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

FORM 10-K
(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 29, 2015
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.)
One Jericho Plaza, Jericho, New York	11753
(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:

Common Stock – par value $.01	Nasdaq Global Market
(Title of class)	Name of each exchange on which registered

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

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.[X]

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

Large accelerated filer __	Accelerated filer X
Non-accelerated filer __ (Do not check if a smaller reporting company)	Smaller reporting company __

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter – September 26, 2014 - was approximately $208,235,000, which value, solely for the purposes of this calculation excludes shares held by the registrant's officers and directors. Such exclusion shall not be deemed a determination by registrant that all such individuals are, in fact, affiliates of the registrant.

As of June 9, 2015, there were outstanding 4,583,498 shares of Common Stock, par value $.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE– The information required by Part III, Items 10, 11, 12 and 13 is incorporated by reference from the registrant's definitive proxy statement for the 2015 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

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PART I

Forward-Looking Statements

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

Item 1. Business.

As used herein, unless we otherwise specify, the terms "we," "us," "our," "Nathan's," "Nathan's Famous" and the "Company" mean Nathan's Famous, Inc. and its subsidiaries, including NF Treacher's Corp. References to the fiscal 2015 period mean the fiscal year ended March 29, 2015 and references to the fiscal 2014 period mean the fiscal year ended March 30, 2014. In addition, references to the Notes or the Senior Secured Notes refer to the $135,000,000 10.000% Senior Secured Notes due 2020.

We are a leading branded licensor, wholesaler and retailer of products marketed under our Nathan's Famous brand, including our popular Nathan's World Famous Beef Hot Dogs. What began as a nickel hot dog stand on Coney Island in 1916 has evolved into a highly recognized brand throughout the United States and the world. Our innovative business model seeks to maximize the points of distribution for and the consumption of Nathan's World Famous Beef Hot Dogs, crinkle-cut French fries and our other products across a wide-range of grocery retail and foodservice formats. Our products are currently marketed for sale in approximately 53,000 locations, including supermarkets, mass merchandisers and club stores, selected foodservice locations and our Company-owned and franchised restaurants throughout the United States and in eleven foreign territories and countries. The Company considers itself to be in the foodservice industry, and has pursued co-branding initiatives. Our major channels of distribution are as follows:

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

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

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

- Our licensing program contracts with certain third parties to manufacture, distribute, market and sell a broad variety of Nathan's Famous branded products including our hot dogs, sausages, frozen French fries and additional products through retail grocery channels within the United States. As of March 29, 2015, packaged Nathan's World Famous Beef Hot Dogs continued to be sold in approximately 39,000 supermarkets, mass merchandisers and club stores including Kroger, Publix, ShopRite, Walmart, Target, Sam's Club, Costco and BJ's Wholesale Club located in 50 states. We earn revenue through royalties on products sold by our licensees.

- We also own, through our subsidiary NF Treacher's Corp., the Arthur Treacher's brand and trademarks. We use the Arthur Treacher's brand, products and trademarks as a branded seafood menu-line extension for inclusion in certain Nathan's Famous restaurants. During fiscal 2014, we entered into our first multi-unit Branded Menu Program agreement with a qualified foodservice operator for inclusion in non-Nathan's facilities and may seek to further market this program in the future.

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

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

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

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

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

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

As a result of our efforts to expand the Nathan's Famous brand, as of March 29, 2015:

- our Nathan's Famous restaurant system consisted of 296 franchised units and five Company-owned units (including one seasonal unit) located in 27 states, the Cayman Islands, and ten foreign countries;

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

- Nathan's Famous packaged hot dogs and other products continued to be offered for sale within approximately 39,000 supermarkets and club stores in 50 states.

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

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

We were incorporated in Delaware on July 10, 1992 under the name “Nathan’s Famous Holding Corporation” to act as the parent of a Delaware corporation then-known as Nathan’s Famous, Inc. On December 15, 1992, we changed our name to Nathan’s Famous, Inc., and our Delaware subsidiary changed its name to Nathan’s Famous Operating Corporation. The Delaware subsidiary was organized in October 1989 in connection with its re-incorporation in Delaware from that of a New York corporation named “Nathan’s Famous, Inc.” The New York Nathan’s was incorporated on July 10, 1925, as a successor to the sole-proprietorship that opened the first Nathan’s restaurant in Coney Island in 1916. On July 23, 1987, Equicor Group, Ltd. 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.

Restaurant Operations

Currently, our restaurant operations are comprised predominantly of Nathan’s Famous restaurants, which have been co-branded with Arthur Treacher’s and Kenny Rogers Roasters menu items in 48 and 25 units, respectively.

Nathan’s Famous Concept and Menus

Our Nathan’s Famous concept is scalable, offering a wide range of facility designs and sizes, suitable to a vast variety of locations, featuring a core menu consisting of Nathan’s World Famous Beef Hot Dogs, crinkle-cut French fries and beverages. Nathan’s menu is designed to take advantage of site-specific market opportunities by adding complementary food items to the core menu. The Nathan’s concept is suitable to stand-alone or can be co-branded with other nationally recognized brands.

Nathan’s World Famous Beef Hot Dogs are flavored with its secret blend of spices provided by Ida Handwerker in 1916, which historically have distinguished Nathan’s World Famous Beef Hot Dogs. Our hot dogs are prepared and served in accordance with procedures which have not varied significantly in more than 98 years in our Company-owned and franchised restaurants. Our signature crinkle-cut French fries, cooked in 100% trans-fat-free oil, are featured at each Nathan’s restaurant. We believe the majority of sales in our Company-owned units consist of Nathan’s World Famous Beef Hot Dogs, crinkle-cut French fries and beverages.

Individual Nathan’s restaurants supplement their core menu of Nathan’s World Famous Beef Hot Dogs, crinkle-cut French fries and beverages with a variety of other quality menu choices including: char-grilled hamburgers, crispy chicken tenders, crispy chicken and char-grilled chicken sandwiches, Philly cheese steaks, selected seafood items, a breakfast menu and assorted desserts and snacks. We use the Arthur Treacher’s brand, products and trademarks as a branded seafood menu-line extension for inclusion in certain Nathan’s Famous restaurants. While the number of supplemental menu items carried varies with the size of the unit, the specific supplemental menus chosen are tailored to local food preferences and market conditions. Each supplemental menu option consists of a number of individual items; for example, the hamburger menu may include char-grilled bacon cheeseburgers, double-burgers and super cheeseburgers. We seek to maintain the same quality standard with each of Nathan’s supplemental menus as we do with Nathans’ core hot dog and French fries menu. Thus, for example, hamburgers and sandwiches are prepared to order and not pre-wrapped or kept warm under lights. Nathan’s also has a “Kids Meal” program in which various menu alternatives are combined with toys designed to appeal to the children’s market. Soft drinks, iced tea, coffee and old fashioned lemonade and orangeade are also offered. The Company continually evaluates new products. In the course of its evaluations, the Company seeks to respond to changing consumer trends, including a trend toward perceived “healthier” products. In addition to its well-established, signature products, the Company offers for sale in many of its restaurants up to seven chicken products, six fish products, and five salad and soup products.

Nathan's restaurant designs are available in a range of sizes from 300 to 4,000 square feet. We have also developed various Nathan's carts, kiosks, mobile food trucks 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 that Nathan's carts, kiosks, modular units and food court designs are particularly well-suited for placement in non-traditional sites, such as airports, travel plazas, stadiums, schools, convenience stores, entertainment facilities, military facilities, business and industry foodservice, within larger retail operations and other captive markets. Many of these settings may also be appropriate for our expanding Branded Menu Program or Branded Product Program. All of these units feature the Nathan's logo and utilize a contemporary design.

Arthur Treacher's Fish-n-Chips Concept and Menu

Arthur Treacher's Fish-n-Chips, Inc. was originally founded in 1969. Arthur Treacher's main product is its "Original Fish-n-Chips," consisting of fish fillets coated with a special batter prepared under a proprietary formula, deep-fried golden brown, and served with English-style chips and corn meal "hush puppies." We own all trademarks and other intellectual property relating to the Arthur Treacher's and granted a limited license to the seller for the use of the Arthur Treacher's intellectual property. Full menu restaurants emphasize the preparation and sale of batter-dipped fried seafood and chicken dishes served in a quick-service environment. We use the Arthur Treacher's brand, products and trademarks as a branded seafood menu-line extension for inclusion in certain Nathan's Famous restaurants. During fiscal 2014, we entered into our first multi-unit Branded Menu Program agreement with a qualified foodservice operator for inclusion in non-Nathan's facilities and may seek to further market this program in the future.

Kenny Rogers Roasters

We have the right to use the Kenny Rogers Roasters trademarks for the continued sale of the Kenny Rogers Roasters products in the Nathan's Famous restaurants existing at April 23, 2008, where the Kenny Rogers products had already been introduced.

Franchise Operations

At March 29, 2015, our Nathan's franchise system, including our Branded Menu Program, consisted of 296 units operating in 27 states, the Cayman Islands, and ten foreign countries.

Our franchise system includes among its 145 franchisees such well-known companies as HMS Host, Compass Group USA, Inc., Gourmet Dining Services, Inc., CulinArt, National Amusements, Inc., Hershey Entertainment & Resorts Company, Six Flags Theme Parks, Brusters Real Ice Cream and K-Mart. We continue to market our franchising programs to larger, experienced and successful operators with the financial and business capability to develop multiple franchise units, as well as to individual owner-operators with evidence of restaurant management experience, net worth and sufficient capital.

During our fiscal year ended March 29, 2015, no single franchisee accounted for over 10% of our consolidated revenue. At March 29, 2015, HMS Host operated 17 franchised outlets, including 3 units at airports, 13 units within highway travel plazas and one unit within a mall. Additionally, at March 29, 2015, HMS Host operated 49 locations featuring Nathan's products pursuant to our Branded Product Program. At March 29, 2015, there were also 35 Kmart locations and 31 Brusters Real Ice Cream shops selling Nathan's products under our Branded Menu Program.

Nathan's Standard Franchise Program

Franchisees are required to execute a standard franchise agreement prior to opening each Nathan's Famous unit. Our current standard Nathan's Famous franchise agreement provides for, among other things, a one-time $30,000 franchise fee payable upon execution of the agreement, a monthly royalty payment based on 5.5% of restaurant sales and the expenditure of up to 2.0% of restaurant sales on advertising. We may offer alternatives to the standard franchise agreement, having to do with franchise royalties, fees or advertising requirements. The initial term of the typical franchise agreement is 20 years, with a 15-year renewal option by the franchisee, subject to conditions contained in the franchise agreement.

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

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

We offer various management-training courses for management personnel of Company-owned and franchised Nathan's Famous restaurants. A restaurant manager from each restaurant must successfully complete our mandated management-training program. We also offer additional operations and general management training courses for all restaurant managers and other managers with supervisory responsibilities. We provide standard manuals to each franchisee covering training and operations, products and equipment and local marketing programs. We also provide ongoing advice and assistance to franchisees. We meet with our franchisees to discuss upcoming marketing events, menu development and other topics, each of which is designed to provide individual restaurant and system-wide benefits.

Franchised restaurants are required to be operated in accordance with uniform operating standards and specifications relating to the selection, quality and preparation of menu items, signage, decor, equipment, uniforms, suppliers, maintenance and cleanliness of premises and customer service. All standards and specifications are developed by us to be applied on a system-wide basis. We regularly monitor franchisee operations and inspect restaurants. Franchisees are required to furnish us with monthly sales or operating reports which assist us in monitoring the franchisee's compliance with its franchise agreement. We make both announced and unannounced inspections of restaurants to ensure that our practices and procedures are followed. We have the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the requirements of its franchise agreement, including for non-payment of royalties, sale of unauthorized products, bankruptcy or conviction of a felony. During the fiscal 2015 period, franchisees opened 23 new Nathan's Famous franchised units in the United States (including 17 Branded Menu Program units), and 13 units internationally.

A franchisee who desires to open multiple units in a specific territory within the United States may enter into an area development agreement under which we would expect to receive an area development fee based upon the number of proposed units which the franchisee is authorized to open. 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, and we may require an exclusivity fee to be conveyed for such exclusive rights.

Nathan's Branded Menu Program

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

As of March 29, 2015, the Nathan’s Branded Menu Program was comprised of 119 outlets, which included 35 Nathan’s Famous Branded Products within K-Marts and 31 Nathan’s Famous Branded Products within Brusters Real Ice Cream shops, a premium ice cream franchisor headquartered in Western Pennsylvania with approximately 185 company-owned and franchised ice cream shops located largely in the southeast United States.

