SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: November 25, 1998
(Date of earliest event reported)

NATHAN'S FAMOUS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	1-3189	11-3166443
(State of Incorporation)	(Commission File Number)	(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

- --
(Former name or former address, if changed since last report.)

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired. The financial statements of Miami Subs Corporation are attached hereto.

(b) Pro forma Financial Information. The required pro forma financial information is attached hereto.

(c) Exhibits.

(3) Consent of KPMG Peat Marwick LLP

Independent Auditors' Report

The Board of Directors and Shareholders
Miami Subs Corporation:

We have audited the accompanying consolidated balance sheet of Miami Subs Corporation and subsidiaries as of May 31, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides 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 Miami Subs Corporation and subsidiaries as of May 31, 1998, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Fort Lauderdale, Florida
July 31, 1998, except as to note 12, which
is as of January 15, 1999

MIAMI SUBS CORPORATION
CONSOLIDATED BALANCE SHEET
May 31, 1998

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,457,000
Notes and accounts receivable - net	1,743,000
Food and supplies inventories	179,000
Other	77,000
Total Current Assets	5,456,000
Notes receivable	6,076,000
Property and equipment - net	11,612,000
Intangible assets - net	6,718,000
Other	464,000
TOTAL	$30,326,000

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 4,276,000
Current portion of notes payable and capitalized lease obligations	1,092,000
Total Current Liabilities	5,368,000
Long-term portion of notes payable and capitalized lease obligations	5,613,000
Deferred franchise fees and other deferred income	1,577,000
Accrued liabilities and other	1,735,000
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY	
Common stock, $.01 par value; authorized 12,500,000 shares	71,000
Additional paid-in capital	24,777,000
Accumulated deficit	(7,208,000)
	17,640,000
Note receivable from sale of stock	(563,000)
Treasury Stock	(1,044,000)
Total Shareholders' Equity	16,033,000
TOTAL	$30,326,000

See accompanying notes to consolidated financial statements.

MIAMI SUBS CORPORATION
CONSOLIDATED STATEMENT OF INCOME
For the Year Ended May 31, 1998

REVENUES	
Restaurant sales	$18,088,000
Revenues from franchised restaurants	4,293,000
Net gain from sales of restaurants	25,000
Interest income	678,000
Other revenues	350,000
Total	23,434,000
EXPENSES	
Restaurant operating costs (including lease costs paid to Kavala, Inc. of $175,000)	17,138,000
General, administrative and franchise costs	3,336,000
Depreciation and amortization	1,444,000
Interest expense	780,000
Total	22,698,000
Income before income taxes	736,000
Provision for income tax	(211,000)
Net income	$ 525,000
Net income per share:	
Basic	$ .08
Diluted	$ .08
Shares used in computing net income per share:	
Basic	6,780,000
Diluted	6,780,000

See accompanying notes to consolidated financial statements.

MIAMI SUBS CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Year Ended May 31, 1998

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Note Receivable-Stock Sale	Treasury Stock	Total
Balance at May 31, 1997	7,061,085	$71,000	$24,777,000	$ (7,733,000)	$ (563,000)	$(1,044,000)	$15,508,000
Net income				525,000			525,000
Balance at May 31, 1998	7,061,085	$71,000	$24,777,000	$(7,208,000)	$ (563,000)	$(1,044,000)	$16,033,000

See accompanying notes to consolidated financial statements.

MIAMI SUBS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended May 31, 1998

OPERATING ACTIVITIES:	
Net income	$ 525,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,010,000
Amortization of intangible assets	434,000
Net gain and franchise fees on sales of restaurants	(25,000)
Changes in assets and liabilities:	
Decrease in accounts receivable	21,000
Decrease in food and supplies inventories	13,000
Decrease in other assets	83,000
Decrease in accounts payable and accrued liabilities	(415,000)
Decrease in deferred franchise fees and other deferred income	(441,000)
Net Cash Provided By Operating Activities	1,205,000
INVESTING ACTIVITIES:	
Purchase of property and equipment	(264,000)
Proceeds from sales of restaurants	20,000
Payments received on notes receivable	845,000
Net Cash Provided By Investing Activities	601,000
FINANCING ACTIVITIES:	
Proceeds from borrowings	425,000
Repayment of debt	(1,714,000)
Net Cash Used In Financing Activities	(1,289,000)
INCREASE IN CASH	517,000
CASH AT BEGINNING OF PERIOD	2,940,000
CASH AT END OF PERIOD	$3,457,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$784,000
Loans to franchisees in connection with sales of restaurants	$345,000
Acquisition of restaurants in exchange for notes receivable	$1,814,000

See accompanying notes to consolidated financial statements.

