	40,746	(4,537)	-
REPURCHASE OF TREASURY STOCK	-	-	-	-	-
UNREALIZED GAIN ON MARKETABLE SECURITIES, NET OF DEFERRED INCOME TAXES OF $46	-	-	-	-	$ 64
NET LOSS	-	-	-	(13,968)	-
COMPREHENSIVE LOSS	-	-	-	-	-
BALANCE, MARCH 30, 2003	7,065,202	$ 71	$ 40,746	$(18,505)	$ 64

	Treasury stock, at cost Shares	Amount	Total stockholders' equity	Comprehensive income (loss)
Balance, March 26, 2000	-	-	$ 33,347	
Stock compensation	-	-	78	
Warrants exercised	-	-	-	
Net income	-	-	1,606	$ 1,606
Comprehensive income	-	-	-	$ 1,606
Balance, March 25, 2001	-	-	35,031	
Repurchase of treasury stock	41,691	$ (135)	(135)	
Net income	-	-	1,249	$ 1,249
Comprehensive income	-	-	-	$ 1,249
Balance, March 31, 2002	41,691	(135)	36,145	
REPURCHASE OF TREASURY STOCK	1,599,547	(5,858)	(5,858)	
UNREALIZED GAIN ON MARKETABLE SECURITIES, NET OF DEFERRED INCOME TAXES OF $46	-	-	64	$ 64
NET LOSS	-	-	(13,968)	(13,968)
COMPREHENSIVE LOSS	-	-	-	$ (13,904)
BALANCE, MARCH 30, 2003	1,641,238	$(5,993)	$ 16,383	

The accompanying notes are an integral part of this statement.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	FIFTY-TWO WEEKS ENDED MARCH 30, 2003	Fifty-three weeks ended March 31, 2002	Fifty-two weeks ended March 25, 2001
Cash flows from operating activities:			
Net (loss) income	$ (13,968)	$ 1,249	$ 1,606
Adjustments to reconcile net (loss) income to net cash Provided by (used in) operating activities			
Cumulative effect of change in accounting principle, net of tax benefit	12,338	-	-
Depreciation and amortization	1,907	1,661	1,791
Amortization of intangible assets	278	888	839
Amortization of bond premium	85	-	-
Gain on disposal of fixed assets	(39)	(1,226)	-
Stock compensation expense	-	-	78
Gain on sale of available for sale securities	(10)	-	-
Impairment of long-lived assets	1,367	685	127
Impairment of notes receivable	1,425	185	151
Provision for doubtful accounts	82	267	191
Deferred income taxes	(585)	509	313
Changes in operating assets and liabilities:			
Marketable securities and investment in limited partnership	981	(4,171)	(1,651)
Notes and accounts receivable	2	(26)	(1,350)
Inventories	203	(69)	20
Prepaid expenses and other current assets	627	(295)	(339)
Other assets	32	104	159
Accounts payable, accrued expenses and other current liabilities	(1,647)	(2,538)	961
Deferred franchise fees	(205)	(324)	(76)
Other liabilities	(577)	20	1,329
Net cash provided by (used in) operating activities	2,296	(3,081)	4,149
Cash flows from investing activities:			
Proceeds from sale of available for sale securities	6,088	-	-
Purchase of available for sale securities	(2,884)	-	-
Lease terminations and other costs in connection with acquisition	-	-	(1,036)
Purchases of property and equipment	(562)	(2,082)	(1,458)
Payments received on notes receivable	273	812	506
Proceeds from sales of property and equipment	781	3,348	45
Net cash provided by (used in) investing activities	3,696	2,078	(1,943)
Cash flows from financing activities:			
Principal repayments of borrowing	(553)	(1,353)	(278)
Repurchase of treasury stock	(5,858)	(135)	-
Net cash used in financing activities	(6,411)	(1,488)	(278)
Net change in cash and cash equivalents	(419)	(2,491)	1,928
Cash and cash equivalents, beginning of year	1,834	4,325	2,397
Cash and cash equivalents, end of year	$ 1,415	$ 1,834	$ 4,325
Cash paid during the year for:			
Interest	$ 138	$ 264	$ 317
Income taxes	$ 57	$ 149	$ 1,508
Noncash financing activities:			
Loan to franchisee in connection with sale of restaurant	$ 44	$ 416	$ 130

The accompanying notes are an integral part of these statements.

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

March 30, 2003, March 31, 2002 and March 25, 2001

NOTE A - DESCRIPTION AND ORGANIZATION OF BUSINESS

1. Description of Business

Nathan's Famous, Inc. and subsidiaries (collectively the "Company" or "Nathan's") has historically operated a chain of retail fast food restaurants featuring Nathan's famous brand of all beef frankfurters, fresh crinkle-cut french fried potatoes and a variety of other menu offerings. Since fiscal 1998, the Company has supplemented Nathan's franchise program with the Nathan's Branded Product Program, which enables foodservice retailers to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. During fiscal 2000, the Company acquired the intellectual property rights, including trademarks, recipes and franchise agreements of Roasters Corp. and Roasters Franchise Corp. ("Roasters"), the franchisor of Kenny Rogers Roasters. In addition, Nathan's completed a merger with Miami Subs Corporation ("Miami Subs") whereby it acquired the remaining 70% of Miami Subs common stock not previously owned by the Company. Miami Subs features a wide variety of lunch, dinner and snack foods, including hot and cold sandwiches and various ethnic foods. Roasters features home-style family foods based on a menu centered around wood-fire rotisserie chicken. The Company considers its subsidiaries to be in the food service industry, and has pursued co-branding and co-hosting initiatives; accordingly management has evaluated the Company as a single reporting unit.

At March 30, 2003, the Company's restaurant system, consisting of Nathan's Famous, Kenny Rogers Roasters and Miami Subs restaurants, included 12 company-owned units concentrated in the New York metropolitan area and Florida, 343 franchised or licensed units, including 6 units operating pursuant to management agreements and approximately 2,200 branded product points of sale under the Nathan's Branded Product Program, located in 41 states, the District of Columbia, and 12 foreign countries.

2. Organization of Business

In July 1987, all of the outstanding shares, options and warrants of Nathan's Famous, Inc. (the "Predecessor Company"), a then publicly held New York corporation, were acquired through a cash transaction, accounted for by the purchase method of accounting (the "Acquisition"). In connection with the Acquisition, a privately-held New York corporation (the "Acquiring Corporation") was merged into the Predecessor Company.

NOTE A (CONTINUED)

In November 1989, the surviving corporation was merged with Nathan's Newco, Inc., a Delaware corporation which, upon the effectiveness of the merger, changed its name to Nathan's Famous, Inc. ("NFI").

In August 1992, Nathan's Famous Holding Corp. ("NFH"), a new Delaware corporation was formed. Pursuant to a merger agreement, NFI became a wholly owned subsidiary of NFH. On December 15, 1992, NFI and NFH amended their charter to change their respective names to Nathan's Famous Operating Corp. ("NFOC") and Nathan's Famous, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

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.

2. Fiscal Year

The Company's fiscal year ends on the last Sunday in March, which results in a 52- or 53-week reporting period. The results of operations and cash flows for the fiscal year ended March 30, 2003 are on the basis of a 52-week reporting period. The results of operations and cash flows for the fiscal year ended March 31, 2002 are on the basis of a 53-week reporting period. The results of operations and cash flows for the fiscal year ended March 25, 2001 are on the basis of a 52-week reporting period.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management in preparing the consolidated financial statements include the allowance for doubtful accounts, the allowance for impaired notes receivable, the self-insurance reserve, impairment charges on goodwill and long-lived assets, lease termination reserves and the deferred tax valuation allowance.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

4. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash restricted for untendered shares associated with the Acquisition amounted to $83 at March 30, 2003 and March 31, 2002, respectively, and is included in cash and cash equivalents.

5. 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," as amended. 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: (a) indications that the borrower is experiencing business problems such as operating losses, marginal working capital, inadequate cash flow or business interruptions, (b) loans secured by collateral that is not readily marketable, or (c) 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:

	MARCH 30, 2003	March 31, 2002
Total recorded investment in impaired notes receivable	$ 2,598	$1,000
Allowance for impaired notes receivable	(2,065)	(640)
Recorded investment in impaired notes receivable, net	$ 533	$ 360

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

	MARCH 30, 2003	March 31, 2002
Allowance for impaired notes receivable at beginning of fiscal year	$ 640	$ 613
Impairment charges on notes receivable	1,425	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	$ 2,065	$ 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.

	MARCH 30, 2003	March 31, 2002	March 25, 2001
Interest income recorded on impaired notes receivable	$ 96	$ 47	$ 112
Average recorded investment in impaired notes receivable	$ 1,624	$ 936	$ 1,702

6. Inventories

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

NOTE B (CONTINUED)

7. Marketable Securities and Investment in Limited Partnership

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company determines the appropriate classification of securities at the time of purchase and reassesses the appropriateness of the classification at each reporting date. At March 30, 2003 and March 31, 2002, all marketable securities held by the Company have been classified as either available-for-sale or trading and, as a result, are stated at fair value. Realized gains and losses on the sale of securities, as determined on a specific identification basis, as well as unrealized holding gains and losses on trading securities are included in the accompanying consolidated statements of operations. Unrealized gains and losses on available for sale securities are included as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet. Investment income in the trading limited partnership is based upon Nathan's proportionate share of the change in the underlying net assets of the partnership. The partnership invests primarily in publicly traded common stocks with a concentration in securities traded on exchanges in the United States of America. During the fiscal year ended March 30, 2003, the Company liquidated its investment in limited partnership.

8. 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 obliged to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and other methods of profit recognition shall be followed. In accordance with SFAS No. 66, the Company recognizes profit on sales of restaurants under the full accrual method, 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 March 30, 2003 and March 31, 2002, the Company had deposits on the sales of restaurants of $161 and $214, respectively, included in accrued expenses in the accompanying consolidated balance sheets.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

9. Property and Equipment

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

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

10. Intangible Assets

Intangible assets consist of (i) the goodwill resulting from the Acquisition; (ii) trademarks and trade names, franchise rights and recipes in connection with Roasters and (iii) goodwill and certain identifiable intangibles resulting from the Miami Subs acquisition. These intangible assets were being amortized over periods from 10 to 40 years through March 31, 2002.