Arthur Treacher’s

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

As of March 29, 2015, Arthur Treacher’s co-branded operations were included within 48 Nathan’s Famous restaurants. Historically, our primary intention was to continue including co-branded Arthur Treacher’s operations within our Nathan’s Famous restaurants and explore alternative distribution channels for Arthur Treacher’s products. The Branded Menu Program was extended on an opportunistic basis to include certain Arthur Treacher’s products to Nathan’s operators. During fiscal 2014, we entered into our first Arthur Treacher’s Branded Menu Program agreement allowing non-Nathan’s restaurants to market the Arthur Treacher’s products. The development agreement provides for up to 55 locations in the Rochester, New York area. The agreement requires opening fees be conveyed to Nathan’s in addition to ongoing royalties based on the proprietary products purchased. The first location opened on March 9, 2014 and six new locations opened during the year ended March 29, 2015. We may seek to expand the opportunity for an Arthur Treacher’s Branded Menu Program in the future.

Company-owned Nathan’s Restaurant Operations

As of March 29, 2015, we operated five Company-owned Nathan’s units, including one seasonal location, in New York. Our Coney Island flagship location was rebuilt and re-opened on May 20, 2013 after suffering severe damage as a result of Superstorm Sandy on October 29, 2012. Our Yonkers location, was down-sized, and re-opened on November 18, 2013 pursuant to its new lease, after being closed for renovation since November 2012 and our Oceanside restaurant was also relocated and downsized and re-opened on March 25, 2015, after being closed for approximately three months for relocation. Our Company-owned restaurants range in size from approximately 2,650 square feet to 10,000 square feet and have seating to accommodate between 60 and 125 customers. These restaurants are open seven days a week on a year-round basis and are designed to appeal to consumers of all ages. In March 2012, we relocated our seasonal Coney Island Boardwalk restaurant to a more prominent location. 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.

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

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

International Development

As of March 29, 2015, Nathan’s Famous franchisees operated 62 units in ten foreign countries, and the Cayman Islands**.** During the fiscal 2015 period we opened 13 new units internationally, including our first three units in Costa Rica and first unit in Malaysia pursuant to new development agreements. Additionally, we opened 6 units in Russia, and one unit in each of Mexico, Turkey and the Dominican Republic pursuant to existing development agreements.

As of March 29, 2015, we have executed a Master Franchise Agreement and a Retail Distribution Agreement for the Republic of Panama and have received a non-refundable fee of $150,000.We have also executed a Letter of Intent to enter into a Master Development Agreement for the Commonwealth of Australia and received a non-refundable deposit of $50,000. We will seek to continue granting exclusive territorial rights for franchising and for the manufacturing and distribution rights in foreign countries, and we expect to require that an exclusivity fee be conveyed for these rights. We plan to develop the restaurant franchising system internationally through the use of master franchising agreements based upon individual or combined use of our existing restaurant concepts and for the distribution of Nathan's products.

Following is a summary of our international operations for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013: See Item 1A-"Risk Factors."

	March 29, 2015	March 30, 2014	March 31, 2013
Total revenue	**$ 3,430,000**	$ 3,531,000	$ 3,044,000
Gross profit (a)	**$ 1,186,000**	$ 1,765,000	$ 1,193,000

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

Location Summary

The following table shows the number of our Company-owned and franchised units in operation at March 29, 2015 and their geographical distribution:

Domestic Locations	Company	Franchise (1)	Total (1)
Alabama	-	1	1
Arizona	-	1	1
California	-	1	1
Connecticut	-	5	5
Florida	-	26	26
Georgia	-	17	17
Illinois	-	1	1
Kentucky	-	3	3
Maryland	-	3	3
Massachusetts	-	7	7
Michigan	-	4	4
Missouri	-	1	1
Mississippi	-	1	1
Nevada	-	12	12
New Hampshire	-	1	1
New Jersey	-	35	35
New Mexico	-	2	2
New York	5	75	80
North Carolina	-	2	2
Ohio	-	4	4
Pennsylvania	-	16	16
Rhode Island	-	1	1
South Carolina	-	8	8
Tennessee	-	2	2
Texas	-	3	3
Vermont	-	1	1
Virginia	-	1	1
Domestic Subtotal	5	234	239

International Locations	Company	Franchise (1)	Total (1)
Canada	-	1	1
Cayman Islands	-	1	1
Costa Rica	-	3	3
Dominican Republic	-	6	6
Egypt	-	1	1
Jamaica	-	2	2
Kuwait	-	9	9
Malysia	-	1	1
Mexico	-	3	3
Russia	-	34	34
Turkey	-	1	1
International Subtotal	-	62	62
Grand Total	5	296	301

(1) Amounts include 119 units operated pursuant to our Nathan’s and Arthur Treacher’s Branded Menu Programs. Units operating pursuant to our Branded Product Program are excluded.

Branded Product Program

Through the Branded Product Program, Nathan's provides qualified foodservice operators in a variety of venues the opportunity to capitalize on Nathan's valued brand by marketing and selling primarily Nathan's Famous hot dog products. We believe that the program is unique in its flexibility and broad appeal. Hot dogs are offered in a variety of sizes and even come packaged with buns for vending machine use. In conjunction with the program, the operators are granted a limited use of the Nathan's Famous trademark, as well as Nathan's point of purchase materials. We earn income by selling our products either directly to the end users or to various foodservice distributors who provide the products to retailers.

As of March 29, 2015, the Branded Product Program distributed product in all 50 states, the District of Columbia, Puerto Rico, Canada, the U.S. Virgin Islands, Guam and Mexico. During the fiscal 2015 period, we continued to open many new locations offering Nathan's branded products. Today, Nathan's World Famous Beef Hot Dogs are being offered in national restaurant chains such as Auntie Anne's and Cheesecake Factory, national movie theater chains such as Regal Entertainment and National Amusements, casino hotels such as Foxwoods Casino in Connecticut and convenience store chains such as Speedway, and Race Trac. The Branded Products Program also continued its representation in professional sports arenas with Nathan's World Famous Beef Hot Dogs now being served in stadiums and arenas that host the New York Yankees, New York Mets, Brooklyn Nets, New Jersey Devils and Dallas Cowboys.

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

Nathan's expects to continue to seek out and evaluate a variety of alternative means designed to maximize the value of our Branded Product Program.

Expansion Program

We expect that our retail licensing program will continue to grow centered around our new licensing program with John Morrell & Co. John Morrell brings additional sales and marketing resources to our brand through its national scale, broad distribution platform, strong retail relationships and research and development infrastructure capable of developing and introducing attractive new products. As a result of our partnership with John Morrell, we expect *Nathan's Famous* products to further penetrate the grocery, mass merchandising and club channels by expanding points of distribution in targeted, underpenetrated regions and through the development of new products. John Morrell expects to leverage this relationship with full-scale marketing efforts, both inside and outside of stores, highlighted by exciting customer events including our NASCAR Sprint Cup Series sponsorship with Richard Petty Motorsports and brand representation and support at numerous Hot Dog Eating Contest Qualifying Events. Additionally, John Morrell & Co. will continue its mobile marketing tour throughout the year, whereby merchandising trucks will be making over 200 scheduled stops at supermarkets throughout the country and certain Hot Dog Eating Contests to bring the Nathan's / Coney Island experience to new markets. We expect to continue our relationship with Kaboom as we prepare to celebrate our 100th anniversary in 2016.

We expect to continue the growth of our Branded Product Program through the addition of new points of sale. We believe that the flexible design of the BPP makes it well-suited for sales to all segments of the broad foodservice industry. We intend to keep targeting sales to a broad line of food distributors, which we believe compliments our continuing focus on sales to various foodservice retailers. We continue to believe that as consumers look to assure confidence in the quality of the food that they purchase, there is great potential to increase our sales by converting existing sales of non-branded products to Nathan's branded products throughout the foodservice industry.

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

We also expect to continue opening traditional and Branded Menu Nathan's Famous 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 including our Arthur Treacher's signature products both within our restaurant system and as a separate Branded Menu Program. We may selectively consider opening new Company-owned Nathan's units on an opportunistic basis. Existing Company-owned units are located in the New York metropolitan area, where we have extensive experience in operating restaurants. We may consider new opportunities in both traditional and captive market settings.

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

Co-branding

We believe that there is a continuing opportunity for co-branding of our restaurant concept and/or menu items with other restaurant concepts, as well as within our restaurant system as new franchise opportunities are developed. Franchisees that have co-branded a Nathan's Famous restaurant with our other brands received a then-current Uniform Franchise Offering Circular ("UFOC") or Franchise Disclosure Document ("FDD") and executed a participation agreement as a rider to their franchise agreement. We initially implemented our co-branding strategy within the Nathan's Famous restaurant system by adding the Arthur Treacher's and Kenny Rogers Roasters brands into Nathan's Famous restaurants. Upon the sale of Kenny Rogers Roasters in April 2008, we discontinued co-branding that brand within new restaurants in the Nathan's Famous system. We have continued our co-branding effort with the Arthur Treacher's brand with new and existing Nathan's Famous franchisees and expect to do so in the future. During fiscal 2015, we continued to expand our Arthur Treacher's co-branding efforts beyond the Nathan's restaurant system, by marketing the Branded Menu Program to a multi-unit restaurant operator who opened six units during the year ended March 29, 2015 and intends to further expand this program in the next fiscal year. We may seek to further explore opportunities to co-brand the Arthur Treacher's brand to other multi-unit foodservice operators in the future.

At March 29, 2015, the Arthur Treacher's brand was being sold within 48 Nathan's restaurants and the Kenny Rogers Roasters brand was being sold within 25 Nathan's restaurants. We have the right to sell Kenny Rogers products in our Nathan's locations existing prior to May 2008 and to receive the revenue from those sales.

We believe that our diverse brand offerings complement each other, which has enabled us to market franchises of co-branded units and continue co-branding within our franchised units. We also believe that our various restaurants' products provide us with strong lunch and dinner day-parts as well as snacking occasions.

We believe that a multi-branded restaurant concept offering strong lunch and dinner day-parts is appealing to both consumers and potential franchisees. Such restaurants are designed to allow the operator to increase sales and leverage the cost of real estate and other fixed costs to provide superior investment returns as compared to many restaurants that are single branded.

Licensing Program

Commencing March 2, 2014, John Morrell & Co., a subsidiary of Smithfield Foods, Inc., replaced SMG, Inc. as Nathan's primary licensee. Pursuant to the Agreement, John Morrell & Co., for a term of 18 years has been granted, among other things, (i) the exclusive right and obligation to manufacture, distribute, market and sell "Nathan's Famous" branded hot dog, sausage and corned beef products in refrigerated consumer packages to be resold through retail channels (e.g., supermarkets, groceries, mass merchandisers and club stores) within the United States, (ii) a right of first offer to license any other "Nathan's Famous" branded refrigerated meat products in consumer packages to be resold through retail channels within the United States, on terms to be negotiated in good faith, (iii) the right and obligation to manufacture "Nathan's Famous" branded hot dog and sausage products in bulk for use in the food service industry within the United States, and (iv) the non-exclusive right and obligation to supply "Nathan's Famous" natural casing and skinless hot dogs in bulk for use in the "Nathan's Famous" restaurant system within the United States. The Agreement provides for royalties on packaged products sold to supermarkets, club stores and grocery stores, payable on a monthly basis to the Company equal to 10.8% of net sales, subject to minimum annual guaranteed royalties of at least $10 million in the first year of the term and which minimum guaranteed royalties increase annually throughout the term. The prior agreement with SMG (the "SMG License Agreement") provided for royalties ranging between 3% and 5% of sales. The percentage varied based on sales volume, with escalating annual minimum royalties. Nathan's earned royalties of approximately $14,367,000 in fiscal 2015 and $5,147,000 in fiscal 2014. We earned $4,600,000 pursuant to the SMG License Agreement during fiscal 2014 through the date of expiration. While we believe our future operating results will continue to be beneficially impacted by the terms and conditions of the new agreement with John Morrell & Co., as compared to the terms and conditions of the previous agreement with SMG, there can be no assurance thereof (See Item 1A - "Risk Factors"**).**

For nine years, John Morrell & Co. has licensed from us the right to manufacture and sell branded hot dogs and sausages to selected foodservice accounts. Pursuant to this arrangement, we earned royalties of $1,738,000 and $1,594,000 during the fiscal 2015 period and fiscal 2014 period, respectively. The majority of these royalties were earned from one account. Effective March 2, 2014, this arrangement is governed by our new license/supply agreement with John Morrell & Co.

As of March 29, 2015, packaged Nathan's World Famous Beef Hot Dogs continued to be sold in approximately 39,000 supermarkets, mass merchandisers and club stores including Kroger, Publix, ShopRite, Walmart, Target, Sam's Club, Costco and BJ's Wholesale Club located in 50 states. We believe that the overall exposure of the brand and opportunity for consumers to enjoy the Nathan's World Famous Beef Hot Dog in their homes helps promote "Nathan's Famous" restaurant patronage. Royalties earned from this agreement were approximately 89.4% of our fiscal 2015 period license revenues.

We license the manufacture of the proprietary spices which are used to produce Nathan's World Famous Beef Hot Dogs to Saratoga Specialties. During fiscal 2015 and 2014, we earned $804,000 and $707,000, respectively, from this license. In the past, Newly Weds Foods, Inc. provided Nathan's with a secondary source of supply although they did not supply any spices during fiscal 2015. Through this agreement, we are able to control the manufacture of all Nathan's hot dogs.