MIAMI SUBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

MIAMI SUBS CORPORATION (the "Company") operates and franchises quick service restaurants under the names "Miami Subs" and "Miami Subs Grill". At May 31, 1998, there were 191 restaurants operating in the Miami Subs system, of which 17 were operated by the Company and 174 were operated by franchisees. Eight of the Company operated restaurants and 122 of the franchised restaurants are located in Florida.

Principles of Consolidation

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

Financial Statement Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and on deposit, highly liquid instruments with maturities of three months or less, and unexpended marketing fund contributions of $970,000 at May 31, 1998.

Franchise 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. Initial franchise fees are recognized as income when substantially all services and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations. Development fees are non-refundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively cancelled. Royalties, which are based upon a percentage of the franchisee's gross sales, are recognized as income when the fees are earned and become receivable and collectible. Revenue from sub-leasing properties to franchisees is recognized as income as the revenue is earned and becomes receivable and collectible. Sub-lease rental income is presented net of associated lease costs in the accompanying consolidated financial statements.

Marketing contributions are offset against the related costs incurred. Contributions received in excess of expenditures are classified as current liabilities in the accompanying consolidated financial statements.

Revenues from franchised restaurants for the year ended May 31, 1998 consist of the following:

Royalties	$3,687,000
Franchise and development fees	598,000
Sublease rental income (net)	8,000
Total	$4,293,000

Sales of Restaurants

Gains on the sale of restaurants are recorded as income when the sales are consummated and other conditions are met, including adequacy of down payment and the completion by the Company of its obligations under the contracts. Until such conditions are met, such gains are included in deferred income. Losses on the sale of restaurants are recognized at the time of sale.

Food and Supplies Inventories

Food and supplies inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Additions and renewals are charged to the property accounts and expenditures for maintenance and repairs are charged to operations as incurred. Depreciation and amortization are expensed on the straight-line method over the lesser of the lease term (including option periods) or the estimated useful lives of the assets.

Intangible Assets

Costs incurred to acquire the trademark and franchise rights to the Miami Subs concept and other intangibles, consisting principally of royalty rights acquired, are amortized over a twenty year period on a straight line basis.

Restaurants acquired are accounted for under the purchase method and recorded at the estimated fair value of the equipment and building improvements acquired. The excess of cost over the fair value of the assets acquired, including goodwill if any, is amortized using the straight-line method over the remaining term of the underlying property leases, but not in excess of 20 years. At each balance sheet date, the Company evaluates the realizability of goodwill based upon expectations of operating income for each restaurant having a material goodwill balance. Should the Company determine it probable that future estimated undiscounted related operating income from any of its acquired restaurants will be less than the carrying amount of the associated goodwill, an impairment of goodwill would be recognized, and goodwill would be reduced to the amount estimated to be recoverable. The Company believes that no material impairment of goodwill exists at May 31, 1998.

Accounting for the Impairment Of Long-Lived Assets

The Company accounts for the possible impairment of long-lived assets under the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting For the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed Of." Under SFAS No. 121, the Company evaluates whether events and circumstances have occurred that indicate revision to the remaining useful life or the remaining balances of long-lived assets, including intangible assets and goodwill, may be appropriate. When factors indicate that the carrying amount of an asset may not be recoverable, the Company estimates the future cash flows expected to result from the use of such asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, the Company will recognize an impairment loss equal to the excess of the carrying amount over the fair value of the asset.

Income Taxes

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the year that includes the enactment date.

Employee Stock Options

As permitted under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for employee stock-based transactions under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and accordingly, no compensation cost has been recognized for stock options issued to employees in the consolidated financial statements.

Net Income Per Share

In February 1998, the Company adopted the provisions of SFAS No. 128, Earnings per Share, which establishes new guidelines for the calculation of earnings per share. Under SFAS 128, basic earnings per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Diluted earnings per share is the same as basic earnings per share for the period presented since the exercise price of outstanding options and warrants to purchase common shares was greater than the average market price of the common shares.