On April 1, 2002, 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 intangible 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.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

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 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 are as follows:

	Goodwill	Trademarks	Recipes	Total
Balance as of April 1, 2002	$ 11,083	$ 2,242	$ 30	$13,355
Cumulative effect of accounting change for goodwill and other intangible assets	(10,988)	(2,174)	(30)	(13,192)
Balance as of March 30, 2003	$ 95	$ 68	$ -	$ 163

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The table below presents amortized and unamortized intangible assets as of March 30, 2003 and March 31, 2002:

	March 30, 2003			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	$(1,008)	$ 3,251	$ 4,259	$ (747)	$ 3,512
Favorable leases	285	(285)	-	285	(31)	254
Other	16	(16)	-	62	(60)	2
	$4,560	$(1,309)	3,251	$ 4,606	$ (838)	3,768
Unamortized intangible assets:						
Trademarks, tradenames and recipes			68	2,425	(153)	2,272
			$ 3,319	$ 7,031	$ (991)	$ 6,040
Goodwill			$ 95	$17,043	$(5,960)	$11,083

The following table provides a reconciliation of the reported net (loss) income and net (loss) income per share for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, adjusted as though SFAS No. 142 had been effective for all periods:

	2003	2002	2001
Reported net (loss) income before cumulative effect of change in accounting principle	$ (1,630)	$ 1,249	$ 1,606
Add back discontinued amortization expense	-	555	555
Adjusted net (loss) income before cumulative effect of change in accounting principle	$ (1,630)	$ 1,804	$ 2,161
Cumulative effect of change in accounting principle	(12,338)	-	-
Adjusted net (loss) income	$(13,968)	$ 1,804	$ 2,161
Reported basic net (loss) income per common share before cumulative effect of change in accounting principle	$ (.25)	$ .18	$ .23
Effect of discontinued amortization expense	-	.08	.08
Adjusted basic net (loss) income per common share before cumulative effect of change in accounting principle	(.25)	.26	.31
Cumulative effect of change in accounting principle	(2.06)	-	-
Adjusted basic net (loss) income per common share	$ (2.34)	$ .26	$ .31
Reported diluted net (loss) income per common share before cumulative effect of change in accounting principle	$ (.25)	$ .18	$ .23
Effect of discontinued amortization expense	-	.07	.07
Adjusted diluted net (loss) income per common share before cumulative effect of change in accounting principle	$ (.25)	$ .25	$ .30
Cumulative effect of change in accounting principle	(2.06)	-	-
Adjusted diluted net (loss) income per common share	$ (2.34)	$ .25	$ .30

NOTE B (CONTINUED)

As of March 30, 2003, the Company has reevaluated the impact of SFAS No. 142 on its goodwill, and no additional impairment charges were deemed necessary.

Total amortization expense for intangible assets was $278, $888 and $839 for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001. The Company estimates future annual amortization expense of approximately $261 per year for each of the next five years. In the fourth quarter of fiscal 2003, the Company recorded an impairment charge of $239 related to its favorable leases. This impairment charge, which was based upon the fact that such locations had incurred negative cash flows from operations for fiscal 2003 and are projected to incur negative cash flows in fiscal 2004, is recorded as a component of impairment charge on long-lived assets. (See Note B-11.)

11. Long-lived Assets

Long-lived assets and intangible assets 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. The Company has identified seven, two and one units that have been impaired, and recorded impairment charges of $1,367 (inclusive of $239 related to favorable leases), $685 and $127 in the statements of operations for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

The Company periodically reviews intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable. (See Note B - 10 for a description of impairment charges recorded on goodwill and other intangible assets during the fiscal year ended March 30, 2003 as a result of the adoption of SFAS No. 142.) No impairment charges were recorded with respect to such intangible assets for the fiscal years ended March 31, 2002 and March 25, 2001.

NOTE B (CONTINUED)

12. Self-Insurance

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 March 30, 2003 and March 31, 2002 were $596 and $1,346, respectively and are included in "Accrued expenses and other current liabilities" in the accompanying consolidated balance sheets. During the fiscal year ended March 30, 2003, the self insurance accrual was reduced by approximately $829, due principally to the satisfaction of a claim against the Company totaling $659 (see Note L) and the reversal of approximately $196 of previously recorded self insurance accruals in connection with the conclusion of claims relating to prior policy years.

13. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, marketable securities and investment in limited partnership, accounts receivable and accounts payable approximate fair value due to the short-term maturities of the instruments. The carrying amounts of note payable and capital lease obligations and notes receivable approximate their fair values as the current interest rates on such instruments approximates current market interest rates on similar instruments.

14. Stock-Based Compensation

At March 30, 2003, the Company has five stock-based employee compensation plans, which are described more fully in Note K. The Company accounts for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25") and has adopted the disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Accordingly, no compensation expense has been recognized in the consolidated financial statements in connection with employee stock option grants.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The following table illustrates the effect on net income and earnings per share had the Company applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	Fiscal year ended MARCH 30, 2003	March 31, 2002	March 25, 2001
Net (loss) income, as reported	$(13,968)	$ 1,249	$ 1,606
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all Awards	(165)	(410)	(358)
Pro forma net (loss) income	$(14,133)	$ 839	$ 1,248
(Loss) earnings per share			
Basic - as reported	$ (2.34)	$ .18	$ .23
Diluted - as reported	$ (2.34)	$ .18	$ .23
Basic - pro forma	$ (2.36)	$ .12	$ .18
Diluted - pro forma	$ (2.36)	$ .12	$ .18

Pro forma compensation expense may not be indicative of pro forma expense in future years. For purposes of estimating the fair value of each option on the date of grant, the Company utilized the Black-Scholes option-pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

The weighted-average option fair values and the assumptions used to estimate these values are as follows:

	2003	2002
Weighted-average option fair values	$2.19	$1.30
Expected life (years)	10.0	6.6
Interest rate	5.30%	4.06%
Volatility	32.8%	32.3%
Dividend yield	0%	0%

There were no options or warrants granted during fiscal 2001.

15. Start-up Costs

Preopening and similar costs are expensed as incurred.

16. Revenue Recognition - Company-owned Restaurants

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

17. Revenue Recognition - 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 the Company prior to the opening of a franchised restaurant:

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

- 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.
- Provide 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 March 30, 2003 and March 31, 2002, $127 and $332, respectively, of deferred franchise fees are included in the accompanying consolidated balance sheets. For the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, the Company earned franchise fees from new unit openings, transfers and co-branding of $417, $693 and $525, respectively. During the fiscal year ended March 30, 2003, the Company recognized $207 in connection with the forfeiture of two Master Development Agreements.

The following is a summary of franchise openings and closings for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001:

	2003	2002	2001
Franchised restaurants operating at the beginning of the period	364	386	415
New franchised restaurants opened during the period	24	18	21
Franchised restaurants closed during the period	(45)	(40)	(50)
Franchised restaurants operating at the end of the period	343	364	386

NOTE B (CONTINUED)

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. The Company 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.

18. Revenue Recognition - Branded Products Operations

The Company recognizes revenue from the Branded Product Program when it is determined that the products have been delivered via third party common carrier to Nathans' customers. An accrual for the cost of the product to the Company is recorded simultaneously with the revenue.

19. Interest Income

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

20. Investment and other income (loss)

The Company recognizes gains on the sale of fixed assets under the full accrual method in accordance with provisions of SFAS No.66 (See Note B-8).

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 (loss)" on the consolidated statement of operations. During the fiscal year ended March 30, 2003, the Company liquidated its investment in trading securities.

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

Investment and other income (loss) consists of the following:

	2003	2002	2001
Gain on disposal of fixed assets	$ 39	$1,226	$ -
Realized gains (losses) on marketable securities	(242)	7	(2)
Unrealized losses of trading securities	-	(43)	(420)
Loss on subleasing of rental properties	(243)	(215)	(194)
Gain from the early termination of sales agreement	135	-	-
Other income	467	593	1,682
	$ 156	$1,568	$1,066

21. Concentrations of Credit Risk

The Company's accounts receivable consist principally of receivables from franchisees for royalties and advertising contributions and from sales under the Branded Product Program. At March 30, 2003, no franchisee represented 10% or greater of franchise royalties receivable. At March 31, 2002, one franchisee represented 13% of franchise royalties receivable (Note D).

22. 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 $608, $940 and $1,602, for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

NOTE B (CONTINUED)

23. Classification of Operating Expenses

Cost of sales consists of the following:

- 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 Company-operated restaurants.
- Other direct costs of the Branded Product Program, such as commissions, freight and samples.

Restaurant operating expenses consist of the following:

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

24. Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. A valuation allowance has been established to reduce deferred tax assets attributable to net operating losses and credits of Miami Subs.

25. Reclassifications

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

NOTE B (CONTINUED)

26. Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 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. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has evaluated the effect of the adoption of SFAS No. 143 on its financial position and results of operations, and it is not expected to have a material impact on the financial position and results of operations of the Company.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current criteria for extraordinary classification. Additionally, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. In addition, SFAS No. 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. SFAS No. 145 also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. SFAS No. 145 has not had, and is not expected to have, a material impact on the financial position and results of operations of the Company.

NOTE B (CONTINUED)

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("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. SFAS No. 146 is effective for disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the financial position and results of operations of the Company.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("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 No. 148 provides alternative methods of transition for a voluntary change to fair value-based method of accounting for stock-based employee compensation. Additionally, SFAS No. 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. As discussed in Note B-14, the Company continues to account for stock-based compensation using the intrinsic value method in accordance with APB No. 25 and has adopted the disclosure provisions of SFAS No. 148. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of SFAS No. 148 had no impact on the financial position and results of operations of the Company.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 except for the provisions that were cleared by the FASB in prior pronouncements. The Company is currently evaluating the effect of the adoption of SFAS No. 149 on its financial position and results of operations.

NOTE B (CONTINUED)

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. This Statement shall be effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective for the year ended December 31, 2003. The Company is currently evaluating the effect of the adoption of SFAS No. 150 on its financial position and results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No. 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or

(in thousands, except share and per share amounts)

NOTE B (CONTINUED)

entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has adopted FIN No. 46 effective January 31, 2003. The Company does not anticipate that the adoption of FIN No. 46 will have a material impact on the Company's consolidated financial condition or results of operations taken as a whole.

NOTE C - (LOSS) INCOME PER SHARE

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

The following chart provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively:

	(Loss) income from continuing operations			Shares			(Loss) income per share From continuing operations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Basic EPS									
Basic calculation	$(1,506)	$1,392	$1,585	5,976,000	7,048,000	7,059,000	$(.25)	$.20	$.23
Effect of dilutive employee stock options and warrants	-	-	-	-	35,000	39,000	-	-	-
Diluted EPS									
Diluted calculation	$(1,506)	$1,392	$1,585	5,976,000	7,083,000	7,098,000	$(.25)	$.20	$.23

Options, warrants and common stock purchase rights to purchase 12,369,280 shares of the Company's common stock for the year ended March 30, 2003 were excluded from the calculation of diluted loss per share as the impact of their inclusion would have been anti-dilutive. Options, warrants and common stock purchase rights to purchase 11,226,016 and 11,019,142 shares of common stock for the years ended March 31, 2002 and March 25, 2001, respectively, were not included in the computation of diluted earnings per share because the exercise prices exceeded the average market price of common shares during the respective periods.

(in thousands, except share and per share amounts)

NOTE D - NOTES AND ACCOUNTS RECEIVABLE, NET

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

	MARCH 30, 2003	March 31, 2002
Notes receivable, net of impairment charges	$ 998	$ 2,662
Franchise and license royalties	1,465	1,376
Branded product sales	737	785
Other	565	906
	3,765	5,729
Less: allowance for doubtful accounts	418	644
Less: notes receivable due after one year	740	2,277
Notes and accounts receivable, net	$ 2,607	$ 2,808

Notes receivable at March 30, 2003 and March 31, 2002 principally resulted from sales of restaurant businesses to Miami Sub's and Nathan's franchisees and are generally guaranteed by the purchaser and collateralized by the restaurant businesses and assets sold. The notes are generally due in monthly installments of principal and interest with a balloon payment at the end of the term, with interest rates ranging principally between 5% and 10%.

Accounts receivable are due within 30 days and are stated at amounts due from franchisees and licensors, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible.