During fiscal 2015, our licensee ConAgra Foods Lamb Weston, Inc. continued to produce and distribute Nathan's Famous frozen French fries and onion rings for retail sale pursuant to a license agreement. These products were distributed within 36 states, primarily on the East Coast and in the South-West and West Coast during fiscal 2014. During fiscal 2015 and 2014, we earned royalties of $507,000 and $335,000, respectively, under this agreement. For the contract year ended in July 2014, we earned royalties of $62,000 in excess of the annual minimum. ConAgra Foods Lamb Weston, Inc. continues to seek to further expand its market penetration in the Eastern United States and in the Mid-West. ConAgra Foods Lamb Weston, Inc. previously exercised its second option to extend the license agreement through July 2018, pursuant to which the minimum royalties will increase 5% annually.

During fiscal 2015, we continued to license the right to manufacture and sell miniature bagel dogs, franks-in-a-blanket and other hors d'oeuvres through club stores, supermarkets and other retail food stores. Royalties earned under this agreement were approximately $217,000 during fiscal 2015 and $340,000 during fiscal 2014. In connection with the extension of the agreement, we amended the license agreement reducing the minimum annual royalties to $225,000 for the contract year ending September 2014.

We also have licensing agreements with Hermann Pickle Packers, Inc., Gold Pure Food Products Co., Inc. and others. These companies licensed the "Nathan's Famous" or "Arthur Treacher's" name for the manufacture and sale of various products including mustard, salsa, sauerkraut and pickles. These products have been distributed on a limited basis. Fees and royalties earned from all of these products were approximately $309,000 during fiscal 2015 and $301,000 during fiscal 2014.

In fiscal 2012, we entered into a new license agreement with Inventure Foods, Inc. for the manufacture and sale of Nathan's branded potato chips and three other salty snack products. Royalties earned under this agreement were approximately $69,000 during fiscal 2015 and $88,000 during fiscal 2014.

Provisions and Supplies

Effective March 2, 2014, Nathan’s World Famous Beef Hot Dogs have been primarily manufactured by John Morrell & Co. for sale by our Branded Product Program and at retail. Previously, John Morrell & Co. manufactured our proprietary hot dogs in connection with sales pursuant to our Branded Product Program. John Morrell & Co. and another hot dog manufacturer supply the hot dogs for our Company-operated and franchise-operated restaurants. All hot dogs are manufactured in accordance with Nathan’s recipes, quality standards and proprietary spice formulations. Nathan’s believes that it has reliable sources of supply; however, in the event of any significant disruption in supply, management believes that alternative sources of supply are available. (See Item 1A- “Risk Factors”). Saratoga Specialties produces Nathan’s proprietary spice formulations and we have, in the past, also engaged Newly Weds Foods, Inc. as an alternative source of supply. Our frozen crinkle-cut French fries have been produced exclusively by ConAgra Foods Lamb Weston, Inc. Beginning in fiscal 2013, we commenced a relationship with McCain Foods USA as a secondary source of supply of our frozen French fries for our restaurant system. During fiscal 2015, McCain Foods USA provided approximately 13.5% of our frozen crinkle-cut French fries. Most other Company provisions are purchased from multiple sources to prevent disruption in supply and to obtain competitive prices. We approve all products and product specifications. We negotiate directly with our suppliers on behalf of the entire system for all primary food ingredients and beverage products sold in the restaurants in an effort to ensure adequate supply of high quality items at competitive prices.

We utilize a unified source for the predominant distribution needs of our restaurant system 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 not only ensures availability of product but is more efficient and cost-effective than having multiple distributors for our restaurant system. Effective August 1, 2013, we entered into a new agreement with US Foodservice that expires on July 31, 2018. The terms and conditions are similar to their previous agreement. Our branded products are delivered to our ultimate customers throughout the country by numerous distributors, including US Foodservice, Inc., SYSCO Corporation, Vistar / PFG and McLane.

Marketing, Promotion and Advertising

Nathan’s believes that an integral part of its brand marketing strategy is to continue to build brand awareness through its complimentary points of distribution strategy of selling its signature products through restaurants, the Branded Product Program, the Branded Menu Program, within supermarkets and club stores. We believe that as we continue to build brand awareness and expand our reputation for quality and value, we have further penetrated the markets that we serve and have also entered new markets. We also derive further brand recognition from the Nathan’s Famous Hot Dog Eating Contests. In 2014, we hosted 13 regional contests at a variety of high profile locations such as New York New York Hotel and Casino, Las Vegas, NV, and Citifield, Queens, NY, as well as within the cities of St. Paul, MN, Savannah, GA, Houston, TX, Nashville, TN, Lincoln, NE, Cleveland, OH, and Boston, MA. In 2015, the qualifying tour will stop in four new cities. We are again holding contests at three NASCAR events including the annual Speed Street celebration in Charlotte, NC, Long Pond Speedway in the Poconos and Sonoma Raceway in northern California. Nathan’s held its’ first-ever qualifier at Busch Stadium prior to a St. Louis Cardinals Game in May 2014 and returned on May 16, 2015. Our first regional contest of 2015 took place in Florida on March 1st and will occur in 13 additional cities. These regional contests culminate on July 4th each year as the regional champions converge at our flagship restaurant in Coney Island, NY, to compete for the coveted “Mustard Yellow Belt.” In 2011, we introduced our first-ever women’s-only Hot Dog Eating Contest which included the top finishing female competitor from each qualifying regional contest. The regional contests typically garner significant amounts of local publicity and the national championship contest that is held on July 4th each year generates significant nationwide publicity. The national championship contest has been broadcast on ESPN since 2004.

Nathan’s and John Morrell & Co. participated together in running two 6-week radio campaigns during the summer of 2014. In 2015, John Morrell & Co. will run 2-week radio campaigns in support of certain promotions.

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

- Professional Baseball: Yankee Stadium-New York Yankees, Citifield-New York Mets;

- Professional Hockey and Basketball: The Barclays Center - Brooklyn Nets; The Prudential Center – New Jersey Devils; and The Scottrade Center – St. Louis Blues; and

- Professional Football: MetLife Stadium-New York Giants and New York Jets and AT&T Stadium – Dallas Cowboys.

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

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

Throughout fiscal 2015, Nathan's primary restaurant 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.

Nathan's marketing efforts include the use of free-standing inserts with coupons in Sunday newspapers. During fiscal 2015 and fiscal 2014, our marketing activities continued with the use of free-standing inserts in addition to radio flights and use of a localized newsprint campaigns. During the fiscal 2015 period, we expanded our radio campaign and continued with the use of free-standing inserts. These newsprint campaigns typically reach more than eight million homes per insertion in the area surrounding more than 100 Nathan's company-owned and franchised restaurants. These programs usually feature heavily discounted offers that are designed to attract customers to our restaurants. We monitor the results of these campaigns and have committed to additional campaigns in fiscal 2016.

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

During fiscal 2015, Nathan's marketing efforts for the Branded Product Program concentrated primarily on participation in national, regional and local distributor trade shows. We have also advertised our products in distributor and trade periodicals and initiated distributor sales incentive contests.

Most of the sales of new restaurant franchises to franchisees are achieved through the direct effort of Company personnel. New arrangements with Branded Product Program points of sale are achieved through the combined efforts of Company personnel and a network of foodservice brokers and distributors who also are responsible for direct sales to national, regional and "street" accounts.

During fiscal 2016, we may seek to further expand our internal marketing resources along with our network of foodservice brokers and distributors. We may attempt to emphasize specific venues as we expand our broker network, focus management and broker responsibilities on a regional basis and expand the use of sales incentive programs. We are currently continuing the process of upgrading our social media platforms by enhancing our corporate website and Facebook page and expanding the use of Twitter.

Government Regulation

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

The FTC's "Trade Regulation Rule Concerning Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" (the "FTC Rule") requires us to disclose certain information to prospective franchisees. Fifteen states, including New York, also require similar disclosure. While the FTC Rule does not require registration or filing of the disclosure document, 14 states require franchisors to register the disclosure document (or obtain exemptions from that requirement) before offering or selling a franchise. The laws of 17 other states require some form of registration (or a determination that a company is exempt or otherwise not required to register) under "business opportunity" laws, which sometimes apply to franchisors such as the Company. These laws have not precluded us from seeking franchisees in any given area.

Laws that regulate one or another aspect of the franchisor-franchisee relationship presently exist in 24 states as well as Puerto Rico and the U.S. Virgin Islands. These laws regulate the franchise relationship by, for example, requiring the franchisor to deal with its franchisees in good faith, prohibiting interference with the right of free association among franchisees, limiting the imposition of standards of performance on a franchisee, and regulating discrimination among franchisees. Although these laws may also restrict a franchisor in the termination of a franchise agreement by, for example, requiring "good cause" to exist as a basis for the termination, advance notice to the franchisee of the termination, an opportunity to cure a default, and repurchase of inventory or other compensation, these provisions have not had a significant effect on our operations. Our international franchise operations are subject to franchise-related and other laws in the jurisdictions in which our franchisees operate. These laws have not precluded us from enforcing the terms of our franchise agreements, and we do not believe that these laws are likely to significantly affect our operations.

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

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

We are subject to the Federal Fair Labor Standards Act and various other federal and state laws that govern minimum wages, overtime, working conditions, mandatory benefits, health insurance, and other matters. We are also subject to federal and state environmental regulations, which have not had a material effect on our operations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. In addition, the Federal Americans with Disabilities Act applies with respect to the design, construction and renovation of all restaurants in the United States.

Each company that manufactures, supplies or sells our products is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety and other departments.

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

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

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

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

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

Employees

At March 29, 2015, we had 228 employees, 42 of whom were corporate management and administrative employees, 26 of whom were restaurant managers and 160 of whom were hourly full-time and part-time foodservice employees. We may also employ approximately 150 – 200 seasonal employees during the summer months. Foodservice employees at three Company-owned locations are currently represented by Local 1102 RWSDU UFCW AFL-CIO, CLC, Retail, Wholesale and Department Store Union, under an agreement that expires on June 30, 2017. Employees at a fourth location are represented by the same union pursuant to a different agreement that expires October 31, 2016. We consider our employee relations to be good and have not suffered any strike or work stoppage for more than 42 years.

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

Trademarks

We hold trademark and/or service mark registrations for NATHAN’S, NATHAN’S FAMOUS, NATHAN’S FAMOUS and design, NATHAN’S and Coney Island design, SINCE 1916 NATHAN’S FAMOUS and design, and THE ORIGINAL SINCE 1916 NATHAN’S FAMOUS and design within the United States, with some of these marks holding corresponding foreign trademark and service mark registrations in 72 international jurisdictions, including Canada and China. We also hold various related marks, FRANKSTERS, FROM A HOT DOG TO AN INTERNATIONAL HABIT, MORE THAN JUST THE BEST HOT DOG! and design, and Mr. Frankie design, for restaurant services and some food items.

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

Our trademark and service mark registrations were granted and expire on various dates. We believe that these trademarks and service marks provide significant value to us and are an important factor in the marketing of our products and services. We believe that we do not infringe on the trademarks or other intellectual property rights of any third parties. We also have licenses to use the Kenny Rogers trademarks and service marks in the then-existing Nathan’s restaurants existing on April 2, 2008.

Seasonality

Our business is affected by seasonal fluctuations, including the effects of weather and economic conditions. Historically, sales from Company-owned and franchised restaurants from which franchise royalties are earned and the Company’s earnings have been highest during our first two fiscal quarters, with the fourth fiscal quarter typically representing the slowest period. This seasonality is primarily attributable to weather conditions in the marketplace for our Company-owned and franchised Nathan’s restaurants, which is principally the Northeast. We believe that future revenues and profits will continue to be highest during our first two fiscal quarters, with the fourth fiscal quarter representing the slowest period.

Competition

The fast food restaurant industry is highly competitive and can be significantly affected by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes, consumer concerns about the nutritional quality of quick-service food and increases in the number of, and particular locations of, competing restaurants.

Our restaurant system competes with numerous restaurants and drive-in units operating on both a national and local basis, including major national chains with greater financial and other resources than ours. We also compete with local restaurants and diners on the basis of menu diversity, food quality, price, size, site location and name recognition. There is also active competition for management personnel, as well as for suitable commercial sites for owned or franchised restaurants.

We believe that our emphasis on our signature products and the reputation of these products for taste and quality set us apart from our major competitors. As fast food companies have experienced flattening growth rates and declining average sales per restaurant, many of them have adopted “value pricing” and/or deep discount strategies. Nathan’s markets our own form of “value pricing,” selling combinations of different menu items for a total price lower than the usual sale price of the individual items and other forms of price sensitive promotions. Our value pricing strategy may offer multi-sized alternatives to our value-priced combo meals.