Disclosures About Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined based on available information and appropriate valuation methodologies. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of the accounts. The fair value of long-term notes receivable and notes payable approximate the carrying value of such assets and liabilities as of May 31, 1998.

2. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable at May 31, 1998 consist of the following:

Notes receivable	$7,112,000
Royalties and other receivables due from franchisees	666,000
Other	229,000
Total	8,007,000
Less allowance for doubtful accounts	(188,000)
	7,819,000
Less notes receivable due after one year	(6,076,000)
Notes and accounts receivable-current portion	$1,743,000

Notes receivable at May 31, 1998, principally result from sales of restaurant businesses to 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 interest rates ranging principally between 8% and 12%.

3. PROPERTY AND EQUIPMENT

Property and equipment at May 31, 1998 consist of the following:

Land	2,231,000
Buildings and leasehold improvements	7,919,000
Furniture and equipment	5,154,000
Property held under capitalized leases	632,000
Property and equipment at cost	15,936,000
Less accumulated depreciation and amortization	(4,324,000)
Property and equipment - net	$11,612,000

4. INTANGIBLE ASSETS

Intangible assets at May 31, 1998 consist of the following:

Trademark and franchise rights	$2,774,000
Excess of costs over fair value of net assets acquired	5,903,000
	8,677,000
Less accumulated amortization	(1,959,000)
Intangible assets - net	$6,718,000

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at May 31, 1998 consist of the following:

Accounts payable	$1,113,000
Accrued wages and related liabilities	459,000
Accrued real estate and sales taxes	564,000
Legal and related	211,000
Marketing fund contributions	970,000
Other	959,000
Total	$4,276,000

6. NOTES PAYABLE AND CAPITALIZED LEASE OBLIGATIONS

A summary of notes payable and capitalized lease obligations at May 31, 1998 is as follows:

Various notes payable to banks at prime plus 1.5% (10.0% at May 31, 1998), secured by accounts and notes receivable, land, restaurant property and equipment and due in monthly payments through 2003	$4,420,000
Note payable at 11.5%, secured by five restaurants and equipment, payable in equal monthly installments through 2001	744,000
8.75%- 11.5% mortgages and notes payable, secured by various restaurant properties and equipment and due in varying monthly installments through 2003	743,000
103/8% mortgage note payable, secured by corporate office building, due in monthly payments through 2007	451,000
Note payable at prime plus 2.0% (10.5% at May 31, 1998), secured by leased restaurant properties and equipment, due in monthly payments through 2001	160,000
Capitalized lease obligations	187,000
Total	6,705,000
Less current portion	(1,092,000)
Long-term portion	$5,613,000

The above notes are secured by property and equipment with a book value of approximately $6,700,000 at May 31, 1998, and notes and accounts receivable of approximately $2,000,000.

At May 31, 1998, the approximate annual maturities of notes payable and capitalized lease obligations for each of the five years ending May 31, 2003, are $1,092,000, $857,000, $3,076,000, $151,000 and $530,000, respectively, and $999,000 thereafter.

Total interest costs incurred for the year ended May 31, 1998, was $780,000.

7. DEFERRED FRANCHISE FEES AND OTHER DEFERRED INCOME

Deferred franchise fees and other deferred income at May 31, 1998 consist of the following:

Development fees	$ 390,000
Franchise fees	135,000
Deferred gains and vendor rebates	1,052,000
Total	$1,577,000

8. INCOME TAXES

The primary components that comprise the deferred tax assets and liabilities at May 31, 1998 are as follows:

Deferred tax assets:	
Accounts and notes receivable	$ 68,000
Other liabilities and reserves	796,000
Deferred income and franchise deposits	142,000
Other	75,000
Net operating loss and other carry-forwards	2,604,000
Total deferred tax assets	3,685,000
Deferred tax liabilities:	
Property and equipment	466,000
Intangible assets	217,000
Other	241,000
Total deferred tax liabilities	924,000
Subtotal	2,761,000
Less valuation allowance	(2,761,000)
Net deferred tax assets	$ -

The net change in the valuation allowance for the year ended May 31, 1998 was a decrease of $494,000.