(in thousands, except share and per share amounts)

NOTE D (CONTINUED)

Changes in the Company's allowance for doubtful accounts is as follows:

	2003	2002	2001
Beginning balance	$ 644	$ 880	$ 809
Bad debt expense	82	267	191
Other	-	27	27
Accounts written off	(308)	(530)	(147)
Ending balance	$ 418	$ 644	$ 880

NOTE E - MARKETABLE SECURITIES AND INVESTMENT IN LIMITED PARTNERSHIP

The cost, gross unrealized gains, gross unrealized losses and fair market value for marketable securities by major security type at March 30, 2003 and March 31, 2002 are as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
2003:				
Available-for-sale securities:				
Bonds	$4,513	$ 181	$ (71)	$4,623
2002:				
Trading securities:				
Bonds	$7,821	$ -	$ (20)	$7,801
Investment in limited partnership	1,020	-	(2)	1,018
	$8,841	$ -	$ (22)	$8,819

(in thousands, except share and per share amounts)

NOTE E (CONTINUED)

Proceeds from the sale of available-for-sale and trading securities and the resulting gross realized gains and losses included in the determination of net income are as follows:

	2003	2002	2001
Available-for-sale securities:			
Proceeds	$6,088	$ -	$ -
Gross realized gains	12	-	-
Gross realized losses	(2)	-	-
Trading securities:			
Proceeds	$ 767	$2,933	$2,564
Gross realized gains	-	8	-
Gross realized losses	(252)	(1)	(2)

Effective April 1, 2002, the Company transferred the Company's bond portfolio formerly classified as trading securities to available securities for sale due to a change in the Company's investment strategies. As required by FASB Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities", the transfer of these securities between categories of investments has been accounted for at fair value and the unrealized holding loss previously recorded through April 1, 2002 of $20 from the trading category has not been reversed. The unrealized gain for the fiscal year ended March 30, 2003 totaling $64 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 of investment and other income in the consolidated statement of operations. During the fiscal year ended March 30, 2003, the Company liquidated its investment in limited partnership and received proceeds of $767 and recorded a loss of $252 which is included as a component of investment and other income in the accompanying consolidated statement of operations for the fiscal year ended March 30, 2003.

(in thousands, except share and per share amounts)

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	MARCH 30, 2003	March 31, 2002
Construction-in-progress	$ 31	$ 842
Land	1,665	1,665
Building and improvements	2,255	2,245
Machinery, equipment, furniture and fixtures	5,297	6,602
Leasehold improvements	4,042	7,201
	13,290	18,555
Less: accumulated depreciation and amortization	7,027	9,630
	$ 6,263	$ 8,925

Depreciation expense on property and equipment was $1,907, $1,661 and $1,791 for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

1. Sales of Restaurants

On April 1, 2002, 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 No. 144"). This statement supersedes SFAS No. 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 No. 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 will have no further involvement in such restaurant's operations.

NOTE F (CONTINUED)

During the fiscal year ended March 30, 2003, 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 as a component of continuing operations in the accompanying consolidated statements of operations for the fiscal year ended March 30, 2003. In December 2002, the Company abandoned the operations of one Company-owned restaurant pursuant to a lease termination agreement with the landlord. The results of operations for this restaurant have been classified as discontinued operations as the Company does not have any continuing involvement or a continuing stream of cash flows with this restaurant.

As discussed in Note F-2 below, during fiscal 2003, the Company also abandoned the operations of seven company-operated restaurants located within certain Home Depot Improvement Centers. Pursuant to SFAS No. 144, the results of operations for all seven of these restaurants have been presented as discontinued operations in the accompanying consolidated statement of operations, as the Company has no continuing involvement or cash flows relating to any of these restaurants.

During the fiscal year ended March 31, 2002, the Company sold two company-owned restaurants and a non-restaurant property for total proceeds of $3,348. The Company recognized a gain of $1,226 in connection with these sales.

In May 2001, the Company completed the sale of a restaurant property for approximately $1,500 pursuant to an order of condemnation by the State of Florida. The fair value of the assets (which approximated the carrying value) was included in the current portion of assets available for sale at March 25, 2001. Concurrent with the sale, the Company satisfied the related note payable of approximately $793 plus accrued interest, and accordingly, had classified the remaining balance at March 25, 2001 as current in the consolidated balance sheet. The Company appealed the value of this property and on November 19, 2001, an Order was entered by the Circuit Court of the 11th Judicial Circuit of Florida in and for Miami-Dade County pursuant to which the State of Florida Department of Transportation was ordered to pay to the Company, an aggregate value of $2,350, plus legal fees in the amount of $253 in connection with the condemnation by the State of Florida of the restaurant. The additional proceeds received by the Company of approximately $850 is recorded as a component of "investment and other income" in the accompanying consolidated statement of operations.

(in thousands, except share and per share amounts)

NOTE F (CONTINUED)

2. 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 seven License Agreements with the Company pursuant to which the Company operated Nathan's restaurants in certain Home Depot Improvement Centers. In accordance with the termination notices, the Company ceased its operations in all seven Home Depot locations during the fiscal year ended March 30, 2003.

Pursuant to SFAS No. 144, the results of operations for all seven of these restaurants, have been presented as discontinued operations in the accompanying consolidated statement of operations as the Company has no continuing involvement or cash flows relating to any of these restaurants. The Company revised the estimated useful lives of these assets to reflect the shortened useful lives and recorded additional depreciation expense of approximately $428 during the fiscal year ended March 30, 2003. Pursuant to the termination provisions of certain of the lease agreements with Home Depot, the Company received payments of $184.

Following is a summary of the results of operations for these seven restaurants for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001:

	2003	2002	2001
Revenues	$ 3,096	$ 4,099	$ 3,990
(Loss) income before income taxes (A)	$ (166)	$ 316	$ 262

(A) - (Loss) income before income taxes for the fiscal year ended March 30, 2003 includes additional depreciation expense of $428, as a result of revising the estimated useful lives of these restaurants.

(in thousands, except share and per share amounts)

NOTE F (CONTINUED)

3. Discontinued Operations

As described in Notes F-1 and F-2 above, the Company has classified the results of eight restaurants as discontinued operations in accordance with SFAS No. 144. The following is a summary of the results of operations for these eight restaurants for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001:

	2003	2002	2001
Revenues	$ 3,543	$ 4,857	$ 4,947
(Loss) income before income taxes (A)	$ (206)	$ (238)	$ 35

(A) - (Loss) income before income taxes for the fiscal year ended March 30, 2003 includes additional depreciation expense of $428, as a result of revising the estimated useful lives of these restaurants.

At March 30, 2003, in accordance with SFAS No. 144, the Company has classified the net fixed assets of four restaurants as held for sale in the accompanying consolidated balance sheet.

NOTE G - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	MARCH 30, 2003	March 31, 2002
Payroll and other benefits	$1,324	$1,455
Professional and legal costs	349	407
Self-insured retention	596	1,346
Rent, occupancy and lease reserve termination costs	739	831
Taxes payable	556	595
Other	1,378	1,872
	$4,942	$6,506

(in thousands, except share and per share amounts)

NOTE G (CONTINUED)

Lease Reserve Termination Costs

In connection with the Company's acquisition of Miami Subs, Nathan's planned to permanently close 18 under-performing company-owned restaurants, Nathan's expected to abandon or sell the related assets at amounts below the historical carrying amounts recorded by Miami Subs. In accordance with APB No. 16 "Business Combinations", the write-down of these assets was reflected as part of the purchase price allocation. To date the Company has closed or sold 17 units. The Company continues to market the remaining property for sale. As of March 30, 2003, the Company has recorded charges to operations of approximately $1,461 ($877 after tax) for lease reserves and termination costs in connection with these properties.

NOTE H - NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS

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

	MARCH 30, 2003	March 31, 2002
Note payable to bank at 8.5% through January 2003, 4.5% from February 2003 through January 2006 and adjusting to prime plus 0.25% in February 2006 and 2009 and maturing in 2010	$ 1,167	$ 1,333
Note payable to bank at 8.75% and maturing in 2003	-	381
Capital lease obligations and other	59	65
	1,226	1,779
Less current portion	(173)	(559)
Long-term portion	$ 1,053	$ 1,220

The above notes are secured by the related property and equipment.

(in thousands, except share and per share amounts)

NOTE H (CONTINUED)

In August 2001, Miami Subs entered into an agreement with a franchisee and a bank, which called for the assumption of a note payable by the franchisee and the repayment of an existing note receivable from the franchisee. The Company guarantees the franchisee's note payable with the bank. The Company's maximum obligation for loans funded by the lender was approximately $297 as of March 30, 2003.

At March 30, 2003, the aggregate annual maturities of notes payable and capitalized lease obligations are as follows:

2004	$ 173
2005	173
2006	174
2007	175
2008	175
Thereafter	356
	$ 1,226

The Company maintains a $7,500 line of credit with its primary banking institution. Borrowings under the line of credit are intended to be used to meet the normal short-term working capital needs of the Company. The line of credit is not a commitment and, therefore, credit availability is subject to ongoing approval. The line of credit expires on October 1, 2003, and bears interest at the prime rate (4.25% at March 30, 2003). There were no borrowings outstanding under this line of credit as of March 30, 2003.

NOTE I - OTHER EXPENSE (INCOME), NET

Included in other expense (income), in the accompanying consolidated statements of operations is (i) $232 in lease reserves in connection with four vacant properties for the fiscal year ended March 30, 2003 (ii) the reversal of a previous litigation accrual of ($210) for the fiscal year ended March 31, 2002 and (iii) $463 in lease termination costs for the fiscal year ended March 25, 2001.

(in thousands, except share and per share amounts)

NOTE I (CONTINUED)

During the quarter ended June 24, 2001, the Company reversed an accrual of $210 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. 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 the Murray Family Trust. In May 1998, the trial court awarded the Murray Family Trust compensatory damages in the amount of $200, 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 J - INCOME TAXES

Income tax provision (benefit) consists of the following for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001:

	2003	2002	2001
Federal			
Current	$ -	$ 985	$ 865
Deferred	(281)	(93)	246
	(281)	892	1,111
State and local			
Current	46	181	224
Deferred	(48)	(16)	67
	(2)	165	291
	$ (283)	$ 1,057	$ 1,402

(in thousands, except share and per share amounts)

NOTE J (CONTINUED)

Total income tax (benefit) provision for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001 differs from the amounts computed by applying the United States Federal income tax rate of 34% to income before income taxes as a result of the following:

	2003	2002	2001
Computed "expected" tax (benefit) expense	$ (609)	$ 833	$ 1,016
Nondeductible amortization	99	169	222
Impairment on nondeductible favorable lease intangible assets	87	-	-
State and local income taxes, net of Federal income tax benefit	140	106	199
Tax-exempt investment earnings	(48)	(68)	(30)
Nondeductible meals and entertainment and other	48	17	(5)
	$ (283)	$ 1,057	$ 1,402

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

	MARCH 30, 2003	March 31, 2002
Deferred tax assets		
Accrued expenses	$ 672	$ 1,164
Allowance for doubtful accounts	167	291
Impairment of notes receivable	855	256
Deferred revenue	806	978
Depreciation expense and impairment of long-lived assets	1,152	1,101
Expenses not deductible until paid	238	130
Amortization of intangibles	407	105
Net operating loss and other carryforwards	1,540	676
Other	101	59
Total gross deferred tax assets	5,938	4,760
Deferred tax liabilities		
Amortization of intangibles	80	422
Unrealized gain on marketable securities and income on investment in limited partnership	46	207
Other	335	320
Total gross deferred tax liabilities	461	949
Net deferred tax asset	5,477	3,811
Less valuation allowance	(751)	(525)
	$ 4,726	$ 3,286

NOTE J (CONTINUED)

The determination that the net deferred tax asset of $4,726 and $3,286 at March 30, 2003 and March 31, 2002, respectively, is realizable is based on anticipated future taxable income.