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

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

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

Available Information

We file reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and a proxy statement on Schedule 14A. The public may read and copy any materials filed by us with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington D.C., 20549. The public may obtain information about the operation of the SEC’s Public Reference Room 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, electronic copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statement on Schedule 14A and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) under the Exchange Act are available free of charge on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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

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

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

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

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

Our Agreement with John Morrell has resulted in a significant increase in our royalties compared to the royalties we derived from SMG and there can be no assurance that such increases will continue in the future or that we will achieve the cost savings we anticipate from the John Morrell agreement.

We earned license royalties of approximately $14,367,000 in fiscal 2015 as compared to license royalties of $5,147,000 in fiscal 2014. The principal reason for this increase is the terms and conditions of our agreement with John Morrell as compared to the terms and conditions of our agreement with SMG. There can be no assurance that we will continue to derive the same increase in our license royalties in the future or that our future license royalties will be similar to our fiscal 2015 license royalties.

In addition, we expect to achieve cost savings from the John Morrell Agreement but there can be no assurance that we will achieve the cost savings we anticipate.

If (i) our license revenues decrease or increase only by a nominal amount in future years or (ii) we fail to achieve cost savings as a result of the John Morrell agreement, it would have a material adverse effect on our financial condition and results of operations.

Our agreement with SMG expired on March 1, 2014 and we entered into a new agreement with John Morrell which commenced on March 2, 2014. The risks associated with a change of our primary supplier have the potential to impact the operations and profitability of our licensing, BPP and restaurant businesses as well as our reputation.

Our agreement with SMG expired on March 1, 2014 and we entered into a new agreement with John Morrell to become our primary supplier / licensee commencing March 2, 2014. The risks associated with a change of our primary supplier / licensee could materially impact the operations and profitability of our licensing, BPP and restaurant businesses as well as our overall brand reputation. There are risks associated with changing a key supplier including whether we can successfully implement an orderly transition of the business to John Morrell and whether John Morrell will perform its obligations or have the same level of commitment to perform its obligations for the duration of the agreement. There are also certain risks associated with engaging John Morrell as the exclusive licensee including (i) whether we can maintain or improve the quality and consistency of our products that is expected by our customers (ii) whether John Morrell will have a sufficient supply of products available for our restaurant, foodservice and retail customers on a timely basis and (iii) whether John Morrell will deliver sales and marketing efforts at the retail level that are at least consistent with SMG.

While we believe that for the most part, we have been able to manage a transparent transition, the failure to provide the same or higher quality and consistency and/or implement an orderly transition of the business could adversely affect our reputation and results of operations of our licensing, BPP and restaurant businesses.

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

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

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

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

During fiscal 2013, we entered into a new agreement with a secondary hot dog manufacturer that continues to also supply natural casing hot dogs for our restaurant business.

Additionally, a majority of the frozen crinkle-cut French fries sold through our franchised restaurants have been obtained from one supplier. Beginning in fiscal 2013, we began a relationship with a secondary source of supply of our frozen French fries for our restaurant system. During the fiscal years ended March 29, 2015 and March 30, 2014, McCain Foods USA supplied approximately 13.5% and 15%, respectively, of the frozen crinkle-cut French fries sold through our franchised restaurants.

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

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

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

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

We currently use US Foods, Inc. as the primary distributor for our Company-owned restaurants and the vast majority of our franchise system, including our BMP locations pursuant to a five-year contract.

We currently use US Foods, Inc. as the primary distributor for our Company-owned restaurants and the vast majority of our franchise system, including our BMP locations pursuant to a five-year contract. In December 2013, Sysco Corporation announced that it is seeking to acquire US Foods, Inc. The merger of these two national broad-line distributors would provide the combined entity with an estimated market share of 30% of foodservice distribution making it the single dominant distributor in the industry. This merger has the potential to significantly reduce competition for foodservice distribution. Both Sysco Corporation and US Foods, Inc. purchase significant amounts of product from our BPP. The merger has the potential to increase our cost of sales and use their combined size to negotiate lower selling prices of our BPP.

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

John Morrell accounted for approximately 93.9% and 34% of our licensing revenue for the fiscal 2015 period and fiscal 2014 period, respectively. SMG accounted for approximately 54% of our licensing revenue for the fiscal year ended March 30, 2014. John Morrell's business is weighted towards one high volume user who is not sold pursuant to a formal agreement. As a result of the John Morrell Agreement, we expect that most of our license royalties will be earned from John Morrell for the foreseeable future. In the event that this licensee or any other significant licensee, or its customers, experience financial difficulties or is not willing to do business with us in the future on terms acceptable to management, there could be a material adverse effect on our business, results of operations or financial condition.

In addition, for the fiscal 2015 period, approximately 73% of our BPP business is from seven accounts, including one account representing approximately 28% of the BPP business, with which we have relatively short-term contracts. In the event that these BPP customers experience financial difficulties or, upon the expiration of their existing agreements are not willing to do business with us in the future on terms acceptable to management, there could be a material adverse effect on our business, results of operations or financial condition.

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

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

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

The quick-service restaurant business of the foodservice industry is intensely competitive regarding price, service, location, personnel and type and quality of food. We and our franchisees compete with international, national, regional and local retailers primarily through the quality, variety and value perception of food products offered. Other key competitive factors include the number and location of restaurants, quality and speed of service, attractiveness of facilities, effectiveness of advertising and marketing programs, and new product development. We anticipate competition will continue to focus on pricing. Many of our competitors have substantially larger marketing budgets, which may provide them with a competitive advantage. Changes in pricing or other marketing strategies by these competitors can have an adverse impact on our sales, earnings and growth. For example, many of those competitors have adopted "value pricing" strategies intended to lure customers away from other companies, including our Company. Consequently, these strategies could have the effect of drawing customers away from companies which do not engage in discount pricing and could also negatively impact the operating margins of competitors which attempt to match their competitors' price reductions. Extensive price discounting in the quick-service restaurant business could have an adverse effect on our financial results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our operations are influenced by adverse weather conditions.

Weather, which is unpredictable, can impact our sales. Harsh weather conditions that keep customers from dining out result in lost opportunities for our and our franchisees' restaurants. A heavy snowstorm or a tropical storm or hurricane in the Northeast can shut down an entire metropolitan area, resulting in a reduction in sales in that area at Company-owned and franchised restaurants. For instance, Superstorm Sandy forced the temporary closing of all of our Company-owned restaurants. Our flagship Coney Island restaurant and our new Boardwalk restaurant were closed for an extended period of time and re-opened on May 20, 2013 and March 18, 2013, respectively. In addition, 78 franchised restaurants including 18 BMP locations were closed for varying periods of time, one of which has not re-opened. Our fourth quarter includes winter months and historically has a lower level of sales at Company-owned and franchised restaurants. Restaurant sales were significantly impacted due to the harsh winter weather experienced during the fourth quarters of the fiscal 2015 period and the fiscal 2014 period. Additionally, our Company-owned restaurants at Coney Island are heavily dependent on favorable weather conditions during the summer season. Rain during the weekends and/or unseasonably cold temperatures will negatively impact the number of patrons going to the Coney Island beach locations. Because a significant portion of our restaurant operating costs is fixed or semi-fixed in nature, the loss of sales during these periods hurts our operating margins, and can result in restaurant operating losses. For these reasons, a quarter-to-quarter comparison may not be a good indication of our performance or how it may perform in the future.

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

As of March 29, 2015, we and our franchisees (including units operated pursuant to our BMP) operated Nathan's restaurants in 27 states, the Cayman Islands, and ten foreign countries. As of March 29, 2015, the highest concentration of operating units was in the Northeast, principally in New York and New Jersey. This geographic concentration in the Northeast can cause economic conditions in particular areas of the country to have a disproportionate impact on our overall results of operations. It is possible that adverse economic conditions in states or regions that contain a high concentration of Nathan's restaurants could have a material adverse impact on our results of operations in the future.

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

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

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

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

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

Based upon future economic and capital market conditions, future impairment charges could be incurred.

Catastrophic events may disrupt our business.

Unforeseen events, or the prospect of such events, including war, terrorism and other international conflicts, such as a continued interruption in the relationship between the United States and Russia, public health issues such as epidemics or pandemics, labor unrest and natural disasters such as earthquakes, hurricanes or other extreme adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of franchisees, suppliers or customers, or result in political or economic instability. These events could negatively impact consumer spending, thereby reducing demand for our products, or the ability to receive products from suppliers. We do not have insurance policies that insure against certain of these risks. To the extent that we do maintain insurance with respect to some of these risks, our receipt of the proceeds of such policies may be delayed or the proceeds may be insufficient to offset our losses fully.

Our international operations are subject to various factors of uncertainty.

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

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

The cost of the food and paper products we use depends on a variety of factors, many of which are beyond our control. Food and paper products typically represent approximately 25% to 30% of our cost of restaurant sales. We purchase large quantities of beef and our beef costs in the United States represent approximately 80% to 90% of our food costs. The market for beef is particularly volatile and is subject to significant price fluctuations due to seasonal shifts, climate conditions such as the 2012 drought in the Midwest, industry demand and other factors beyond our control. For example, in the past, reduced supply and increased demand in beef resulted in shortages, which required us to pay significantly higher prices for the beef we purchased. For the fiscal 2015 period and the fiscal 2014 period, the market price for hot dogs increased 17.1% and 7.5%, respectively compared to the fiscal years ended March 30, 2014 and the fiscal year ended March 31, 2013, respectively. As the price of beef or other food products that we use in our operations increases significantly, particularly in the BPP, and we choose not to pass, or cannot pass, these increases on to our customers, our operating margins will decrease.

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

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

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

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

Labor shortages or increases in labor costs could slow our growth or harm our business.

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

We must comply with the Fair Labor Standards Act and various federal and state laws governing minimum wages. Increases in the minimum wage or labor regulation could increase labor costs. The state of New York approved legislation which increased the minimum wage beginning December 31, 2013, December 31, 2014 and December 31, 2015. The impact of the New York minimum wage increases on our business amounted to a 4.6% average salary increase in 2014 and amounts to a 6.9% average salary increase in 2015 for our employees that are affected. Mayor DeBlasio, of the City of New York, has stated that New York City should increase its minimum wage to $15.00 per hour. In addition, voters in the state of New Jersey voted to increase the minimum wage in the 2013 general election, and the federal government and a number of other states are evaluating various proposals to increase their respective minimum wage. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. In addition, effective April 1, 2014, the City of New York passed legislation extending paid sick leave to all employees, including part-time employees which potentially will increase our labor costs in three of our Company-operated restaurants. We may not be able to anticipate and react to changing costs by adjusting our purchasing practices and prices to sufficiently account for increased wage costs. We may be unable to increase our prices in order to pass these increased labor costs on to our customers, in which case our margins and our franchisees' margins would be negatively affected. In the event that franchisees' margins are adversely affected, it may affect our ability to attract new franchisees which would adversely affect our business, results of operations and financial condition.

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

On July 29, 2014, the general counsel of the National Labor Relations Board ruled that McDonald's Corp. could be held jointly liable for labor and wage violations by its franchise operations. Subsequently on December 19, 2014, the National Labor Relations Board issued complaints naming McDonald's Corp. as a "joint employer" at its franchisees. While we believe McDonald's Corp. will seek to dismiss these complaints, to the extent that the complaints are not dismissed and the National Labor Relations Board prevails in litigation and is deemed applicable to other businesses with a significant number of franchises, such as Nathan's, we could be held partly liable in cases of overtime, wage or union-organizing violations. By making us partly liable, the complaints, if upheld and ultimately applied to Nathan's, could among other things give employees of our franchisee's restaurants and labor unions leverage to make it easier to unionize employees at these restaurants and to request that we have our franchisees raise wages. Unionization and a significant increase in wages at our franchisees could make it more difficult to operate a Nathan's franchised restaurant. A decrease in profitability at our franchisee's restaurants or the closing of a significant number of franchised restaurants could significantly impact our business, and our business could also be significantly impacted if the National Labor Relations Board seeks to bring a successful action against us as a "joint employer" and our liability for labor and wage violations increases.

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

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

In addition to decreasing our sales and profitability and diverting our management resources, adverse publicity or a substantial judgment against us could negatively impact our business, results of operations, financial condition and brand reputation, hindering our ability to attract and retain franchisees, expand our BPP and otherwise grow our business in the United States and internationally.

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

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

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

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

The PPACA further permits the United States Food and Drug Administration (the "FDA") to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans fat content. On November 25, 2014, the FDA announced its final rules for nationwide nutritional labeling on menus of establishments with at least 20 locations, as well as food trucks, vending machines, movie theaters, pizza parlors, amusement parks, grocery stores and anywhere else where ready-to-eat meals are sold. The nutritional labeling rules require establishments to post calorie counts on all menu items, calorie boards and drive-thru displays throughout the United States. Businesses affected by the new regulations have one year to comply. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming.

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

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

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

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

- *Shareholder Rights Agreement.* We adopted a new rights agreement which provided for a dividend distribution of one right for each share to holders of record of common stock on June 17, 2013. The rights become exercisable in the event any person or group accumulates 15% or more of our common stock, or if any person or group announces an offer which would result in it owning 15% or more of our common stock and our management does not approve of the proposed ownership.