At May 31, 1998, the Company had no deferred tax assets or liabilities reflected on its consolidated financial statements since net deferred tax assets are offset by a valuation allowance. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the level of historical operating results, scheduled reversal of deferred tax liabilities, and projected future taxable income in making this assessment.

The difference between the actual tax provision and the tax provision by applying the statutory federal income tax rate at May 31, 1998 is attributable to the following:

Statutory federal income tax rate	34.0%
Intangible costs amortized	4.9
Other	1.8
Operating losses utilized	(14.8)
Effective income tax rate	25.9%

At May 31, 1998, the Company's tax returns reflect net operating loss carry-forwards of approximately $6.4 million which are available to reduce future taxable income through 2012 (subject to limitations imposed under the Internal Revenue Code regarding changes in ownership which limits utilization of $2.8 million of the carry-forwards on an annual basis to approximately $340,000). The Company also has general business credit carry-forwards of approximately $274,000 which can be used to offset tax liabilities through 2010. The Company's federal income tax returns for fiscal years 1991 through 1996, inclusive, have been examined by the Internal Revenue Service, and the IRS has issued reports for such years reflecting substantial adjustments to previously filed tax returns. The Company has appealed many of the proposed adjustments. If the Company is not successful in its appeal, the Company's net operating loss carryovers would be substantially absorbed by the proposed adjustments and significant amounts of additional taxes, interest, and penalties would be due. The Company believes that the accruals that it has provided in connection with this matter are adequate.

9. COMMITMENTS AND CONTINGENCIES

The Company is the prime lessee under various land and building leases for restaurants operated by the Company and its franchisees. The leases generally have initial terms ranging from five to 20 years and usually provide for renewal options ranging from five 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. Base rent expense for Company operated restaurants for the year ended May 31, 1998 was approximately $1,561,000. Additional (contingent) rental payments were approximately $44,000 in 1998.

The Company also owns or leases sites which it leases or subleases to franchisees. The Company remains liable for all lease costs when properties are subleased to franchisees. In addition, the Company guarantees the lease payments of certain franchised locations, aggregating approximately $173,000 for each of the next two years, and approximately $60,000 per year thereafter through 2014.

The Company also subleases non-Miami Subs locations to third parties. Such subleases provide for minimum annual rental payments by the Company aggregating approximately $205,000 and expire on various dates through 2004 exclusive of renewal options.

The Company's future minimum rental commitments and sublease rental income as of May 31, 1998 for all noncancellable capital and operating leases are as follows:

Fiscal Year	Capital Leases	Operating Leases	Sublease Rental Income
1999	$113,000	$ 5,276,000	$ 3,808,000
2000	12,000	5,164,000	3,674,000
2001	12,000	4,999,000	3,485,000
2002	12,000	4,774,000	3,319,000
2003	12,000	4,232,000	2,944,000
Thereafter	81,000	24,623,000	22,392,000
Total	242,000	$49,068,000	$39,622,000
Less amount representing interest	(55,000)		
Present value of future minimum lease payments	$187,000		

The Company guarantees certain equipment financing for franchisees with a third party lender. The Company's maximum obligation for all loans funded by the lender as of May 31, 1998, was approximately $1,263,000.

Litigation

In January, 1992, the Company filed a Petition for Declaratory Judgment against a third party seeking to dissolve an alleged joint venture between the Company and the third party. The third party opposed the dissolution, counterclaimed, and sought damages arising from amounts expended in developing new locations and lost profits from the termination of the joint venture. A bench trial was completed in April 1995, and the court subsequently awarded the defendant damages in the amount of $241,000 plus costs and attorney fees. The case was appealed by both the Company and the third party, 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 the Company, 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 partnership. In May 1998, the trial court awarded the third party compensatory damages in the amount of $200,000, which is being appealed by the Company. The Company is fully accrued for this matter at May 31, 1998.

In connection with the above case and the favorable resolution of other legal matters, in 1998 the Company reduced its legal accrual by $219,000.

The Company and its subsidiaries are parties to various other legal actions arising in the ordinary course of business. The Company is vigorously contesting these actions and currently believes that the outcome of such cases will not have a material adverse effect on the Company.

10. STOCK OPTION PLAN AND WARRANTS

The Company's stock option plan provides for the granting of non-qualified stock options for the purchase of up to 1,875,000 shares of common stock of the Company by directors, officers, employees and consultants. Under the terms of the plan, options may be granted for a term of up to 10 years at a price not less than the market value of the common stock on the date of grant.