At March 30, 2003, as result of settling the Miami Subs IRS audits for the years 1991 through 1996, the Company had a net operating loss carryforward ("NOL") of approximately $1,289 remaining (after certain IRS agreed-upon adjustments and other reductions due to expiring losses) which is available to offset future taxable income through 2005 and general business credit carryforwards remaining of approximately $120 which may be used to offset liabilities through 2008. These losses and credits are subject to limitations imposed under the Internal Revenue Code pursuant to Sections 382 and 383 regarding changes in ownership. As a result of these limitations, the Company has recorded a valuation allowance for the Miami Subs loss carryforwards and credits related to the acquisition (See Note L-3). The valuation allowance also includes various state NOL's related to the post-acquisition losses of Miami Subs not utilized on a consolidated basis and carried forward on a state basis.

NOTE K - STOCKHOLDER'S EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS

1. Stock Option Plans

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

NOTE K (CONTINUED)

On May 24, 1994, the Company adopted the Outside Director Stock Option Plan (the "Directors' Plan"), which provides for the issuance of nonqualified stock options to nonemployee directors, as defined, of the Company. Under the Directors' Plan, 200,000 shares of common stock have been authorized and issued pursuant to the Directors' Plan. Options awarded to each nonemployee director are fully vested, subject to forfeiture under certain conditions and shall be exercisable upon vesting.

In April 1998, the Company adopted the Nathan's Famous Inc. 1998 Stock Option Plan (the "1998 Plan"), which provides for the issuance of nonqualified stock options to directors, officers and key employees. Up to 500,000 shares of common stock have been reserved for issuance under the 1998 Plan.

In June 2001, the Company adopted the Nathan's Famous Inc. 2001 Stock Option Plan (the "2001 Plan"), which provides for the issuance of nonqualified stock options to directors, officers and key employees. Up to 350,000 shares of common stock have been reserved for issuance under the 2001 Plan.

In June 2002, the Company adopted the Nathan's Famous Inc. 2002 Stock Incentive Plan (the "2002 Plan"), which provides for the issuance of nonqualified stock options or restricted stock awards to directors, officers and key employees. Up to 300,000 shares of common stock have been reserved for issuance under the 2002 Plan.

The 1992 Plan expired with respect to the granting of new options on December 2, 2002. The 1998 Plan, the 2001 Plan, the 2002 Plan and the Directors' Plan expire on April 5, 2008, June 13, 2011, June 17, 2012 and December 31, 2004, respectively, unless terminated earlier by the Board of Directors under conditions specified in the Plan.

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

NOTE K (CONTINUED)

2. Warrants

In November 1993, the Company granted to its Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of the Company's common stock at an exercise price of $9.71 per share, representing 105% of the market price of the Company's common stock on the date of grant, which exercise price was reduced on January 26, 1996 to $4.50 per share. The shares vested at a rate of 25% per annum commencing November 1994 and the warrant expires in November 2003.

On July 17, 1997, the Company granted to its Chairman and Chief Executive Officer a warrant to purchase 150,000 shares of the Company's common stock at an exercise price of $3.50 per share, representing the market price of the Company's common stock on the date of grant. The shares vested at a rate of 25% per annum commencing July 17, 1998 and the warrant expires in July 2007.

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

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

(in thousands, except share and per share amounts)

NOTE K (CONTINUED)

A summary of the status of the Company's stock option plans and warrants, excluding warrants issued to former shareholders of Miami Subs, at March 30, 2003, March 31, 2002 and March 25, 2001 and changes during the fiscal years then ended is presented in the tables and narrative below:

	2003		2002		2001	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Options outstanding - beginning of year	1,821,146	$ 4.29	1,514,209	$ 3.86	1,614,924	$ 4.79
Granted	40,000	3.96	307,000	3.20	-	-
Expired	(106,897)	7.32	(63)	6.20	(100,715)	10.60
Options outstanding - end of year	1,754,249	4.01	1,821,146	4.29	1,514,209	3.86
Options exercisable - end of year	1,502,124		1,367,479		1,220,876	
Weighted-average fair value of options granted		$ 2.19		$ 1.30		$ -
Warrants outstanding - beginning of year	318,750	$ 4.62	368,750	$ 4.53	401,200	$ 5.66
Expired	-	-	(50,000)	3.94	(32,450)	18.61
Warrants outstanding - end of year	318,750	4.62	318,750	4.62	368,750	4.53
Warrants exercisable - end of year	318,750		318,750		368,750	
Weighted-average fair value of warrants granted		$ -		$ -		$ -

At March 30, 2003, 413,500 common shares were reserved for future stock option grants.

(in thousands, except share and per share amounts)

NOTE K (CONTINUED)

The following table summarizes information about stock options and warrants (excluding warrants issued to the Miami Subs shareholders as part of the merger consideration) at March 30, 2003:

	Options and warrants outstanding			Options and warrants exercisable	
Range of exercise prices	Number outstanding at 3/30/03	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at 3/30/03	Weighted-average exercise price
$ 3.19 to $ 4.00	1,499,558	5.8	$ 3.36	1,247,433	$ 3.37
4.01 to 6.60	507,691	1.7	5.18	507,691	5.18
6.61 to 22.25	65,750	1.4	14.99	65,750	14.99
$ 3.19 to$ 22.25	2,072,999	4.7	$ 4.18	1,820,874	$ 4.30

3. Common Stock Purchase Rights

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

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

NOTE K (CONTINUED)

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

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. The Company has reserved 10,130,741 shares of Common Stock for issuance upon exercise of the Rights.

4. Stock Repurchase Plan

On September 14, 2001, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 shares of the Company's common stock. As part of the stock repurchase plan, on April 10, 2002, the Company repurchased 751,000 shares of the Company's common stock for aggregate consideration of $2,741 in a private transaction with a stockholder. The Company completed its initial Stock Repurchase Plan at a cost of approximately $3,670 during the fiscal year ended March 30, 2003. On October 7, 2002, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 additional shares of the Company's common stock. 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. The Company expects to fund these stock repurchases from its operating cash flow. Through March 30, 2003, 641,238 additional shares have been repurchased at a cost of approximately $2,323.

5. Employment Agreements

The Company and its Chairman and Chief Executive Officer entered into a new employment agreement effective as of January 1, 2000. The new employment agreement expires December 31, 2004. Pursuant to the agreement, the officer receives a base salary of $1.00 and an annual bonus equal to 5% of the Company's consolidated pretax earnings for each fiscal year, with a minimum bonus of $250. The new employment agreement further provides for a three-year consulting period after termination of employment during which the officer will receive consulting payments in an annual amount equal to two thirds of the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination of his employment. The employment

NOTE K (CONTINUED)

agreement also provides for the continuation of certain benefits following death or disability. In connection with the agreement, the Company issued to the officer 25,000 shares of common stock with a fair market value at the date of grant of approximately $78.

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

The Company and its President and Chief Operating Officer entered into an employment agreement on December 28, 1992 for a period commencing on January 1, 1993 and ending on December 31, 1996. The employment agreement has been extended annually through December 31, 2002, based on the original terms, and no nonrenewal notice has been given as of May 23, 2003. The agreement provides for annual compensation of $275 plus certain other benefits. In November 1993, the Company amended this agreement to include a provision under which the officer has the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and the President of Miami Subs, pursuant to the merger agreement, entered into an employment agreement on September 30, 1999 for a period commencing on September 30, 1999 and ending on September 30, 2002. The agreement provides for annual compensation of $200 plus certain other benefits and automatically renews annually unless 180 days prior written notice is given to the employee. No nonrenewal notice has been given as of May 23, 2003. The agreement includes a provision under which the officer has the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined. In the event a nonrenewal notice is delivered, the Company must pay the officer an amount equal to the employee's base salary as then in effect.

NOTE K (CONTINUED)

The Company and one executive of Miami Subs entered into a change of control agreement effective November 1, 2001 for annual compensation of $130 per year. The agreement additionally includes a provision under which the executive has the right to terminate the agreement and receive payment equal to approximately three times annual compensation upon a change in control, as defined.

The Company and one executive of Miami Subs entered into an employment agreement effective as of July 1, 2001 for a period commencing on the date of the agreement and ending in July 2003 and for compensation of $125 per year. In March 2003, the Company notified the executive that it did not intend to renew the employment agreement with the employee. The Company and another executive of Miami Subs entered into an employment agreement effective August 1, 2001 for a period commencing on the date of the agreement and ending on September 30, 2003 and for compensation at $90 per year. Each agreement also provides for certain other benefits. Each agreement additionally includes a provision under which the executive has the right to terminate the agreement and receive payment equal to the employee's annual compensation upon a change in control, as defined.

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

6. 401(k) Plan

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all nonunion employees over age 21 who have been employed by the Company for at least one year. Employees may contribute to the plan, on a tax-deferred basis, up to 15% of their total annual salary. Company contributions are discretionary. Beginning with the plan year ending February 28, 1994, the Company elected to match contributions at a rate of $.25 per dollar contributed by the employee on up to a maximum of 3% of the employee's total annual salary. Employer contributions for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001 were $25, $36 and $25, respectively.

7. Other Benefits

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

(in thousands, except share and per share amounts)

NOTE L - COMMITMENTS AND CONTINGENCIES

1. Commitments

The Company's operations are principally conducted in leased premises. The leases generally have initial terms ranging from 5 to 20 years and usually provide for renewal options ranging from 5 to 20 years. Most of the leases contain escalation clauses and common area maintenance charges (including taxes and insurance). Certain of the leases require additional (contingent) rental payments if sales volumes at the related restaurants exceed specified limits. As of March 30, 2003, the Company has noncancelable operating lease commitments, net of certain sublease rental income, as follows:

	Lease commitments	Sublease income	Net lease commitments
2004	$ 4,204	$ 1,969	$ 2,235
2005	4,110	1,928	2,182
2006	3,931	1,816	2,115
2007	3,753	1,682	2,071
2008	3,132	1,390	1,742
Thereafter	6,527	3,821	2,706
	$ 25,657	$ 12,606	$13,051

Aggregate rental expense, net of sublease income, under all current leases amounted to $2,340, $2,734 and $3,549 for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

The Company also owns or leases sites, which it leases or subleases to franchisees which expire on various dates through 2016 exclusive of renewal options. The Company remains liable for all lease costs when properties are subleased to franchisees.

The Company also subleases non-Miami Subs locations to third parties. Such sub-leases provide for minimum annual rental payments by the Company aggregating approximately $2,179 and expire on various dates through 2010 exclusive of renewal options.

NOTE L (CONTINUED)

Contingent rental payments on building leases are typically made based on the percentage of gross sales on the individual restaurants that exceed predetermined levels. The percentage of gross sales to be paid and related gross sales level vary by unit. Contingent rental expense was approximately $88, $129 and $123 for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

The Company guarantees certain equipment financing for franchisees with a third-party lender. The Company's maximum obligation, should the franchisees default on the required monthly payment to the third-party lender, for loans funded by the lender, as of March 30, 2003, was approximately $707. The equipment financing expires at various dates through fiscal 2008.

The Company also guarantees a franchisee's note payable with a bank. The note payable matures in fiscal 2007. The Company's maximum obligation, should the franchisee default on the required monthly payments to the bank, for loans funded by the lender, as of March 30, 2003, was approximately $297.