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

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

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

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

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

Risks Related to the Notes

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

As of March 29, 2015, we had $135.0 million of indebtedness under the Senior Secured Notes. Our substantial indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- make it more difficult for us to satisfy our other financial obligations, including our obligations relating to the Notes;

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

Moreover, because of the interest payments we are required to make in future periods, our net income will be significantly negatively impacted compared to our reported net income in the fiscal 2015 period and prior periods. As we entered into the indenture on March 10, 2015 we were only required to accrue interest expense for 20 days during the fiscal 2015 period but for the fiscal year ended March 28, 2016 and in future fiscal years we will be required to accrue interest expense for the entire fiscal year. The impact of interest expense on net income will first be significantly reflected in our quarterly results for the period ended June 28, 2015.

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

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

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

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

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

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

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

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

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

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

Item 1B. **<u>Unresolved Staff Comments.</u>**

None.

Item 2. **Properties.**

Our principal executive offices consist of approximately 9,300 square feet of leased space in a modern office building in Jericho, NY. The lease commenced on January 1, 2010, has a ten (10) year term, with a five (5) year renewal right. We also own a regional office building consisting of approximately 9,500 square feet in Fort Lauderdale, Florida. We currently own one restaurant property consisting of a 2,650 square foot Nathan's restaurant at 86th Street in Brooklyn, NY, located on a 25,000 square foot lot.

At March 29, 2015, other Company-owned restaurants that were operating were located in leased space with terms expiring as shown in the following table:

Nathan's Restaurants	Location	Current Lease Expiration Date	Approximate Square Footage
Coney Island	Brooklyn, NY	December 2027	10,000
Coney Island Boardwalk	Brooklyn, NY	November 2019 (a)	3,800
Long Beach Road	Oceanside, NY	April 2030 (b)	4,100
Central Park Avenue	Yonkers, NY	December 2023	3,500

(a) Seasonal satellite location.

(b) Reflects the relocated restaurant that opened on March 25, 2015.

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.

At March 29, 2015, in addition to the leases listed above, we were the sub-lessor of two properties to franchisees which are located within the metropolitan New York area.

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,617,000 in fiscal 2015.

Item 3. **Legal Proceedings.**

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

Item 4. **Mine Safety Disclosures.**

Not applicable.

PART II

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

Common Stock Prices

Our common stock is quoted on the NASDAQ Global Market ("Nasdaq") under the symbol "NATH." The following table sets forth the high and low closing sales prices per share for the periods indicated without adjustment for the special dividend described below:

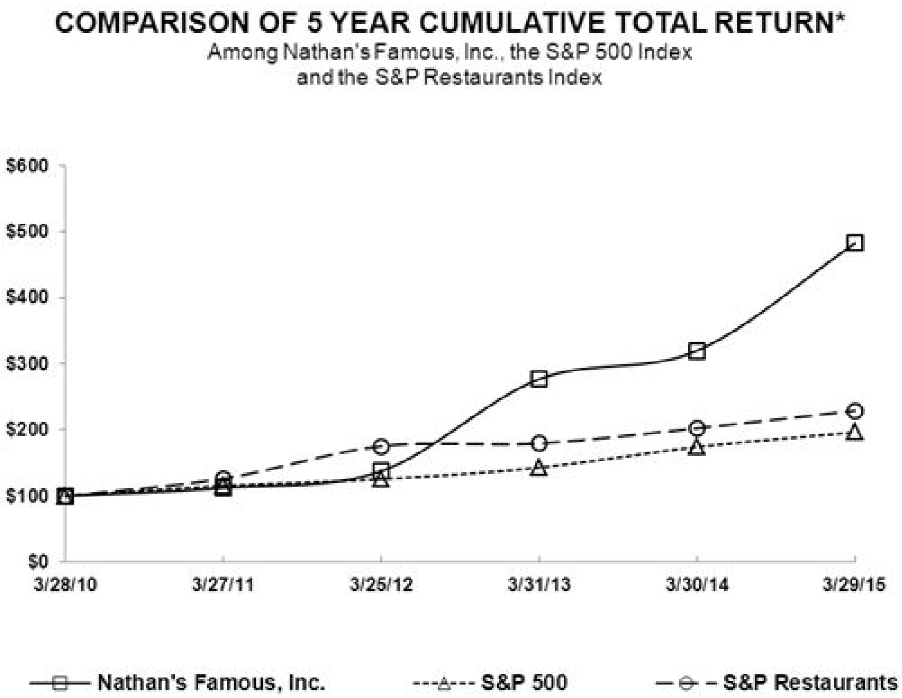
	High	Low
Fiscal year ended March 29, 2015		
First quarter	$ 56.93	$ 48.31
Second quarter	65.98	49.71
Third quarter	79.22	66.25
Fourth quarter	82.26	71.63
Fiscal year ended March 30, 2014		
First quarter	$ 54.00	$ 42.45
Second quarter	61.13	48.99
Third quarter	53.95	48.23
Fourth quarter	51.09	47.61

At June 9, 2015, the closing price per share for our common stock, as reported by NASDAQ, was $40.52.

On March 10, 2015, Nathan's declared a special dividend of $25.00 per share. The record date was March 20, 2015 and the payment date was March 27, 2015. Pursuant to NASDAQ rules, March 31, 2015, was the ex-dividend date for Nathans' $25.00 per share special dividend because the total amount of the dividend was greater than 25% of the Company's market capitalization. The closing sales prices listed above represent the actual closing prices and have not been adjusted to reflect the special dividend.

Performance Graph

The graph below represents the Company's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the S&P Restaurant Index. The graph tracks the performance of a $100 investment in our common stock and in each of our indexes (with the reinvestment of all dividends).



Dividend Policy

On March 10, 2015, Nathan's declared a special dividend of $25.00 per share which was paid on March 27, 2015. We do not anticipate that we will pay any cash dividends in the foreseeable future and our ability to pay future dividends is limited by the terms of the indenture with US Bank National Association, as trustee and collateral trustee. Previously, we had not declared or paid a regular cash dividend on our common stock since our initial public offering. It has been the Board of Directors' policy to return capital to our shareholders primarily through the purchase of stock pursuant to our stock buyback programs. The payment of any cash dividends in the future will be dependent upon our earnings and financial requirements.

Shareholders

As of June 9, 2015, we had approximately 550 shareholders of record, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers.

Issuer Purchases of Equity Securities

For the thirteen weeks ended March 29, 2015, the Company has not repurchased any shares of common stock. For the fiscal year ended March 29, 2015, the Company purchased 37,661 shares of common stock at a cost of $1,916,000. Since the commencement of the Company's stock buyback program in September 2001 through March 29, 2015, Nathan's has purchased a total of 4,647,687 shares of common stock at a cost of approximately $56,800,000 under all of its stock repurchase programs and the modified dutch tender offer, which includes the shares purchased during the fiscal year ended March 29, 2015.

On February 1, 2011, the Company's Board of Directors authorized an increase to the sixth stock repurchase plan for the purchase of up to 800,000 shares of its common stock on behalf of the Company; as of March 29, 2015, Nathan's has repurchased 548,728 shares at a cost of $13,194,000 under the sixth stock repurchase plan. At March 29, 2015, there were 251,272 shares remaining to be repurchased pursuant to the sixth stock repurchase plan. The plan does not have a set expiration date. Purchases under the Company's stock repurchase program may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

Item 6. Selected Financial Data.

	Fiscal years ended (1)				
	March 29, 2015	March 30, 2014	March 31, 2013	March 25, 2012	March 27, 2011
	(In thousands, except per share amounts)				
Statement of Earnings Data:					
Revenues:					
Sales (3)	**$ 75,520**	$ 65,521	$ 56,656	$ 52,369	$ 44,634
License royalties	**18,011**	8,513	8,571	7,526	6,718
Franchise fees and royalties	**5,581**	5,718	5,842	5,646	5,058
Total revenues	**99,112**	79,752	71,069	65,541	56,410
Costs and Expenses:					
Cost of sales	**61,951**	53,072	44,874	42,106	34,567
Restaurant operating expenses	**3,747**	3,142	2,700	3,115	3,092
Depreciation and amortization	**1,253**	1,157	940	965	915
General and administrative expenses	**12,203**	11,460	10,437	9,552	10,125
Litigation accrual	**-**	-	-	-	4,910
Impairment charge on note receivable	**-**	-	-	-	263
Total costs and expenses	**79,154**	68,831	58,951	55,738	53,872
Income from operations	**19,958**	10,921	12,118	9,803	2,538
Interest expense	**(816)**	(135)	(453)	(477)	(63)
Interest and other income, net	**263**	401	474	681	845
Insurance gain	**-**	2,774	-	-	-
Impairment charge long-term investment	**-**	(400)	-	-	-
Income before provision for income taxes	**19,405**	13,561	12,139	10,007	3,320
Provision for income taxes	**7,702**	5,234	4,671	3,849	1,107
Net income (3)	**$ 11,703**	$ 8,327	$ 7,468	$ 6,158	$ 2,213
Income per share:					
Basic (3)	**$ 2.61**	$ 1.87	$ 1.70	$ 1.26	$ 0.41
Diluted (3)	**$ 2.55**	$ 1.81	$ 1.63	$ 1.22	$ 0.40
Dividends declared per share	**$ 25.00**	$ -	$ -	$ -	$ -
Dividends declared total	**$ 116,110**	$ -	$ -	$ -	$ -
Weighted average shares used in computing net income per share					
Basic	**4,486**	4,450	4,400	4,906	5,403
Diluted	**4,588**	4,605	4,588	5,049	5,504
Balance Sheet Data at End of Fiscal Year:					
Working capital	**$ 61,605**	$ 35,378	$ 27,525	$ 21,989	$ 31,454
Total assets	**$ 84,666**	$ 56,135	$ 49,662	$ 44,520	$ 52,958
Long-term debt, net (4)	**$ 129,140**	$ -	$ -	$ -	$ -
Stockholders' (deficit) equity	**$ (59,908)**	$ 43,897	$ 34,148	$ 28,837	$ 38,078
Supplemental Non-GAAP information (5):					
EBITDA (6)	**$ 21,474**	$ 14,853	$ 13,532	$ 11,449	$ 4,298
Adjusted EBITDA (7)	**$ 22,497**	$ 13,350	$ 14,289	$ 11,916	$ 10,024
Selected Restaurant Operating Data:					
Company-owned restaurant sales (3)	**$ 15,874**	$ 13,231	$ 13,403	$ 13,209	$ 13,007
Number of Units Open at End of Fiscal Year:					
Company-owned restaurants (8)	**5**	5	5	5	5
Franchised	**296**	324	303	299	264

Notes to Selected Financial Data

(1) Our fiscal year ends on the last Sunday in March, which results in a 52- or 53-week year. The fiscal years ended March 29, 2015, March 30, 2014, March 25, 2012 and March 27, 2011 were each on the basis of a 52-week reporting period whereas the fiscal year ended March 31, 2013 was on the basis of 53-week reporting period.

(2) See Notes A, B and L of the Consolidated Financial Statements for the fiscal year ended March 29, 2015, for any accounting changes, business combinations or dispositions of business operations that materially affect the comparability of the information reflected in this Item 6.

(3) During the fiscal years ended March 30, 2014 and March 31, 2013, the Company-owned restaurant sales were negatively impacted due to temporary closings of the Coney Island restaurant due to Superstorm Sandy since October 29, 2012 and the Yonkers restaurant since November 25, 2012 for renovation.

(4) Represents $135.0 million outstanding debt net of unamortized debt discounts and issuance costs of $5,860 at March 29, 2015.

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

(6) EBITDA represents net income adjusted for the reversal of (1) interest expense; (2) provision for income taxes and (3) depreciation and amortization expense.

(7) Adjusted EBITDA represents EBITDA adjusted for the reversal of (1) share-based compensation; (2) amortization of bond premium on available-for-sale securities; (3) insurance gain and impairment charge on long-term investment in fiscal 2014 and (4) litigation accrual and impairment charge on note receivable in fiscal 2011.

(8) Included the Coney Island and Yonkers restaurants that were being re-developed on March 31, 2013.

Reconciliation of GAAP and Non-GAAP Measures

The following is provided to supplement certain Non-GAAP financial measures discussed in the Selected Financial Data presented above.

In addition to disclosing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), the Company has provided EBITDA excluding (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company has also provided Adjusted EBITDA excluding (i) stock-based compensation; (ii) amortization of bond premium on the Company's available-for sale investments; (iii) insurance gain and (iv) impairment charge on long-term investment that the Company believes will impact the comparability of its results of operations.