The following is a summary of stock option activity under the plan during the year ended May 31, 1998:

	Shares Under Option	Weighted Average Price Per Share
Balance at May 31, 1997	1,104,175	$11.96
Granted and repriced	487,500	3.00
Exercised	-	-
Cancelled	(962,250)	$12.48
Balance at May 31, 1998	629,425	$4.24
Options exercisable at May 31, 1998	629,425	$4.24

During 1998, 341,500 outstanding stock options at an average exercise price of $8.80 per share were amended to reduce the exercise price to $3.00 per share, representing the market value of the common stock at the time of the amendment.

The Company accounts for employee stock options in accordance with the intrinsic value method prescribed in APB No. 25. Accordingly, no compensation cost is recognized at the time stock options are granted. Had employee compensation expense been determined based on the fair value at the grant date for options granted during the year ended May 31, 1998 consistent with the provisions of SFAS No. 123, net income (loss) would have been $(57,000), and basic and diluted net income (loss) per share would have been $ .00. The fair market value of each option grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected option term of 10 years; expected volatility of 58.2% in 1998; risk free interest rate of 6.75%; and zero dividend yield.

At May 31, 1998, 102,400 options and 25,000 warrants are outstanding at average exercise prices of $8.64 and $24.00 per share, respectively.

11. RELATED PARTY TRANSACTIONS

At May 31, 1998, the Company leased six restaurant properties from Kavala, Inc., a private company owned by the Company's then chairman of the board and chief executive officer, Gus Boulis. Rent expense for all leases between the Company and Kavala was $424,000 in 1998. Future minimum rental commitments due to Kavala at May 31, 1998 under existing leases was approximately $414,000 for each of the next four years, $337,000 for 2003, and $1,938,000 for all remaining years thereafter. The Company believes that rents charged under these leases are not materially different from the rents that would have been incurred or obtained from leasing arrangements with unaffiliated parties or on a stand alone basis.

In February 1998, the Company entered into a management agreement with Boulis providing for the Company to manage an existing Miami Subs Grill restaurant owned by Boulis for a fee of 5.0% of the restaurant's gross restaurant sales. The agreement was terminated in June 1998 upon the sale of the restaurant to a third party franchisee.

Mr. Bartsocas, who was an officer of the Company at May 31, 1998, was also an officer and director of Subies Enterprises, Inc. ("Subies"), a franchisee of the Company. Under an agreement which was entered into in 1991 between the Company and Subies, Subies paid a franchise fee of $5,000 for each of five restaurants developed by Subies, and Subies was exempt from paying royalty fees on the restaurants as long as the restaurants were owned by Subies. Three of the restaurants were subsequently sold to independent franchisees.

Mr. Donald L. Perlyn, who has been an officer of the Company since 1990 and a director since 1997, was appointed president and chief operating officer of the Company in July 1998. Mr. Perlyn is also an officer and principal of

DEMAC Restaurant Corp. which owns and operates a Miami Subs Grill restaurant in Florida. In connection with his appointment in July, Mr. Perlyn agreed to sell to the Company the Miami Subs restaurant owned by DEMAC for approximately $260,000. Mr. Perlyn was also indebted to the Company in the amount of $85,000 at May 31, 1998. The loan incurs interest at an interest rate of prime plus 1.5%, and is due in full in June 1999.

In November 1997, an existing Miami Subs Grill restaurant owned by the Company was reopened as a co- branded unit with Arthur Treacher's, Inc. ("Treacher's"). Treacher's is operating and managing the restaurant pursuant to an agreement with the Company. Under the terms of the agreement, the Company and Treacher's share in the operating profits of the restaurant, and Treacher's has an option to acquire the restaurant from the Company. Mr. Bruce Galloway is a member of the board of directors of the Company and is Chairman of the Board of Treacher's.

In March 1995, the Company's former chairman of the board and president exercised options to acquire 112,500 shares of common stock of the Company. As payment for the stock, the Company received a non-interest bearing note in the amount of $563,000 which is collateralized by the stock and due in full in January 1999.