2. Contingencies

An action has been commenced, in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida in September 2001 against Miami Subs and EKFD Corporation, a Miami Subs franchisee ("the franchisee") claiming negligence in connection with a slip and fall which allegedly occurred on the premises of the franchisee for unspecified damages. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisee is obligated to indemnify Miami Subs and hold them harmless against claims asserted and procured an insurance policy which named Miami Subs as an additional insured. Miami Subs has denied any liability to plaintiffs and has made demand upon the franchisee's insurer to indemnify and defend against the claims asserted. The insurer has agreed to indemnify and defend Miami Subs and has assumed the defense of this action for Miami Subs.

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 of which $650 had been accrued as of March 31, 2002.

NOTE L (CONTINUED)

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 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 had served a notice of appearance and demand for a complaint. On March 31, 2003, this action was dismissed without prejudice by stipulation.

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

3. Miami Subs Tax Audit

As a result of the Miami Subs acquisition, the Company obtained a net operating loss carryforward of approximately $5,900 and a general business credit carryforward of approximately $274. The Miami Subs Federal income tax returns for all fiscal years 1991 through 1996, inclusive, have been examined by the Internal Revenue Service. In January 2002, the Miami Subs tax audit was settled with the IRS Appeals Office. The settlement resulted in a reduction of the net operating loss carryforward to $4,004 and an adjustment to the general business credit to $300. Each of these carryforwards were subject to reductions due to various expiration dates. In addition to these adjustments, the Company made tax and interest payments totaling $344 in full settlement of the audit. As of March 30, 2003, the remaining net operating loss carryforward is $1,289 and the remaining general business credit is $120. These losses and credits are subject to limitations imposed under the Internal Revenue Code pursuant to sections 382 and 383 regarding changes in ownership. As a result of these limitations, the Company has recorded a valuation allowance for the remaining Miami Subs loss carryforwards and credits related to the acquisition. The valuation allowance also includes various state NOL's related to the post-acquisition losses of Miami Subs not utilized on a consolidated basis and carried forward on a state basis.

NOTE M - RELATED PARTY TRANSACTIONS

As of March 30, 2003, Miami Subs leased two restaurant properties from Kavala, Inc., a private company owned by Gus Boulis, a former shareholder of Miami Subs. Future minimum rental commitments due to Kavala at March 30, 2003 under these existing leases was approximately $1,074. Rent expense under these two leases amounted to $198, $182 and $181 for the fiscal years ended March 30, 2003, March 31, 2002 and March 25, 2001, respectively.

Mr. Donald L. Perlyn has been an officer of Miami Subs since 1990, a Director since 1997 and President and Chief Operating Officer since July 1998. Mr. Perlyn has been a director of Nathan's since October 1999. Mr. Perlyn served as a member of the Board of Directors of Arthur Treacher's, Inc. until March 2002 when Arthur Treacher's, Inc. was sold in a private transaction. Miami Subs has been granted certain exclusive co-branding rights by Arthur Treacher's, Inc. and Mr. Perlyn had been granted options to acquire approximately 175,000 shares of Arthur Treacher's, Inc. common stock. These options were converted into options of the entity that sold Arthur Treacher's, Inc.

NOTE N - SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of fiscal 2003, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable, certain fixed assets and certain intangible assets. In connection therewith, impairment charges on certain notes receivable of $883 and impairment charges on fixed assets of $896 were recorded in the fourth quarter. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

During the fourth quarter of fiscal 2002, the Company's management continued to monitor and evaluate the collectibility and potential impairment of its assets, in particular, notes receivable and certain fixed assets. In connection therewith, impairment charges on certain notes receivable of $185 and impairment charges on fixed assets of $685 were recorded in the fourth quarter. It is management's opinion that these adjustments are properly recorded in the fourth quarter based upon the facts and circumstances that became available in that period.

(in thousands, except share and per share amounts)

NOTE O - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2003				
TOTAL REVENUES (a)	$ 9,666	$ 9,565	$ 7,536	$ 7,163
GROSS PROFIT (a), (b)	2,397	2,665	1,674	1,434
NET (LOSS) INCOME	(11,992)	110	(106)	(1,980)
PER SHARE INFORMATION				
NET (LOSS) INCOME PER SHARE				
BASIC (c)	$ (1.89)	$ .02	$ (.02)	$ (.36)
DILUTED (c)	$ (1.89)	$ .02	$ (.02)	$ (.36)
SHARES USED IN COMPUTATION OF NET (LOSS) INCOME PER SHARE				
BASIC (c)	6,354,000	6,105,000	5,878,000	5,568,000
DILUTED (c)	6,354,000	6,229,000	5,878,000	5,568,000
Fiscal Year 2002				
Total revenues (a)	$ 10,558	$ 10,591	$ 9,184	$ 9,209
Gross profit (a), (b)	2,514	2,820	1,960	1,862
Net income (loss)	962	654	263	(630)
Per share information				
Net income (loss) per share				
Basic (c)	$ .14	$ .09	$ .04	$ (.09)
Diluted (c)	$ .14	$ .09	$ .04	$ (.09)
Shares used in computation of net income (loss) per share				
Basic (c)	7,065,000	7,065,000	7,038,000	7,024,000
Diluted (c)	7,084,000	7,080,000	7,062,000	7,024,000

(a) Quarterly results have been adjusted to reflect the results of operations of restaurants that are classified as discontinued operations at March 30, 2003 as discontinued operations for all periods presented

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

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

THE BELOW REPORT OF ARTHUR ANDERSEN LLP ("ANDERSEN") IS A COPY OF THE PREVIOUSLY ISSUED REPORT OF ANDERSEN AND THE REPORT HAS NOT BEEN REISSUED BY ANDERSEN.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Nathan's Famous, Inc. and Subsidiaries:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Nathan's Famous, Inc. and subsidiaries, included in this Form 10-K and have issued our report thereon dated June 14, 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Melville, New York
June 14, 2001

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C		COL. D	COL. E
		(1)	(2)		
Description	Balance at beginning of period	Additions charged to costs and expenses	Additions charged to other accounts	Deductions	Balance at end of period
FIFTY-THREE WEEKS ENDED MARCH 30, 2003					
ALLOWANCE FOR DOUBTFUL ACCOUNTS - NOTES AND ACCOUNTS RECEIVABLE	$644	$ 82	$ -	$ 308(a)	$418
LEASE RESERVE AND TERMINATION COSTS	$336	$209	$ -	$ 16(d)	$529
Fifty-three weeks ended March 31, 2002					
Allowance for doubtful accounts - notes and accounts receivable	$880	$267	$ 27(b)	$ 530(a)	$644
Lease reserve and termination costs	$678	$ 30	$ -	$ 372(d)	$336
Fifty-two weeks ended March 25, 2001					
Allowance for doubtful accounts - notes and accounts receivable	$809	$191	$ 27 (b)	$ 147(a)	$880
Lease reserve and termination costs	$974	$463	$ 801 (c)	$ 1,560(d)	$678

(a) Uncollectible amounts written off

(b) Provision charged to advertising fund

(c) Lease termination charge to purchase accounting

(d) Payment of lease termination and other costs

EXHIBIT 10.24

MASTER DISTRIBUTOR

AGREEMENT

FOR

NATHAN'S FAMOUS SYSTEMS, INC.

WAYNE NORBITZ
PRESIDENT & COO

NANCY MURPHY
VICE PRESIDENT OF PURCHASING

FEBRUARY 5, 2003

MASTER DISTRIBUTION AGREEMENT

THIS MASTER DISTRIBUTION AGREEMENT (THE "AGREEMENT") IS MADE AS OF THE 16TH DAY OF SEPTEMBER 2002 BY AND BETWEEN U.S. FOODSERVICE, INC., d/b/a U.S. FOODSERVICE(TM), A DELAWARE CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS LOCATED AT 9755 PATUXENT WOODS DRIVE, COLUMBIA, MD 21046, ON ITS OWN BEHALF AND ON BEHALF OF ITS SUBSIDIARIES ("USF") AND NATHAN'S FAMOUS SYSTEMS, INC. ("NATHAN'S FAMOUS"), A DELAWARE CORPORATION, NF ROASTERS CORP. ("NFR"), A DELAWARE CORPORATION, AND MIAMI SUBS CORPORATION ("MSC"), A FLORIDA CORPORATION. AS USED IN THIS AGREEMENT, "NATHAN'S" IS MEANT TO REFER COLLECTIVELY TO NATHAN'S FAMOUS, NFR AND MSC. NATHAN'S MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS LOCATED AT 1400 OLD COUNTRY ROAD, WESTBURY, NY 11590.

RECITALS:

A. WHEREAS, NATHAN'S OWNS AND OPERATES, AND GRANTS FRANCHISES TO THIRD PARTIES TO OWN AND OPERATE, RESTAURANTS UNDER THE MARKS "KENNY ROGERS ROASTERS", "MIAMI SUBS", AND "NATHAN'S FAMOUS" ("UNITS");

2. WHEREAS, Nathan's desires to designate a Master Distributor to perform a substantial portion of the purchasing, warehousing and distribution functions for food and related non-food products for Nathan's and its franchisees;

3. USF carries or is willing to carry certain products required by the Units; and

D. WHEREAS, USF desires to perform the functions of purchasing, warehousing and distributing certain products for and to the Units.

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

AGREEMENT:

1. SUBJECT MATTER OF AGREEMENT. Nathan's hereby appoints USF as its Master Distributor in the United States, and USF hereby accepts such appointment. In connection therewith, Nathan's agrees to purchase from USF, and USF agrees to purchase, warehouse, sell and distribute to the Units certain products in accordance with the terms and conditions contained herein. A summary of program assumptions ("Assumptions") used to create the Master Distributor Program as described herein and a list of Units to be serviced by USF are outlined on ATTACHMENT A. The service benefits defined for this program are automatically extended to any area that is currently serviced by the distribution centers identified on ATTACHMENT A provided all parameters and requirements of the program are met.

2. PRODUCTS:

1. Product Categories. USF shall supply the Units with items ordered by the Units that are within the categories of products as Nathan's and USF may agree to in writing (collectively, "Specified Products"). With respect to the categories of products to be distributed to the Units, USF offers a wide variety of Private and Signature Brand Products that offer quality and value. A list of these items can be found on ATTACHMENT B.

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

   i. The Units purchase from USF a minimum of five (5) cases per week per item, per distribution center or twelve (12) turns per year with the following exceptions:

      - TEN (10) SLOW-MOVING ITEMS (LESS THAN FIVE CASES PER WEEK) WILL BE PERMITTED AT NO ADDITIONAL CHARGE AT EACH DISTRIBUTION CENTER.

      - ANY ADDITIONAL SLOW-MOVING ITEMS (LESS THAN FIVE CASES PER WEEK) UP TO A MAXIMUM OF TEN ITEMS WILL BE ALLOWED TO REMAIN IN INVENTORY FOR AN ADDITIONAL $1.00 PER CASE FEE WHICH WILL BE ADDED TO THE DELIVERED COST OF THE PRODUCTS, INCLUDING THE AGREED UPON 10.5% MARGIN.

   2. A minimum of thirty (30) days written notice is required for new products to be brought into USF inventory for distribution.

   iii. Nathan's will notify USF at least fourteen (14) days in advance of special promotions that may cause unusual or excessive demand on inventory. Nathan's will make all reasonable efforts to communicate with maximum lead time, and USF will use all reasonable efforts to expedite promotional product information and inventories.