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

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

			Fiscal Year (1)		
(In thousands)	2015	2014	2013	2012	2011
Net income	**11,703**	**8,327**	**7,468**	**6,158**	**2,213**
Interest expense	816	135	453	477	63
Income taxes	7,702	5,234	4,671	3,849	1,107
Depreciation & amortization	1,253	1,157	940	965	915
EBITDA	**21,474**	**14,853**	**13,532**	**11,449**	**4,298**
Insurance gain	0	(2,774)	0	0	0
Litigation accrual	0	0	0	0	4,910
Impairment charge note receivable	0	0	0	0	263
Impairment charge long-term investments	0	400	0	0	0
Amortization of bond premium	164	150	130	193	267
Stock-based compensation	859	721	627	274	286
ADJUSTED EBITDA	**22,497**	**13,350**	**14,289**	**11,916**	**10,024**

(1) Our fiscal year ends on the last Sunday in March which results in a 52- 53-week year. The fiscal years ended March 29, 2015, March 30, 2014, March 25, 2012 and March 27, 2011 consisted of 52 weeks. The fiscal year ended March 31, 2013 consisted of 53 weeks.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

On October 29, 2012, the Northeastern United States was hit by Superstorm Sandy which caused significant damage to our Flagship Coney Island location closing the restaurant for repair from October 29, 2012 until May 20, 2013.

During the first quarter of fiscal 2014, Nathan's settled the property claim with its insurance carriers and received approximately $3.4 million, net of fees, and used these proceeds towards the rebuilding of the restaurant. In April 2014, Nathan's settled the business interruption claim with the insurance carrier and received approximately $718,000, net of fees.

Additionally, on November 25, 2012, we closed the Company-owned restaurant in Yonkers, New York, as a part of a redevelopment of the property into a strip center, which includes a new Nathan's Company-owned restaurant that re-opened on November 18, 2013.

These two events significantly impacted our results of operations and the comparability of restaurant operations during the fiscal 2014 and 2013 periods reported.

As a result of the above, Nathan's Management Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K will discuss significant attributes of the closed periods on Company-owned restaurant operations.

We are engaged primarily in the marketing of the "Nathan's Famous" brand and the sale of products bearing the "Nathan's Famous" trademarks through several different channels of distribution. Historically, our business has been the operation and franchising of quick-service restaurants featuring Nathan's World Famous Beef Hot Dogs, crinkle-cut French-fried potatoes, and a variety of other menu offerings. Our Company-owned and franchised units operate under the name "Nathan's Famous," the name first used at our original Coney Island restaurant opened in 1916. Nathan's product licensing program began in 1978 by selling packaged hot dogs and other meat products to retail customers through supermarkets or grocery-type retailers for off-site consumption. During fiscal 1998, we introduced our Branded Product Program, which currently enables foodservice retailers and others to sell some of Nathan's proprietary products outside of the realm of a traditional franchise relationship. In conjunction with this program, purchasers of Nathan's products are granted a limited use of the Nathan's Famous trademark with respect to the sale of the purchased products, including Nathan's World Famous Beef Hot Dogs, certain other proprietary food items and paper goods. During fiscal 2008, we launched our Branded Menu Program, which is a limited franchise program, under which foodservice operators may sell a greater variety of Nathan's Famous menu items than under the Branded Product Program.

Our revenues are generated primarily from selling products under Nathan's Branded Product Program, operating Company-owned restaurants, franchising the Nathan's restaurant concept (including under the Branded Menu Program) and licensing agreements for the sale of Nathan's products within supermarkets and club stores, the manufacture of certain proprietary spices and the sale of Nathan's products directly to other foodservice operators.

The following summary reflects the franchise openings and closings of the Nathan's franchise system for the fiscal years ended March 29, 2015, March 30, 2014, March 31, 2013, March 25, 2012 and March 27, 2011.

	March 29, 2015	March 30, 2014	March 31, 2013	March 25, 2012	March 27, 2011
Franchised restaurants operating at the beginning of the period	**324**	303	299	264	246
Franchised restaurants opened during the period	**36**	56	40	67	40
Franchised restaurants closed during the period	**(64)**	(35)	(36)	(32)	(22)
Franchised restaurants operating at the end of the period	**296**	324	303	299	264

At March 29, 2015, our franchise system consisted of 296 Nathan's franchised units located in 27 states, the Cayman Islands, and ten foreign countries. We also operate five Company-owned Nathan's units, including one seasonal location, within the New York metropolitan area.

As described in Risk Factors and other sections in this Annual Report on Form 10-K for the year ended March 29, 2015, our future results could be impacted by many developments. In March 2014, John Morrell & Co., a subsidiary of Smithfield Foods, Inc. became Nathan's exclusive licensee to manufacture and sell hot dogs, sausage and corned beef at retail. Our future operating results could be favorably impacted by the terms and conditions of our agreement with John Morrell & Co. as compared to the terms and conditions of our agreement with SMG which expired on March 1, 2014, although there can be no assurance thereof and our future operating results could be negatively impacted if we do not continue to increase our license revenue under the John Morrell Agreement and achieve cost savings. There are also certain risks associated with engaging John Morrell & Co. as exclusive licensee including whether (i) we can maintain or improve the quality and consistency of our products that is expected by our customers (ii) John Morrell & Co. will have a sufficient supply of products available for our customers on a timely basis and (iii) John Morrell & Co. will be able to provide sales and marketing efforts at least as comparable to SMG.

Our future operating results could be impacted by supply constraints on beef, as a result of the lingering effect of the drought in the Midwest on beef prices.

On March 10, 2015, we consummated a $135 million offering of 10.000% Senior Secured Notes and paid a dividend of $25.00 per share (or approximately $116 million in the aggregate). Our future results could also be impacted by our obligations under the Senior Secured Notes. As a result of the issuance of the 10.000% Senior Secured Notes, Nathan's expects to incur interest expense of $13.5 million per annum and annual amortization of debt issuance costs of $1,185,000. The Indenture governing The Notes will impose operating and other restrictions on us.

Moreover, because of the interest payments we are required to make in future periods, our net income will be significantly negatively impacted compared to our reported net income in the fiscal 2015 period and prior periods. As we entered into the indenture on March 10, 2015 we were only required to accrue interest expense for 20 days during the fiscal 2015 period but for the fiscal year ended March 28, 2016 and in future fiscal years we will be required to accrue interest expense for the entire fiscal year. The impact of interest expense on net income will first be significantly reflected in our quarterly results for the period ended June 28, 2015.

Critical Accounting Policies and Estimates

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

Revenue Recognition

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

In connection with its franchising operations, Nathan's receives initial franchise fees, area development fees, royalties, and in certain cases, revenue from sub-leasing restaurant properties to franchisees.

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are recorded as deferred revenue. Initial franchise fees, which are non-refundable, are recognized as income when substantially all services to be performed by Nathan's and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised restaurant commences operations. The following services are typically provided by Nathan's prior to the opening of a franchised restaurant:

- Approval of all site selections to be developed.
- Provision of architectural plans suitable for restaurants to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the restaurant.
- Provision of appropriate menus to coordinate with the restaurant design and location to be developed.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations and marketing 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 shall be recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions to the sale have been substantially performed by the franchisor. If substantial obligations under the development agreement are not dependent on the number of individual franchise locations to be opened, substantial performance shall be determined using the same criteria applicable to an individual franchise, which is generally the opening of the first location pursuant to the development agreement. If substantial performance is dependent on the number of locations, then the development fee is deferred and recognized ratably over the term of the agreement, 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.

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

Nathan's recognizes revenue from its Branded Menu Program either upon its sale of hot dogs or royalty income when it has been determined that other qualifying products have been sold by the manufacturer to Nathan's Branded Menu Program franchisees.

Nathan's recognizes revenue from the Branded Product Program upon delivery to Nathan's customers via third party common carrier to Nathan's customers. Rebates to customers are recorded as a reduction to sales.

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

Nathan's recognizes revenue from royalties on the licensing of the use of its intellectual property in connection with certain products produced and sold by outside vendors. The use of the Nathan's intellectual property must be approved by Nathan's prior to each specific application to ensure proper quality and project a consistent image. Revenue from license royalties is recognized on a monthly basis when it is earned and deemed collectible.

In the normal course of business, we extend credit to franchisees and licensees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Accounts and other receivables, net, as shown on our consolidated balance sheets are net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessment of 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 at the date of the transaction is doubtful, the associated revenue is not recorded until the facts and circumstances change in accordance with the applicable accounting standards. The Company writes off accounts receivable when they are deemed uncollectible.

Impairment of Goodwill and Other Intangible Assets

Goodwill and intangible assets are deemed to have indefinite lives, and accordingly, are not amortized, but are evaluated annually (or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable) 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, impairment charges may be required in the future. We conducted our annual impairment tests and no goodwill or other intangible assets were determined to be impaired during the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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. As a result of Superstorm Sandy, our Coney Island restaurant sustained significant damage and was considered temporarily impaired for purposes of this analysis. The restaurant was fully repaired and re-opened on May 20, 2013. No other impairment charges on long-lived assets were recorded during the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013.

Impairment of Long-Term Investment

We make judgments regarding the future realizability of this investment based upon the financial information provided to us by the investment's management. We typically rely on management's assumptions, of future revenues and cash flows based upon the annual business plans presented. If these assumptions differ significantly from actual results, we consider whether indicators of impairment exist. If an impairment indicator exists, management evaluates the fair value of its investment to determine if an, other than temporary impairment in value has occurred. We have performed our evaluation of whether indicators of impairment existed, and determined that another-than-temporary impairment has occurred and recorded an impairment charge of $400,000 on this investment during the fifty-two week period ended March 30, 2014. We did not recognize any impairment on this investment during the fifty-two week period ended March 29, 2015 or during the fifty-three week period ended March 31, 2013.

Stock-Based Compensation

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

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

Income Taxes

The Company's current provision for income taxes is based upon its estimated taxable income in each of the jurisdictions in which it operates, after considering the impact on taxable income of temporary differences resulting from different treatment of items for tax and financial reporting purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss or tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible. Should management determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made.

Uncertain Tax Positions

Financial Accounting Standards establish guidance for the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Financial Accounting Standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements. (See Note J of the Notes to Consolidated Financial Statements.)

Adoption of New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance changing the criteria for reporting discontinued operations. The revised definition of a discontinued operation includes those components of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The guidance eliminates the current requirement to assess continuing cash flow and continuing involvement with the disposal group. The revised definition also includes a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale. A disposal meeting the new definition is required to be reported as discontinued operations when the component of an entity or group of components of an entity meets the held for sale criteria, is actually disposed of by sales, or is disposed of through means other than a sale. The guidance is effective for Nathan's for annual periods beginning on or after December 15, 2014 and interim periods within those years, which for Nathan's will be the first quarter of fiscal 2016 beginning on March 30, 2015. Early adoption is permitted for disposals that have not been previously reported in the financial statements. Nathan's does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

In May 2014, the FASB issued a new accounting standard that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements, under U.S. GAAP. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. In order to accomplish this objective, companies must evaluate the following five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. There are three basic transition methods that are available – full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. Prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is prohibited under U.S. GAAP. Public companies must apply the new standard for annual periods beginning after December 15, 2016, including interim periods therein, which for Nathan's will be its first quarter of fiscal 2018, beginning on March 27, 2017. On April 29, 2015, the FASB issued a proposal to defer the standard's effective date until 2018. On May 12, 2015, the FASB issued a second proposed update to the standard clarifying the distinction between revenue from licenses of intellectual property that represent a promise to deliver a good or service over time versus a promise to be satisfied at a point in time. The Company continues to monitor these proposals and currently expects to use the modified retrospective method, recognizing a cumulative effect adjustment to retained earnings when adopted, and is currently evaluating the impact of this new accounting standard on its consolidated financial position and results of operations.

In August 2014, the FASB issued new guidance that requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions exist, management will be required to include disclosures enabling users to understand those conditions and management's plans to alleviate or mitigate those conditions. This new standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 16, 2016. This standard will take effect in Nathan's fourth quarter of our fiscal year ending March 26, 2017.

In January 2015, the FASB issued new guidance to simplify the income statement presentation requirements by eliminating the seldom-used concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies the income statement presentation by no longer segregating such extraordinary items from the ordinary results of operations and separately stating the amount, net of tax along with the effect on earnings per share. This new standard is effective for annual periods beginning after December 15, 2015, including interim periods therein, which for Nathan's would be its first quarter of fiscal 2017 beginning March 28, 2016. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Nathan's expects to early adopt this standard in the first quarter of our fiscal year ending March 27, 2016 that begins on March 30, 2015. Nathan's does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

In April 2015, the FASB issued new guidance to simplify the presentation of debt issuance costs. Under the new standard, debt issuance costs related to a recognized debt liability shall be presented in the balance sheet as a direct deduction to the carrying value of the debt and not as an asset. The amendment is effective for public entities with fiscal years beginning after December 15, 2015 and interim periods within those periods and will be applied retroactively. Early adoption of the amendment is permitted for financial statements that have not been previously issued. Nathan's has early adopted this new standard in its financial statements beginning with the period ended March 29, 2015. The adoption of this new guidance did not have a material impact on its results of operations or financial position.