12. SUBSEQUENT EVENTS

On December 29, 1998, the Company's Board of Directors unanimously adopted a resolution to amend the Company's Articles of Incorporation to effect, as of the close of business on January 7, 1999, a one-for-four reverse stock split of the Company's common stock, pursuant to which each four shares of common stock were converted into one share of common stock. All amounts in the accompanying consolidated financial statements have been adjusted to reflect the reverse stock split. Prior to the reverse stock split, basic and diluted net income per share for the year ended May 31, 1998 was $ .02, which was based on average shares outstanding of 27,119,000.

On January 15, 1999, the Company and Nathan's Famous, Inc. ("Nathan's") entered into a definitive merger agreement pursuant to which Nathan's has proposed to acquire all of the outstanding shares of common stock of the Company for shares of Nathan's common stock. The proposed merger is subject to certain conditions, including completion of due diligence, receipt of a fairness opinion, and approval by a majority of the shareholders of both Nathan's and Miami Subs. In November 1998, Nathan's acquired, in a private transaction, approximatley 30% of the outstanding common stock of the Company.

Also in January 1999, the Company was served with a class action law suit which was filed against the Company, its directors and Nathan's in a Florida state court by a shareholder of the Company. The suit alleges that the proposed merger between the Company and Nathan's is unfair to the Company's shareholders and constitutes a breach by the defendants of their fiduciary duties to the shareholders of the Company. The plaintiff seeks among other things (i) class action status, (ii) preliminary and permanent injunctive relief against consummation of the proposed merger and (iii) unspecified damages to be awarded to the shareholders of the Company. The Company believes that the suit is without merit and intends to defend against it vigorously.

NATHAN'S FAMOUS, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 27, 1998
(In thousands, except share amounts)

	Nathan's Famous Inc.	Pro Forma Adjustments	Pro Forma
Current assets:			
Cash and marketable securities	$ 490		$ 490
Marketable investment securities	9,261	(4,260)(a)	5,001
Franchise and other receivables, net	1,798		1,798
Inventory	328		328
Prepaid expenses and other current assets	226		226
Deferred income taxes	566		566
Total current assets	12,669	(4,260)	8,409
Property and equipment, net	6,562		6,562
Intangible assets, net	11,076		11,076
Investment in affiliate	---	4,260(a)	4,260
Other assets, net	194		194
	$30,501	$ -0-	$30,501
Current liabilities:			
Accounts Payable	$ 887		$ 887
Accrued expenses and other current liabilities	4,168		4,168
Deferred franchise fees	315		315
Current installment of obligations under capital leases	13		13
Total current liabilities	5,383	-0-	5,383
Obligations under capital leases, net of current installments	3		3
Other liabilities	181		181
Total liabilities	5,567	-0-	5,567
Stockholders' equity:			
Common stock, $.01 par value - 20,000,000 shares Authorized, 4,722,216 issued and outstanding	47		47
Additional paid-in-capital	32,412		32,412
Accumulated deficit	(7,525)		(7,525)
Total stockholders' equity	24,934	-0-	24,934
	$30,501	-0-	$30,501

The accompanying notes are an integral part of these unaudited pro forma financial statements.

NATHAN'S FAMOUS, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
FOR THE TWENTY-SIX WEEKS ENDED SEPTEMBER 27, 1998 (In thousands, except share amounts)

	Nathan's Famous Inc.	Pro Forma Adjustments	Pro Forma
Sales	$13,357		$13,357
Franchise fees and royalties	1,674		1,674
License royalties	837		837
Equity in income of affiliate	-0-	156 (b)	156
Investment and other income	119	(107)(c)	12
Total revenues	15,987	49	16,036
Costs and expenses			
Cost of sales	8,147		8,147
Restaurant operating expenses	2,908		2,908
Depreciation and amortization	522		522
Amortization of intangible assets	192		192
General and administrative	2,466		2,466
Interest expense	1		1
Total costs and expenses	14,236	-0-	14,236
Earnings before income taxes	1,751	49	1,800
Provision for income taxes	426	-0-	426
Net earnings	$ 1,325	$ 49	$ 1,374
PER SHARE DATA			
Net earnings per share			
Basic	$ 0.28		$ 0.29
Diluted	$ 0.28		$ 0.29
Shares used in computing net income			
Basic	4,722		4,722
Diluted	4,754		4,754

The accompanying notes are an integral part of these unaudited pro forma financial statements.