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

   3. Nathan's contracts with manufacturers and manufacturer representatives will be honored by USF. Under no circumstances will USF implement manufacturer deviated pricing without written confirmation from the specific

manufacturer. If Nathan's has contracts with a given manufacturer for products not stocked by USF, Nathan's will give consideration to similar products stocked by USF provided that the stocking manufacturer will equalize the pricing.

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

5) Nathan's will be responsible for the disposition of items showing no movement for thirty-five (35) days ("Dead Inventory"), if USF has sent Nathan's adequate prior written notice that there is Dead Inventory. If such Dead Inventory is not distributed within ten (10) days thereafter, and the Dead Inventory has been warehoused in accordance with industry standard, USF will be reimbursed for any loss on the cost of said product that is returned to vendors or disposed of in any manner other than distribution through normal channels. If said product is distributed through normal channels, the normal mark-up will apply. Nathan's and the Units will be responsible for re-stocking charges or freight cost incurred.

6) USF will notify Nathan's in writing of items moving less than five (5) cases per week ("Slow Inventory"). Nathan's and the Units shall have thirty (30) days to increase movement of such Slow Inventory to five (5) cases per week. If such movement does not occur, Nathan's and the Units will discontinue the use of Slow Inventory and use an alternative item stocked by USF or consider an alternative procurement option (e.g., Next Day Gourmet, direct shipping from manufacturer, etc.).

7) In the event this Agreement is terminated, Nathan's will remain liable for proprietary or special order products purchased at its direction. In such instance, Nathan's will coordinate the transfer of such products to the new distributor, or make full payment to USF for such products, within twenty-one (21) days after the last delivery to Nathan's. Nathan's shall not be responsible for products that are shared items with other customers of USF, such as Coke products, sugar packets and other "generic" products that the center carries for the majority of their customers. Nathan's responsibility for final inventory will be based on Nathan's request for the item and more than 80% of the total usage in the center over the previous three months.

The items that are identified as proprietary will vary in each distribution center and from time to time, as products are implemented and discontinued. As of the date of this contract, Nathan's has approximately 300 proprietary, designated or contract items, with or without logo's, that are used throughout the Nathan's restaurants. USF reserves the right to increase the margin structure on proprietary items should the number of proprietary items be significantly greater than 300.

Nathan's will be required to complete the New Product/Special Order Notification and Agreement attached hereto as ATTACHMENT C for all proprietary or special order products.

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

i. In the event of any substitutions, USF shall promptly contact Nathan's of the proposed substitution. Any substitutions shall only be made with prior approval from Nathan's. Units may not approve substitutions or additional products.

ii. If a substitution is necessary due to a failure by USF to provide products and is approved by Nathan's, the cost of the substitute product to the Unit will be no more than the authorized original products.

e. Title and Risk of Loss. Title to all goods shall pass upon delivery to the Unit's receiving dock and acceptance by the Unit's authorized representative, subject to rejection of certain items by notation on the invoice. All deliveries may be checked in jointly by the driver of the delivery vehicle and the Unit's authorized representative, both of whom shall note on the invoice any shortages and damaged or rejected goods. The Unit shall have twenty-four (24) hours from the time of delivery to notify USF of any concealed damage or rejected goods with respect to products not jointly checked in, to note any shortages, damages, or rejected goods. USF shall ensure that all billings reflect all shortages and damaged or rejected goods noted on the invoice. The Unit shall make arrangements through USF order department for any goods to be returned to USF. USF shall issue a receipt to the Unit for any goods picked up for return to ensure that the Unit receives a proper credit therefore. USF shall bear all risk of loss, damage, or destruction until title passes to the Unit.

3. SERVICE ARRANGEMENTS. Order, delivery and credit memo procedures have been included as ATTACHMENT D hereto.

a. Deliveries. USF and each Unit shall mutually agree upon a delivery schedule for the Unit. Units may be charged restocking fees at a rate of 15% of the case value if, after three warnings of which the Unit and Nathan's are notified, in writing, the Unit continues to repeatedly and unnecessarily return merchandise.

i. Delivery Windows: USF will work with the Units' needs to provide delivery times that are mutually agreeable. Plus or minus one (1) hour to the targeted delivery time will be considered an "on-time delivery". USF will use reasonable efforts to, in most cases, emulate the current delivery times provided by Nathan's current distributor. USF will target 6:00 a.m. to 11:00

a.m. and 1:30 p.m. to 5:00 p.m. as normal delivery windows with the availability to deliver those 24-hour Units at other times that are agreeable. USF must deliver to each Unit within one (1) hour of the prearranged and mutually agreed upon delivery window. USF may not deliver to any Unit between the hours of 11:00am and 2:00 pm (local time).

8. COD: Units will always require a skip-day order placement to have Certified Funds or Checks available for payment on delivery. No cash COD payments will be accepted. Should a COD check or credit order be short on delivery of any item, the deduction for that item can be taken immediately. The Certified check COD account's delivery must be paid in full at the time of delivery and a credit slip will be issued immediately to be taken on the following delivery.

iii. USF will make necessary delivery within 24 hours of any critical or proprietary items that are out of stock and/or short on truck or damaged en-route but are vital to the Unit's continued operation.

iv. Units will have 48 hours from receipt of goods to notify USF of hidden damages.

b. On-Line Order Entry System. USF's order entry system through USF's Customer Service Departments or USF's direct order entry system provides complete order information, including confirmation and reservation of inventory as well as notification of out of stock products, prior to completion of an order.

c. Order/Delivery Schedule. A next day or skip-day order delivery schedule will be mutually determined by USF and each Unit to achieve optimum service levels. Skip day will not be more than one day between order and delivery and will allow the location to add to their order by noon on the day in between the order and delivery, except in special situations.

d. Special Arrangements. Should a Unit request the use of a "loaner" truck, USF will make every attempt to accommodate supplying a truck for special occasions. The cost associated with use of the truck, the condition of the truck and driver wages will be the responsibility of the Unit.. Customer will be required to sign a hold harmless agreement prior to its use of the truck.

4. PRICING STRUCTURE. Nathan's Corporate national contracts with manufacturers and manufacturer representatives will be honored by USF. Growth programs and performance incentives earned by USF from manufacturers will have no impact on Nathan's manufacturer direct contracts landed cost of goods. USF's definition of "cost" is as follows:

9. Cost. The price of Products to Nathan's Units shall equal USF's invoice costs (as hereinafter defined) plus the agreed upon margin on cost as outlined below. USF's

invoice cost is defined as the manufacturer's (supplier or packer) delivered cost or f.o.b. unit price plus normal freight (as hereinafter defined) to USF's distribution center, less off-invoice discounts or off-invoice allowances. Invoice cost shall not be adjusted for, and Nathan's and Nathan's Units shall not be entitled to, promotional allowances, cash discounts, prompt pay discounts, growth programs or any other supplier incentives. Normal freight is defined as manufacturer or common carrier published rates charged to deliver similar quantities of product for similar distances. It is expressly acknowledged and agreed that USF may utilize its internal logistics or branch generated back-haul program, provided that freight cost charged to the Units does not exceed normal freight (as defined above).

10. Price Structure. The price structure margin for this Agreement on the following product categories shall be:

CATEGORY	MARGIN
Commodity meat, poultry & seafood	10.5%
Prepared meat, poultry & seafood	10.5%
Deli meats	10.5%
Cheese	10.5%
Other refrigerated	10.5%
Dry groceries	10.5%
Produce	10.5%
Potatoes	10.5%
Frozen groceries	10.5%
Beverage w/o service & equipment	10.5%
Beverage w/ service & equipment	10.5%
Janitorial	10.5%
Paper supplies	10.5%
E&S	TBD
Contract Design	TBD
Broken case fee	N/A

Margins will be reviewed annually to ensure the program will generate a 10.5% margin for USF and to ensure the effectiveness of margin structure for Nathan's, as well.

CUSTOMER PROFILE:

Estimated annual sales:	$56,000,000
Number of stores:	289 as of Sept. 2002
Number of deliveries:	Two (2) times per week; some locations once per
Average cases per delivery:	80
Average dollar per delivery:	$1,912
Average Case Cost:	$21.73

11. Price Guarantees and Adjustments. Pricing will be guaranteed for one (1) month, effective the first calendar day of each month. Exceptions to monthly pricing will include eggs, dairy, fresh produce, oil and oil based products, seafood, meat, poultry and other items mutually deemed as commodity in nature, which will be priced weekly. In the event extreme or volatile market conditions develop, USF may request pricing consideration from Nathan's. Price increases and decreases will be limited to the amount of cost change and/or freight changes only, with no change in the agreed upon margin percentage.

12. Fuel Adjustment. Should the price of fuel as published by the Department of Energy exceed an average of $1.50 per gallon for 14 consecutive days, USF will impose a delivery surcharge at the rate of $2.00 for every ten (10) cents per gallon that the price of diesel exceeds $1.50 per gallon. When the price of diesel fuel falls below an average of $1.50 per gallon for 14 consecutive days, the fuel surcharge will be removed from each delivery invoice.

13. Pricing Structure Review. Review will be conducted annually to assure program yield to be not less than 10.5% margin based upon a case cost of $21.73. This process will be included as part of the annual program review. Should there be significant deviation in the customer profile as stated in Section 4(b) necessary adjustments to the program can be made upon mutual agreement.

f. Consumer Price Index. The 10.5% margin could be subject to change should there be significant increase in the CPI and the ECI.1. Any such change to the 10.5% margin would be mutually agreeable between Nathan's and USF.

1. Growth Incentive. Upon completion of the first year of business (first year will begin November 4, 2002 and will conclude at the end of 52 weeks. Payment will be made to Nathan's by December 15th after each year), USF will offer to pay to Nathan's corporate 1% of sales over the established base on an annual basis (exclusive of any acquisition of current USF customers; however, any acquisition will be included in that year's final numbers that will be treated as next year's base).

*FIRST YEAR BASE - $56,000,000 (*TO BE VERIFIED)

EXAMPLE: ACTUAL SALES $66,000,000
$56,000,000 LESS BASE

$10,000,000 SALES OVER BASE
$ 100,000 PAY OUT!

The actual sales for the first year will serve as the base for the second year.

8. Program Marketing Accrual. USF will accrue and pay Nathan's .25% (one quarter of one percent) of total net sales (paid gross sales minus any credits) on a quarterly basis. This program marketing accrual payment will be made to Nathan's as long as all components of this Agreement (including current accounts receivable) are met. Sales volume that is past due and not paid for within credit terms during the 90-day period (i.e., 1st Quarter) will be deducted from the sales total in the next quarter (i.e., 2nd Quarter) and not included in the remittance (i.e., paid in 3rd Quarter) if the past due accounts have not been resolved and cured. These monies will be disbursed to the appropriate marketing funds for advertising and/or promotions.

9. Nathan's will indemnify, defend and hold USF harmless from any and all expenses (including reasonable attorneys' fees), liabilities, claims, costs, demands, actions and causes of action in any way related to or arising out of the payment to Nathan's of the Growth Incentive or the Program Marketing Accrual.

10. USF will be responsible for transferring all agreed upon saleable proprietary inventory from the current distribution centers. These products will be absorbed into the current inventories at USF and sold to the units. If any transferred product is priced on a bill-back basis to the vendor, USF will be responsible for billing back the supplier to the net cost and will pay the current distributor the current full product cost (list price).