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

Results of Operations

Fiscal year ended March 29, 2015 compared to fiscal year ended March 30, 2014

Revenues

Total sales increased by 15.3% to $75,520,000 for the fifty-two weeks ended March 29, 2015 ("fiscal 2015 period") as compared to $65,521,000 for the fifty-two weeks ended March 30, 2014 ("fiscal 2014 period"). Foodservice sales from the Branded Product Program increased by 13.6% to $58,948,000 for the fiscal 2015 period as compared to sales of $51,877,000 in the fiscal 2014 period. This increase was primarily attributable to a higher average selling price due primarily to price increases as compared to the fiscal 2014 period. Total Company-owned restaurant sales increased 20.0% to $15,874,000 during the fiscal 2015 period compared to $13,231,000 during the fiscal 2014 period. This increase was primarily attributed to operating our Coney Island and Yonkers restaurants for the entire fiscal 2015 period. Our Flagship Coney Island restaurant operated for approximately forty-four weeks during the fiscal 2014 period and our Yonkers restaurant operated for nineteen weeks during the fiscal 2014 period. The sales impact while these restaurants were closed was approximately $2,233,000. Additionally, sales at our two Coney Island restaurants during the periods operated during the fiscal 2015 period were approximately $814,000 higher than the periods operated during the fiscal 2014 period due primarily to an increase in customer counts of approximately 5.9%. Additionally, our Oceanside restaurant temporarily closed in early January 2015 for relocation and re-opened on March 25, 2015. We estimate that this closure reduced sales by approximately $260,000. Other sales increased by $285,000 during the fiscal 2015 period compared to the fiscal 2014 period.

License royalties were $18,011,000 in the fiscal 2015 period as compared to $8,513,000 in the fiscal 2014 period. Total royalties earned on sales of hot dogs from our retail and foodservice license agreements increased 138.9% to $16,105,000 for the 2015 fiscal period compared to $6,742,000 during the fiscal 2014 period. Royalties earned from John Morrell & Co., primarily from the retail sale of hot dogs, were $14,367,000 during the fiscal 2015 period resulting mostly from the higher rate earned pursuant to the new agreement. During the fiscal 2014 period, royalties earned during 11 months of the SMG contract, primarily from the retail sale of hot dogs, were $4,600,000. Additionally, during March 2014, we earned royalties of $548,000 from approximately two weeks of sales by John Morrell & Co during the transition period between contracts. Royalties earned from our foodservice license agreement, substantially from sales of hot dogs to Sam's Club, were $1,738,000 during the fiscal 2015 period compared to $1,594,000 during the fiscal 2014 period. License royalties earned from the sale of Nathan's French fries increased by $172,000 to $507,000 firing the fiscal 2015 period as compared to $335,000 in the fiscal 2014 period. Royalties earned from all other licensing agreements for the manufacture and sale of Nathan's products decreased by $37,000, during the fiscal 2015 period, compared to the fiscal 2014 period, primarily from lower royalties earned from the sale of mini-bagel dogs and franks-in-the-blanket and other hors d'oeuvres.

Franchise fees and royalties were $5,581,000 in the fiscal 2015 period as compared to $5,718,000 in the fiscal 2014 period. Total royalties were $4,538,000 in the fiscal 2015 period as compared to $4,855,000 in the fiscal 2014 period. Royalties earned under the Branded Menu programs were $957,000 in the fiscal 2015 period as compared to $1,011,000 in the fiscal 2014 period due principally to a fewer number of units operating. Royalties earned under the Branded Menu Program are based on product purchases rather than a percentage of restaurant sales. Traditional franchise royalties were $3,581,000 in the fiscal 2015 period compared to $3,844,000 in the fiscal 2014 period. Franchise restaurant sales decreased to $80,107,000 in the fiscal 2015 period compared to $85,850,000 in the fiscal 2014 period primarily due to the impact of closed restaurants. Comparable domestic franchise sales (consisting of 93 Nathan's outlets, excluding sales under the Branded Menu Program) were $53,992,000 in the fiscal 2015 period compared to $55,548,000 in the fiscal 2014 period, a decrease of 2.8%.

At March 29, 2015, our franchise system consisted of 296 domestic and international franchised or Branded Menu Program franchise outlets as compared to 324 units at March 30, 2014. Total franchise fee income was $1,043,000 in the fiscal 2015 period, including $143,000 of cancellation or termination fees compared to $863,000 in the fiscal 2014 period including $288,000 of cancellation or termination fees. Domestic franchise fee income was $276,000 in the fiscal 2015 period compared to $370,000 in the fiscal 2014 period. International franchise fee income was $624,000 in the fiscal 2015 period, compared to $205,000 during the fiscal 2014 period. During the fiscal 2015 period, 36 new franchised outlets opened, including 13 international locations, including our first locations in Costa Rica and Malaysia, and 17 Branded Menu Program outlets, including six Arthur Treacher's units. Additionally, during the fiscal 2015 period, a master franchisee exercised an option to acquire the rights to develop franchised outlets throughout Mexico. During fiscal 2014, 56 new franchised outlets opened, including 34 locations in Russia and nine Branded Menu Program outlets, including our first Arthur Treacher's unit.

Costs and Expenses

Overall, our cost of sales increased $8,879,000 to $61,951,000 in the fiscal 2015 period compared to $53,072,000 in the fiscal 2014 period. Our gross profit (representing the difference between sales and cost of sales) was $13,569,000 or 18.0% of sales during the fiscal 2015 period as compared to $12,449,000 or 19.0% of sales during the fiscal 2014 period. The margin decline was primarily due to the impact of a higher average cost per pound of hot dogs for our Branded Product Program during the second and third quarters fiscal 2015.

Cost of sales in the Branded Product Program increased approximately $7,173,000 during the fiscal 2015 period compared to the fiscal 2014 period, primarily as a result of an approximately 17.7% increase in the average cost per pound of our hot dogs. During the fiscal 2015 period, the market cost of our hot dogs was approximately 17.1% higher than during the fiscal 2014 period. During the fiscal 2014 period, our purchase commitments yielded savings of approximately $198,000. During the fiscal 2014 period, approximately 13.4% of our product was purchased pursuant to our purchase commitments. The purchase commitments lowered our costs by approximately $0.011 per pound during the fiscal 2014 period. If the cost of beef and beef trimmings increases and we are unable to pass on these higher costs through price increases or otherwise reduce any increase in our costs through the use of purchase commitments, our margins will be adversely impacted. We have increased our selling prices to pass on these recent cost increases and expect to perform ongoing reviews based on market conditions, but there can be no assurance that we will be able to continue to increase our selling prices.

With respect to Company-owned restaurants, our cost of sales during the fiscal 2015 period was $9,072,000 or 57.2% of restaurant sales, as compared to $7,574,000 or 57.2% of restaurant sales in the fiscal 2014 period due primarily to the impact of higher food costs which were offset from lower labor costs. We have recently increased certain selling prices to pass on recent cost of sales increases.

Restaurant operating expenses were $3,747,000 in the fiscal 2015 period compared to $3,142,000 in the fiscal 2014 period. The increase in restaurant operating costs results primarily from the different number of months that the Coney Island and Yonkers restaurants operated in the two fiscal periods. During the fiscal 2014 period, the Coney Island restaurant operated for approximately forty-four weeks and the Yonkers restaurant operated for approximately nineteen weeks. Incremental costs were approximately $441,000 during the fiscal 2015 period, as compared to the closed periods during the fiscal 2014 period. We also incurred higher operating costs at our two Coney Island locations of approximately $263,000 during the fiscal 2015 period arising from higher occupancy and other expenses. Due to the temporary closing of our Oceanside restaurant for approximately three months, our restaurant operating costs were lower than the fiscal 2014 period by approximately $110,000. In connection with our October 2013 insurance renewal, we incurred a significant increase in insurance costs, primarily property insurance, due to the impact of Superstorm Sandy on the insurance marketplace. Utility costs of the three restaurants operating for comparative periods increased by approximately 38% from the fiscal 2014 period to the fiscal 2015 period. We continue to be concerned about the volatile market conditions for oil and natural gas.

Depreciation and amortization was $1,253,000 in the fiscal 2015 period compared to $1,157,000 in the fiscal 2014 period. This increase is primarily attributable to the increased depreciation from the investments made in the Yonkers and Coney Island restaurants. We also expect to incur approximately $100,000 of depreciation expense per annum in connection with the redevelopment of the relocated Oceanside restaurant that re-opened on March 25, 2015.

General and administrative expenses increased $743,000 or 6.5% to $12,203,000 in the fiscal 2015 period as compared to $11,460,000 in the fiscal 2014 period. The increase in general and administrative expenses was primarily due to increased compensation costs, including stock-based compensation and payroll related taxes of $885,000, higher occupancy costs of $53,000 and higher insurance costs of $29,000 which were partially offset by lower marketing and associated expenses of $167,000 and lower professional fees of $9,000.

Other Items

Interest income was $176,000 in the fiscal 2015 period compared to $325,000 in the fiscal 2014 period, primarily due to lower interest income earned on marketable securities. As additional marketable securities mature or are called by the issuer and we are unable to earn similar returns upon reinvestment, we would anticipate lower investment income in the future.

The insurance gain of $2,774,000 during the fiscal 2014 period represents the difference between insurance proceeds received and the historical net book value of assets destroyed at our Flagship Coney Island restaurant and demolition costs resulting from Superstorm Sandy (See Note M).

Other income of $87,000 in the fiscal 2015 period as compared to $76,000 in the fiscal 2014 period relates primarily to a sublease of a co-branded franchised restaurant.

Interest expense of $816,000 in the fiscal 2015 period represents accrued interest of $750,000 on the 10.000% Senior Secured Notes commencing March 10, 2015 and amortization of debt discounts and issuance costs of $66,000 during the same period. As a result of the issuance of the 10.000% Senior Secured Notes, Nathan's expects to incur interest expense of $13.5 million per annum and annual amortization of debt discounts and issuance costs of $1,185,000. Interest expense of $135,000 in the fiscal 2014 period represented accrued interest in connection with Nathan's appeal of the SMG damages award calculated at the New York State statutory rate of 9% per annum. On July 24, 2013, we satisfied the judgment in full settlement of this matter.

The Company recognized an, other-than-temporary impairment charge on its long-term investment of $400,000 in the fiscal 2014 period based on management's assessment of the future recoverability of the investment.

Provision for Income Taxes

In the fiscal 2015 period, the income tax provision was $7,702,000 or 39.7% of earnings before income taxes compared to $5,234,000 or 38.6% of income before income taxes in the fiscal 2014 period. Nathan's effective tax rate was reduced by 0.4% during the fiscal 2015 period and reduced by 0.9% during the fiscal 2014 period, due to the differing effects of tax-exempt interest income. During the fiscal 2015 period, Nathan's resolved certain uncertain tax positions, reducing the associated unrecognized tax benefits, along with the related accrued interest and penalties, by approximately $126,000, which lowered the effective tax rate by 0.6%. Additionally, during the fiscal 2014 period, Nathan's resolved certain uncertain tax positions, reducing the associated unrecognized tax benefits, along with the related accrued interest and penalties, by approximately $67,000, which lowered the effective tax rate by 0.5%. Nathan's effective tax rates without these adjustments would have been 40.7% for the fiscal 2015 period and 40.0% for the fiscal 2014 period. Nathan's estimates that its unrecognized tax benefits including the related accrued interest and penalties could be further reduced by up to $183,000 during fiscal 2016.

Fiscal year ended March 30, 2014 compared to fiscal year ended March 31, 2013

Revenues

Total sales increased by 15.6% to $65,521,000 for the fiscal 2014 period as compared to $56,656,000 for the fifty-three weeks ended March 31, 2013 ("fiscal 2013"). Foodservice sales from the Branded Product Program increased by 20.0% to $51,877,000 for the fiscal 2014 period as compared to sales of $43,214,000 in fiscal 2013. This increase was primarily attributable to a 15.7% increase in the volume of products ordered, the impact of a December price increase as well as a shift in the sales mix of products sold as compared to fiscal 2013. We estimate that the additional week of operations during fiscal 2013 represented Branded Product sales of approximately $828,000. Total Company-owned restaurant sales decreased by $172,000 to $13,231,000 during the fiscal 2014 period compared to $13,403,000 during fiscal 2013. Restaurant sales during the additional week of fiscal 2013 were approximately $70,000. Our Coney Island restaurant was closed during April and May 2013 to complete the restoration after Superstorm Sandy losing eight (8) weeks of the spring season during the fiscal 2014 period, compared to the post-Sandy closure of twenty-two (22) weeks from November 2012 through March 2013 when sales at the restaurant are lower. We also temporarily closed our Yonkers restaurant for redevelopment from November 2012 until November 2013. We estimate that the negative sales impact of both restaurants attributable to the closed periods was approximately $2,087,000. This decline was partly offset by sales during the fiscal 2014 period for the period of time when the restaurants were closed during fiscal 2013. We had higher sales of approximately $876,000 or 12.1% at our two Coney Island locations for the comparative weeks of operations during the fiscal 2014 period as compared to fiscal 2013. During the fiscal 2014 period, other sales, primarily to Wal-mart, were approximately $374,000 higher than fiscal 2013.