NATHAN'S FAMOUS, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
FOR THE FIFTY-TWO WEEKS ENDED MARCH 29, 1998
(In thousands, except share amounts)

	Nathan's Famous Inc.	Pro Forma Adjustments	Pro Forma
Sales	$23,530		$23,530
Franchise fees and royalties	3,062		3,062
License royalties	1,495		1,495
Equity in income of affiliate	-0-	157 (b)	157
Investment and other income	790	(215)(c)	575
Total revenues	28,877	(58)	28,819
Costs and expenses			
Cost of sales	14,468		14,468
Restaurant operating expenses	6,411		6,411
Depreciation and amortization	1,035		1,035
Amortization of intangible assets	384		384
General and administrative	4,755		4,755
Interest expense	6		6
Total costs and expenses	27,059	-0-	27,059
Earnings before income taxes	1,818	(58)	1,760
Provision for income taxes	290	-0-	290
	1,818		290
Net earnings	$ 1,528	$ (58)	$ 1,470
PER SHARE DATA			
Net earnings per share			
Basic	$ 0.32		$ 0.31
Diluted	$ 0.32		$ 0.31
Shares used in computing net income			
Basic	4,722		4,722
Diluted	4,749		4,749

The accompanying notes are an integral part of these unaudited pro forma financial statements.

NATHAN'S FAMOUS, INC

NOTES TO PRO FORMA FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION

On November 25, 1998, Nathan's Famous, Inc. ("Nathan's") acquired 8,121,000 shares of Miami Subs Corporation ("MSC") in a private purchase transaction from Gus Boulis in consideration of the sum of $4.2 million in cash. The 8,121,000 shares are approximately 30% of the issued and outstanding shares of MSC. This transaction will be accounted for under the equity method of accounting for investments. Additionally, Nathan's has executed a merger agreement with MSC whereby Nathan's would acquire the remaining outstanding shares of MSC in exchange for approximately 2.4 million shares of Nathan's Common Stock and approximately 600,000 warrants.

The unaudited pro forma balance sheet combines the unaudited consolidated balance sheet of Nathan's as of September 27, 1998 as if the purchase had occurred on that date. The unaudited pro forma income statement for the year ended March 29, 1998 combines Nathan's results of operations for the year ended March 29, 1998 with Nathan's share of MSC's results of operations for the year ended May 31, 1998, assuming that the transaction occurred at the beginning of Nathan's fiscal year. The pro forma income statement for the six months ended September 27, 1998 combines Nathan's unaudited results of operations for the six months ended September 27, 1998 with Nathan's share of the unaudited results of operations of MSC for the six months ended November 30, 1998, assuming that the transaction occurred at the beginning of Nathan's fiscal year.

The unaudited pro forma financial statements should be read in conjunction with Nathan's consolidated financial statements and notes thereto, and the financial statements and notes thereto of MSC. The pro forma adjustments are based upon the historical financial position and results of operations for the periods presented. The pro forma financial data does not purport to represent what Nathan's consolidated financial position or results of operations would actually have been if the investment in MSC had occurred at the dates indicated; or to project Nathan's financial position or results of operations for any future period. The pro forma combined results may not be comparable to or indicative of future performance.

2. UNAUDITED PRO FORMA ADJUSTMENTS:

Descriptions of the adjustments included in the unaudited pro forma financial statements are as follows:

(a) Reflects $4.2 million in cash consideration paid upon closing to acquire approximately 30% of the outstanding common stock and $60,000 in estimated direct costs.

(b) Reflects Nathan's equity in MSC's net income.

(c) Reflects adjustment to reduce the tax exempt interest income earned on the marketable investments used to purchase the MSC common stock.

SIGNATURE

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

Nathan's Famous, Inc.

By: /s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer

Date: February 5, 1999

Independent Auditors' Consent

The Board of Directors
Miami Subs Corporation:

We consent to the inclusion of our report dated July 31, 1998, except as to note 12, which is as of January 15, 1999, with respect to the consolidated balance sheet of Miami Subs Corporation and subsidiaries as of May 31, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, which report appears in the Form 8-K/A of Nathan's Famous, Inc. and subsidiaries dated November 25, 1998.

/S/ KPMG LLP

Fort Lauderdale
February 1, 1999