11. USF will assign a full-time account representative to work with Nathan's corporate office. This representative will be responsible for day-to-day issues, reports, price verification and contract management. USF will also provide all necessary information for Instill Purchasing Systems.

12. Only approved products will be distributed to Units. There will be no substitutions or additions to any delivery without the express consent of Nathan's corporate office.

13. USF will carry a minimum of two weeks rolling inventory on all proprietary items (excluding perishable products) with no less than one week of inventory.

n. PRICING. CONTRACT PRICING INFORMATION MUST BE RECEIVED 15 DAYS BEFORE AN ACTUAL CHANGE IS TO TAKE EFFECT. USF INVENTORY IS PRICED AND MANAGED ON AN FIFO BASIS. THEREBY, USF WILL ASSURE CONTRACT PRICING TO BE REFLECTED IN CONCERT WITH THE PUBLISHED EFFECTIVE DATE UNLESS EXCESSIVE INVENTORY WOULD DETERMINE, BY MUTUAL CONSENT, A DELAY IN THE EFFECTIVE DATE OF THE PRICE CHANGE. THIS PRICING PROCESS IS APPLICABLE TO ALL ITEMS EXCEPT COMMODITY OR MARKET-BASED ITEMS; SPECIFICALLY HAMBURGERS, GYROS, CHEESE, DELI MEATS AND DAIRY PRODUCTS.

COMMODITY ITEMS WOULD CHANGE ACCORDING TO PRICE AGREEMENT DATES, WHICH DO NOT REQUIRE 15 DAYS ADVANCE NOTIFICATION.

5. FINANCIAL. Payment terms are set at a maximum of 21 days, which means that payment will be received weekly with no invoices aging beyond 21 days, subject to prior and ongoing corporate credit approval. Units must submit complete applications and credit information prior to any orders shipping. Any Unit applying for credit and credit terms with prior unresolved lawsuits, settlements and judgments with USF will not be considered for credit. In the event a Unit has past due accounts receivable for which no reasonable, mutually satisfactory resolution can be reached, such Unit and any affiliated Unit (i.e., common owner) will be charged up to a 5% additional mark-up on all products until the outstanding accounts receivable is satisfied. Should any account have a history of bad checks, such Unit and any affiliated Unit (i.e., common owner) will be charged up to a 5% additional mark-up on all products and must remit payment in advance. Funds must be deposited with USF prior to any orders being processed. COD terms for this program require certified funds or check rather than cash payments. Nathan's and Units agree to provide USF with quarterly financial information to enable USF to evaluate Nathan's and Units' ongoing creditworthiness. Nathan's and the Units shall be financially responsible only for the product that is ordered and received by each respective Unit. USF reserves the right to charge interest on all monies due beyond the agreed upon credit terms. Interest will be charged at 1.5% or the highest rate permissible by law.

Uniform Sales & Tax Certificate. Units agree to complete the Uniform Sales & Tax Certificate (ATTACHMENT E) where applicable.

Notwithstanding anything contained herein or in any other agreement to the contrary, to the extent there is any change in Nathan's or a Unit's creditworthiness or financial capabilities, or to the extent Nathan's or a Unit experiences other circumstances which affect its ability to meet the payment terms established hereunder, as determined by USF in its good faith discretion, USF shall have the right to change the Unit's payment terms. USF will continue to provide service to the Unit as long as the Unit agrees to "special arrangements" established by both USF and the Unit that includes COD terms and provisions to make payment on prior outstanding balances.

6. ACCOUNT MANAGEMENT.

14. Personnel.

i. USF will assign a Corporate Account Manager to coordinate the management of Nathan's needs.

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

iii. Each participating division will assign a non-commissioned telephone Customer Service Representative to Nathan's.

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

b. Program Review. The parties shall conduct a quarterly, semi-annual and/or annual review to discuss and monitor the implementation of this program and evaluate ways of improving its day to day operation and achieving additional operational and cost efficiencies. Participants in such reviews shall include Nathan's designated representative and USF's National Account representatives, together with other representatives of both parties as mutually agreed. Should the results of the review reveal that the parameters of the Program are significantly different than those outlines on Attachment A, USF reserves the right to propose a new program, including margin structure, service arrangements and credit terms, or terminate the Agreement pursuant to the terms of Section 8(d).

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

* PRODUCT USAGE

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

* PRODUCT USAGE BY VENDOR

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

* WEB-BASED REPORTS

  Nathan's will have the opportunity to extract and customize product usage reports on-line via the USFS.com order entry system. Web-based reports should be available from all current owned USF distribution centers by the end of the first quarter of 2003. Any additional distribution centers that are acquired will need to be integrated into a reporting system.

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

15. Nathan's will provide USF with at least four (4) weeks written notice to include:

i. All products to be verified; and

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

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

c. Only USF and Nathan's management personnel will participate in the price verification. Nathan's guarantees the confidentiality of information provided by USF.

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

e. Price verification will not interfere with USF year-end accounting practices.

16. Any monies due to a particular Nathan's Unit from the price verification process will be reduced by all monies due to USF from that Unit that are beyond agreed upon credit terms.

17. In the event Nathan's desires to utilize the services of an outside consultant to aid Nathan's in the price verification, said consultant shall be required to execute a confidentiality agreement with USF as a condition to the consultant's participation in the price verification.

8. TERM AND TERMINATION.

a. The term of this Agreement shall commence on September 16, 2002 and shall continue for a period of three (3) years through September 16, 2005, unless sooner terminated in accordance with the provisions of this Agreement.

b. Upon the occurrence of a Breach (as defined below) of this Agreement, the non-breaching party may terminate this Agreement, at its option and upon written notice of termination to the breaching party, and except as provided herein, may seek any and all remedies available at law or in equity in connection with the Breach.

c. A Breach of this Agreement is defined as:

1. USF's or Nathan's, as the case may be, failure to perform any material term, covenant or agreement contained herein or in any document or instrument delivered pursuant to or in connection with this Agreement, which failure continues uncured for thirty (30) days after written notice of such failure has been delivered by the non-breaching party; provided, however, that if such failure has previously occurred during the preceding six (6) months, the cure period shall be fifteen (15) days; provided, further, that there shall be five (5) days cure period for failure by a Unit to make timely payments in accordance with the payment terms established in Section 5 above (during such five (5) day cure period there will be no further credit allowed until the Unit is in compliance with the approved credit terms as established in Section 5 above); or

ii. Nathan's application for or consent to the appointment of a receiver, custodian, trustee or liquidator; inability to pay its debts as such debts become due; general assignment for the benefit of its creditors; commencement of a voluntary case under the United States Bankruptcy Code; filing of a petition seeking to take advantage of any other law of any jurisdiction relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts or commencement by a third party of a proceeding commenced for any similar relief under any law of any jurisdiction relating to bankruptcy, insolvency, reorganization, winding-up, or readjustment of its debts, and such proceeding shall continue undismissed for a period of sixty (60) days.

18. Either party may terminate this Agreement without cause upon one hundred eighty (180) days prior written notice.

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

10. WARRANTY AND LIMITATION OF LIABILITY. USF shall use reasonable efforts to obtain warranties or representations from its suppliers that the goods to be furnished hereunder are pure, unadulterated, and of first rate quality and that they shall be merchantable and fit for the ordinary purpose for which they are intended. EXCEPT AS SPECIFICALLY

SET FORTH IN THIS SECTION 10, ALL WARRANTIES, GUARANTEES, AND REPRESENTATIONS, EITHER EXPRESSED OR IMPLIED, WHETHER ARISING UNDER ANY STATUTE, COMMON LAW, USAGE OF TRADE, COURSE OF DEALING OR OTHERWISE, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY EXCLUDED. USF SHALL IN NO WAY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, EXEMPLARY OR RELIANCE DAMAGES, EVEN IF USF IS ADVISED OF THE POSSIBLITY OF SUCH DAMAGES.

11. NOTICE. All notices required or permitted to be given hereunder shall be in writing and sent by an overnight delivery services, which provides a return receipt or by United States registered or certified mail, postage prepaid, return receipt requested, addressed to the parties as follows:

TO Nathan's: Nathan's Famous Systems, Inc. 1400 Old Country Road Westbury, NY 11590 Attn: Nancy Murphy Vice President, Purchasing	TO USF: U.S. Foodservice Burns Avenue & Canan Station P.O. Box 632 Altoona, PA 16603 Attn: Rob Welling Vice President, National Accounts
With Copy to: Nathan's Famous Systems, Inc. 1400 Old Country Road Westbury, NY 11590 Attn: Wayne Norbitz President	With Copy to: U.S. Foodservice 9755 Patuxent Woods Drive Columbia, MD 21046 Attn: Mark Natale Senior Vice President Business Development
	U.S. Foodservice 9755 Patuxent Woods Drive Columbia, MD 21046 Attn: David Abramson General Counsel

Or to such other addresses as the parties may direct by notice given as hereinabove provided. Notice shall be deemed given when received as evidenced by the return receipt or the date such notice is first refused, if that be the case.

7. MISCELLANEOUS.

a. Entire Agreement. This Agreement constitutes the entire agreement between the parties and may not be modified except by an agreement in writing executed by the parties hereto. This Agreement supersedes all prior agreements between the parties hereto governing the supply of products to the units, and all purchase orders submitted after the effective date hereof shall be subject to the terms of this Agreement, conflicting terms contained in any invoice to the contrary notwithstanding.

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

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

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

e. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other, which consent shall not be unreasonably withheld; provided, however, that USF may assign this Agreement to any current or after-acquired affiliate without the consent of Nathan's. In the event this Agreement is assigned, the assignor shall in no event be relieved of or be released from its obligations contained herein.

6. No Agency. Nothing contained in this Agreement shall be construed or interpreted as creating an agency, partnership, co-partnership or joint venture relationship between the parties.

7. Non-Discrimination. USF is an equal opportunity employer. It is the policy of USF to comply with all applicable state and federal laws prohibiting discrimination in employment based on race, age, color, sex, national origin, disability, religion or other protected classification. Nathan's acknowledges that it is also an equal

opportunity employer and that it will comply with all applicable state and federal laws prohibiting discrimination in employment based on race, age, color, sex, national origin, disability, religion or other protected classification.

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

NATHAN'S

By: /s/ Donald L. Perlyn   Date:____________________

Name: Donald L. Perlyn

Title: Executive Vice President

Company: Nathan's Famous Systems, Inc.

U.S. FOODSERVICE, INC.

By: /s/ Rob Wehling Jr.   Date: 2/5/03

Name: Rob Wehling Jr,

Title: Vice President National Accountrs

Company: U.S Foodservice, Inc.

ATTACHMENT A

SUMMARY OF ASSUMPTIONS

Minimum of 90% of purchases to be directed to USF
Average number of cases per delivery: 80
Average case cost: $21.73
Average dollar per delivery of $1,912
Annual purchases of $56,000,000
Deliveries per unit per week: Two (2) times per week; some locations once per week. Optionfor three (3)
Number of units as of Sept. 2002: 289
Nathan's does not guarantee that a certain number of restaurants will be operated.

Servicing Divisions:

- CHARLOTTE NORTH WOULD SERVE NATHAN'S CAROLINA MARKET FOR NATHAN'S, MIAMI SUB'S AND KRR.

- PORT ORANGE WILL SERVICE NATHAN'S, MIAMI SUBS AND KRR STORES IN FLORIDA.

- LAS VEGAS/LA MIRADA WILL CONTINUE THEIR SAME SERVICE LOCATIONS.

- USF METRO WILL SERVICE MIAMI SUBS, NATHAN'S AND KRR LOCATIONS IN THE NORTHEAST AND MID-ATLANTIC.

- THE MIDWEST MARKET WILL BE SERVICED VIA METRO OR ANOTHER TO-BE-DETERMINED USF HOUSE. *

NUMBER OF PROPRIETARY ITEMS: AS STATED IN PARAGRAPH 2C, ITEM IV.
CREDIT TERMS: 21 DAYS
CIS REQUIREMENTS: INSTILL DATA FEED

NATHAN'S SHALL ENCOURAGE PARTICIPATION WITH THIS AGREEMENT BY ITS FRANCHISEES; PROVIDED, HOWEVER, THAT NATHAN'S MAKES NO REPRESENTATIONS, IS NOT RESPONSIBLE FOR, DOES NOT GUARANTEE AND SHALL NOT BE IN ANY MANNER WHATSOEVER RESPONSIBLE FOR ITS FRANCHISEES' DECISION TO PURCHASE (OR NOT TO PURCHASE) PRODUCTS IN ANY QUANTITY. ALTHOUGH THERE ARE REFERENCES TO VOLUMES IN THIS AGREEMENT, THERE HAVE BEEN NO GUARANTEES MADE REGARDING SALES VOLUME ANTICIPATED.

SHOULD ON-GOING PERFORMANCE REVIEW REVEAL SIGNIFICANT DIFFERENCES FROM OUR ASSUMPTIONS, THE SPECIFIC CAUSE OF THE DIFFERENCE WILL BE IDENTIFIED AND THE PARTIES WILL AGREE ON A PLAN OF ACTION TO EITHER CORRECT THE CAUSE OR MODIFY THE PROGRAM, AS NECESSARY.

LIST OF CUSTOMER UNITS (SEE ATTACHMENT F)

ATTACHMENT D

OPERATING PROCEDURES

FOODSERVICE DISTRIBUTION PROGRAM FOR

NATHAN'S FAMOUS SYSTEMS, INC.

ORDERING, DELIVERY, RECEIVING PROCEDURES

ORDERING PROCEDURES

1. TO FACILITATE ORDERING, A PRE-PRINTED, STANDARDIZED ORDER/INVENTORY CONTROL FORM WILL BE PROVIDED FOR THOSE PRODUCTS/CATEGORIES SO DEFINED AND DISTRIBUTED AT THE BEGINNING OF EACH MONTH. ALL WEEKLY PRICE CHANGES WILL BE MAILED, FAXED OR ELECTRONICALLY SENT TO YOUR UNITS.

2. YOUR USF CUSTOMER SERVICE REPRESENTATIVE WILL INITIATE THE ORDER PROCESS WITH EACH UNIT BY CALLING YOUR UNIT AT A PREDETERMINED ORDER DAY AND HOUR. PLEASE HAVE YOUR ORDERS READY TO ALLOW FOR PROPER PROCESSING.

3. IT ASSISTS USF IN THE SCHEDULING OF OUR VEHICLES WHEN YOU ORDER A "DELIVERY TO DELIVERY" CONSISTENT NUMBER OF CASES, AS BUSINESS PERMITS.

4. THE FOLLOWING ORDERING PROCEDURES SHOULD BE USED WHEN PLACING YOUR ORDERS.

    a. CONFIRM THE DATE OF THE CURRENT ORDER FORM AND CONTROL NUMBER. YOUR ORDER GUIDE CONTROL NUMBER IS VERY IMPORTANT.

    b. ORDER BY LINE ITEM NUMBER.

    c. STATE QUANTITY DESIRED.

    d. THE CUSTOMER SERVICE REPRESENTATIVE WILL VERIFY YOUR ORDER BY:

        - RECAPPING THE ORDER BACK BY GIVING LINE NUMBER, PRODUCT AND QUANTITY; OR

        - GIVING ONLY TOTAL LINES AND CASES.

    e. NO SUBSTITUTIONS WILL BE OFFERED WHEN THERE ARE OUT OF STOCKS UNLESS AUTHORIZED BY NATHAN'S.

    f. VERIFY THE EXPECTED DELIVERY DATES FOR THE ORDER.

5.

ORDER DAY (S)	ORDER TIME (S)	DELIVERY DAY (S)
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-----------	-----------	-------------
-----------	-----------	-------------

ORDERING, DELIVERY, RECEIVING PROCEDURES

ORDERING PROCEDURES
(CONTINUED)

6. ORDER DATES THAT FALL ON A HOLIDAY WILL BE SCHEDULED BY PRIOR ARRANGEMENTS WITH CUSTOMER AND USF. NOTIFICATION OF HOLIDAY DELIVERY SCHEDULES WILL BE GIVEN PRIOR TO THE HOLIDAY.

7. THE BRANCH ACCOUNT MANAGER IS RESPONSIBLE FOR COORDINATING ISSUES OR CHANGES TO ORDER SCHEDULES.

DELIVERY PROCEDURE

1. YOUR DELIVERY WILL BE MADE BY USF IN ACCORDANCE WITH A PRE-ARRANGED DELIVERY SCHEDULE BY CUSTOMER AND USF.

2. AT THE TIME OF DELIVERY, THE UNIT MANAGER, THE ASSISTANT MANAGER OR A DESIGNATED PERSON SHOULD RECEIVE THE SHIPMENT AND SIGN FOR THE PRODUCT.

3. DELIVERY DATES THAT FALL IN A HOLIDAY WEEK WILL BE RESCHEDULED BY PRIOR ARRANGEMENTS WITH USF AT LEAST TWO WEEKS IN ADVANCE.

4. THE BRANCH ACCOUNT MANAGER IS RESPONSIBLE TO COORDINATE ISSUES OR CHANGES TO DELIVERY SCHEDULES.

RECEIVING PROCEDURES

1. YOU WILL RECEIVE A COMPLETELY PRICED EXTENDED ORIGINAL AND TWO (2) DUPLICATE COPIES OF YOUR INVOICE WITH YOUR ORDER, WHICH SHOULD BE CHECKED BY AN AUTHORIZED PERSON UPON RECEIPT.

2. ALL COPIES OF THE INVOICE MUST BE SIGNED. THE DRIVER WILL KEEP ONE (1) DUPLICATE COPY AND YOU ARE TO RETAIN THE ORIGINAL AND ONE (1) DUPLICATE FOR YOUR RECORDS.

3. FREEZER AND REFRIGERATED PRODUCTS SHOULD BE STORED IMMEDIATELY UPON RECEIPT.

4. MAKE SURE THAT ALL CASES ARE COUNTED BEFORE YOU SIGN THE INVOICE. ONCE YOU HAVE SIGNED FOR A SPECIFIC QUANTITY OF CASES AND THE DRIVER HAS LEFT THE PREMISES, THE SHIPMENT IS YOUR RESPONSIBILITY. YOU WILL NOT BE GIVEN CREDIT FOR ANY SHORTAGES ONCE THE INVOICE HAS BEEN SIGNED AND THE DRIVER HAS GONE.

RECEIVING PROCEDURES
(CONTINUED)

5. PLEASE ASSIST IN PROVIDING A CLEAR PATH FOR THE TRUCK TO GAIN ENTRANCE TO THE DESIGNATED LOADING AREA.

6. DUE TO INSURANCE REQUIREMENTS AND YOUR OWN SAFETY, CUSTOMER EMPLOYEES ARE NOT PERMITTED ON THE USF TRUCK.

UNLOADING PROCEDURES

1. THE DRIVER WILL UNLOAD AND PLACE ALL ORDERS IN DESIGNATED AREAS.

2. THE DRIVER IS NOT RESPONSIBLE FOR PLACING CASES ON STORAGE SHELVES.

PAYMENTS-CREDITS

SHORTAGES/VISIBLE DAMAGE

AT THE TIME OF DELIVERY, SHOULD ANY PRODUCT ORDERED BE SHORTED OR DAMAGED, THE DRIVER WILL ISSUE AN INSTANT CREDIT BY NOTATION ON THE ORIGINAL INVOICE OF SHORTAGES, DAMAGED OR RETURNED GOODS.

CONCEALED DAMAGE

IF YOU SHOULD DISCOVER DAMAGED MERCHANDISE AFTER THE DRIVER LEAVES, YOU SHOULD NOTIFY YOUR USF CUSTOMER SERVICE REPRESENTATIVE WHEN PLACING YOUR NEXT ORDER. DAMAGED OR DEFECTIVE MERCHANDISE SHOULD NOT BE DISPOSED OF AS USF MAY NEED TO INSPECT.

PLEASE INDICATE THE FOLLOWING:

1. INVOICE NUMBER UNDER WHICH THE PRODUCT WAS DELIVERED.

2. PRODUCT CODE NUMBER.

3. QUANTITY OF ITEM.

4. PRICE OF PRODUCT DELIVERED.

5. DESCRIPTION OF PRODUCT.

ORDERING, DELIVERY, RECEIVING PROCEDURES

PICK-UPS AND/OR RETURNS

1. PICK-UPS AND/OR RETURNS MAY OCCASIONALLY BE NECESSARY. IN ORDER FOR CREDIT TO BE ISSUED, PRODUCT MUST BE IN THE ORIGINAL SHIPPING CARTON AND IN REASONABLE CONDITION, UNLESS THERE IS CONCEALED DAMAGE. IN THE EVENT THAT A PICK-UP AND/OR RETURNS ARE IN ORDER, ADVISE THE CUSTOMER SERVICE REPRESENTATIVE AT THE TIME THE NEXT ORDER IS PLACED. BE PREPARED TO PROVIDE THE FOLLOWING INFORMATION:

   a. REASON FOR THE RETURN. (CONCEALED DAMAGE TO THE PRODUCT, ETC.)

   b. INVOICE NUMBER FOR THE DELIVERED PRODUCT.

   c. PRODUCT CODE NUMBER, QUANTITY, PRICE AND DESCRIPTION.

OUT-OF-STOCKS/SHORTS/SUBSTITUTIONS

CONTACT THE CUSTOMER SERVICE REPRESENTATIVE SO THE CORRECTIVE STEPS CAN BE TAKEN

ALL CREDIT MEMOS WILL BE PROCESSED AT DIRECTION WITHIN ONE (1) WEEK.

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

EXHIBIT 21

NATHAN'S FAMOUS, INC.
SUBSIDIARIES

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated May 23, 2003, accompanying the consolidated financial statements and schedules included in the Annual Report of Nathan's Famous, Inc. and Subsidiaries on Form 10-K for the year ended March 30, 2003. We hereby consent to the incorporation by reference of said report in the Registration Statements of Nathan's Famous, Inc. on Forms S-8 (Registration Nos. 33-72066, 33-89442, 33-93396, 333-86043, 333-86195, 333-92995, 333-82760 and 333-101355).

/s/ GRANT THORNTON LLP

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Melville, New York
June 26, 2003

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-K of Nathan's Famous, Inc. for the period ended March 30, 2003 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: June 20, 2003

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO NATHAN'S FAMOUS, INC. AND WILL BE RETAINED BY NATHAN'S FAMOUS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

EXHIBIT 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-K of Nathan's Famous, Inc. for the period ended March 30, 2003 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: June 20, 2003

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO NATHAN'S FAMOUS, INC. AND WILL BE RETAINED BY NATHAN'S FAMOUS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.