Franchise fees and royalties were $5,718,000 in the fiscal 2014 period as compared to $5,842,000 in fiscal 2013. Total royalties were $4,855,000 in the fiscal 2014 period as compared to $4,990,000 in fiscal 2013. Royalties earned under the Branded Menu Program were $1,011,000 in the fiscal 2014 period as compared to $943,000 in fiscal 2013 due principally to the additional units in operation. Royalties earned under the Branded Menu Program are not based upon a percentage of restaurant sales but are based upon product purchases. Traditional franchise royalties were $3,844,000 in the fiscal 2014 period as compared to $4,047,000 in fiscal 2013. Franchise restaurant sales decreased to $85,850,000 in the fiscal 2014 period as compared to $90,401,000 in fiscal 2013 primarily due to the impact of closed restaurants. Comparable domestic franchise sales (consisting of 98 Nathan's outlets, operating for 15 months prior to the beginning of the fiscal year, excluding sales under the Branded Menu Program) were $60,228,000 in the fiscal 2014 period as compared to $61,989,000 in fiscal 2013, a decrease of 2.8%. Including the effect of the additional week of operations during fiscal 2013, franchise sales within our entertainment venues and malls declined by approximately 5.8% and 5.2%, respectively, compared to the prior period.

At March 30, 2014, 324 domestic and international franchised or Branded Menu Program franchise outlets were operating as compared to 303 domestic and international franchised or Branded Menu Program franchise outlets at March 31, 2013. Total franchise fee income was $863,000 in the fiscal 2014 period, including $288,000 of termination or cancellation fees compared to $852,000 in fiscal 2013, including $190,000 of cancellation fees. Domestic franchise fee income was $370,000 in the fiscal 2014 period compared to $324,000 in fiscal 2013. International franchise fee income was $205,000 in the fiscal 2014 period, compared to $338,000 during fiscal 2013. During the fiscal 2014 period, 56 new franchised outlets opened, including 34 locations in Russia and nine Branded Menu Program outlets, including our first Arthur Treacher's unit. During fiscal 2013, 40 new franchised outlets opened, including our first two mobile trucks, our first location in Turkey, our first location in Mexico City, our sixth restaurant in the Dominican Republic and 20 Branded Menu Program outlets, including ten units operated by K-mart.

License royalties were $8,513,000 in the fiscal 2014 period as compared to $8,571,000 in fiscal 2013. Total royalties earned on sales of hot dogs from our retail and foodservice license agreements were $6,742,000 in the fiscal 2014 period as compared to $6,948,000 in fiscal 2013. In March 2014, John Morrell & Co. became Nathan's exclusive licensee to manufacture and sell branded hot dog, sausage and corned beef products at retail. Royalties earned during 11 months of the SMG contract, primarily from the retail sale of hot dogs, were $4,600,000 during the fiscal 2014 period as compared to $5,506,000 during 12 months of fiscal 2013. During March 2014, we earned royalties of $548,000 from approximately two weeks of sales by John Morrell &Co. The decline in royalties from SMG is due primarily to the different periods of the contract and reduced production by SMG, on which our royalties are based as the contract was expiring. Royalties earned from John Morrell & Co. pursuant to our prior license agreement, substantially from sales of hot dogs to Sam's Club, were $1,594,000 during the fiscal 2014 period as compared to $1,442,000 during fiscal 2013. This increase is due primarily to the effect of a temporary royalty concession on sales to Sam's Club during fiscal 2013 partly offset by reduced sales to foodservice. Royalties earned from all other licensing agreements for the manufacture and sale of Nathan's products increased by $148,000, during the fiscal 2014 period, as compared to fiscal 2013.

Costs and Expenses

Overall, our cost of sales increased by $8,198,000 to $53,072,000 in the fiscal 2014 period as compared to $44,874,000 in fiscal 2013. Our gross profit (representing the difference between sales and cost of sales) was $12,449,000 or 19.0% of sales during the fiscal 2014 period as compared to $11,782,000 or 20.8% of sales during fiscal 2013. The margin decline was primarily due to the impact of a higher average cost per pound of hot dogs for our Branded Product Program during the fiscal 2014 period and the restaurant opening costs of the Coney Island and Yonkers restaurants.

Cost of sales in the Branded Product Program increased by approximately $7,848,000 during the fiscal 2014 period as compared to fiscal 2013, primarily as a result of the higher sales volume in addition to the approximately 6.7% increased average cost per pound of our hot dogs. During the fiscal 2014 period, the market cost of our hot dogs was approximately 7.5% higher than during fiscal 2013 due primarily to an increase in the beef trimmings markets during August and September 2013. During the fiscal 2014 period, our purchase commitments yielded savings of approximately $198,000. During fiscal 2013, our purchase commitments to acquire hot dogs increased cost by approximately $39,000 due primarily to the unexpected decline in the market cost of one of the beef components during fiscal 2013. During the fiscal 2014 period, approximately 13.4% of our product was purchased pursuant to our purchase commitments as compared to approximately 26.7% during fiscal 2013. The purchase commitments lowered our costs by approximately $0.011 per pound during the fiscal 2014 period and increased our costs by approximately $0.002 per pound during fiscal 2013. We have recently been forced to pass on the recent cost increases through price increases, and continue to monitor the beef markets. If the cost of beef and beef trimmings increases and we are unable to pass on these higher costs through price increases or otherwise reduce any increase in our costs through the use of purchase commitments, our margins will be adversely impacted.

With respect to Company-owned restaurants, our cost of sales during the fiscal 2014 period was $7,574,000 or 57.2% of restaurant sales, as compared to $7,524,000 or 56.1% of restaurant sales in fiscal 2013 due partly to lower sales at our Company-owned restaurants and the higher costs incurred in re-opening the Coney Island and Yonkers restaurants. On December 31, 2013, the New York minimum wage increased to $8.00 which amounted to a 4.6% average salary increase for our employees that were affected. We estimate that this increase in minimum wage could increase our restaurant cost of sales by approximately 0.5% of restaurant sales if prices remain the same. Effective April 1, 2014, The City of New York, passed legislation requiring employers to offer paid sick leave to all employees, including part-time employees, that work more than 80 hours for the employer. Nathan’s operates three restaurants that will be affected by this new legislation.

Restaurant operating expenses were $3,142,000 in the fiscal 2014 period as compared to $2,700,000 in fiscal 2013. The increase in restaurant operating costs results primarily from the different number of months that the Coney Island restaurant operated in the two fiscal periods. During the fiscal 2014 period, the Coney Island restaurant operated for approximately 10 months as compared to operating for approximately 7 months during fiscal 2013. Nathan’s ongoing occupancy and insurance costs at the Coney Island restaurant subsequent to the storm were recovered as part of our business interruption claim. We incurred higher percentage rent on the increased sales at the Boardwalk location. In connection with our October 2013 insurance renewal, we incurred a significant increase in insurance costs, primarily property insurance, due to the impact of Superstorm Sandy on the insurance marketplace. We incurred lower restaurant operating expenses at our Yonkers restaurant which operated for approximately 4 months during the fiscal 2014 period as compared to approximately 8 months during fiscal 2013. Although utility costs were comparable during the fiscal 2014 period and fiscal 2013, we continue to be concerned about the volatile market conditions for oil and natural gas.

Depreciation and amortization was $1,157,000 in the fiscal 2014 period as compared to $940,000 in fiscal 2013. This increase is primarily attributable to the increased depreciation at the Coney Island and Yonkers restaurants. Since re-opening our Coney Island restaurant, we have incurred higher depreciation of approximately $191,000. Since re-opening our Yonkers restaurant, we have incurred higher depreciation of approximately $31,000 and expect to incur approximately $136,000 of depreciation per annum in connection with the redevelopment of the Yonkers restaurant.

General and administrative expenses increased by $1,023,000 or 9.8% to $11,460,000 in the fiscal 2014 period as compared to $10,437,000 in fiscal 2013. The increase in general and administrative expenses was primarily due to increased compensation costs, including stock-based compensation and payroll related taxes of $587,000, professional fees of $115,000, marketing and travel expense of $112,000 and manager training expenses of $37,000 in connection with the re-opening of our Coney Island and Yonkers restaurants.

Other Items

Interest income was $325,000 in the fiscal 2014 period as compared to $392,000 in fiscal 2013, primarily due to lower interest income earned on marketable securities. As additional marketable securities mature or are called by the issuer and we are unable to earn similar returns upon reinvestment, we anticipate lower investment income in the future.

Insurance gain of $2,774,000 during the fiscal 2014 period represents the difference between insurance proceeds received and the historical net book value of assets destroyed at our Flagship Coney Island restaurant and demolition costs resulting from Superstorm Sandy in addition to the settlement of the business interruption claim (See note M.4).

Other income, net of $76,000 in the fiscal 2014 period as compared to $82,000 in fiscal 2013 relates primarily to a sublease of a non-franchised restaurant.

Interest expense of $135,000 in the fiscal 2014 period and $453,000 in fiscal 2013 represents accrued interest in connection with Nathan's appeal of the SMG damages award calculated at the New York State statutory rate of 9% per annum. On March 31, 2011, Nathan's was required to enter into both a security agreement and a blocked deposit account control agreement and to deposit approximately $4,910,000 into the account and agree to deposit additional amounts monthly in an amount equal to the post-judgment interest. On July 24, 2013, we satisfied the judgment, in full settlement of this matter and no additional interest will accrue on this judgment.

The Company recognized an, other-than-temporary impairment charge on its long-term investment of $400,000 in the fiscal 2014 period based on management's assessment of the future recoverability of the investment.

Provision for Income Taxes

In the fiscal 2014 period, the income tax provision was $5,234,000 or 38.6% of earnings before income taxes as compared to $4,671,000 or 38.5% of earnings before income taxes in fiscal 2013. Nathan's effective tax rate was reduced by 0.9% during the fiscal 2014 period and reduced by 1.3% during fiscal 2013, due to the differing effects of tax-exempt interest income. During the fiscal 2014 period, Nathan's resolved certain uncertain tax positions, reducing the associated unrecognized tax benefits, along with the related accrued interest and penalties, by approximately $67,000, which lowered the effective tax rate by 0.5%. Additionally, during fiscal 2013, Nathan's resolved certain uncertain tax positions, reducing the associated unrecognized tax benefits, along with the related accrued interest and penalties, by approximately $38,000, which lowered the effective tax rate by 0.3%. Nathan's effective tax rates without these adjustments would have been 40.0% for the fiscal 2014 period and 40.1% for fiscal 2013. Nathan's estimates that its unrecognized tax benefits, including the related accrued interest and penalties could be reduced by up to $124,000 during fiscal 2015.

Off-Balance Sheet Arrangements

At March 29, 2015 and March 30, 2014, Nathan's did not have any open purchase commitments for hot dogs outstanding. Nathan's may continue to enter into additional purchase commitments in the future as favorable market conditions become available.

Liquidity and Capital Resources

Cash and cash equivalents at March 29, 2015 aggregated $51,393,000, a $29,316,000 increase during the fiscal 2015 period compared to cash and cash equivalents of $22,077,000 at March 30, 2014. At March 29, 2015, marketable securities were $7,091,000 compared to $11,187,000 at March 30, 2014 and net working capital increased to $61,605,000 from $35,378,000 at March 30, 2014. The increase in cash and cash equivalents is primarily due to the receipt of proceeds from the Company's Notes offering as described below and from cash provided from operations.

On March 10, 2015, the Company completed an offering of $135.0 million aggregate principal amount of 10.000% Senior Secured Notes due 2020 (the “Notes”). The Company used the net proceeds of the Notes offering to pay a special dividend of $25.00 per share (approximately $116.1 million) to Company stockholders of record and will use the remaining net proceeds for general corporate purposes, including working capital.

The Notes were issued pursuant to an indenture, dated as of March 10, 2015 (the “Indenture”), by and among the Company, certain of its wholly-owned subsidiaries, as guarantors, and U.S. Bank National Association, a national banking association, as trustee and collateral trustee.

The Notes mature on March 15, 2020 and bear interest at a rate of 10.000% per annum, payable semi-annually in cash in arrears on March 15 and September 15 of each year, beginning September 15, 2015. The Notes are redeemable under certain circumstances.

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

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

As of March 29, 2015, Nathan’s was in compliance with all covenants associated with the Notes.

The Notes are fully and unconditionally guaranteed on a senior secured basis by each of the Company’s wholly-owned domestic subsidiaries, with certain exceptions. Pursuant to the terms of a collateral trust agreement, the liens securing the Notes and the guarantees will be contractually subordinated to the liens securing any future credit facility.

The Notes and the guarantees will be the Company and the guarantors’ senior secured obligations and will rank:

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

Cash provided by operations of $13,285,000 in the fiscal 2015 period is primarily attributable to net income of $11,703,000 and other non-cash operating items of $2,476,000, reduced by changes in other operating assets and liabilities of $894,000. Accounts and other receivables, net of insurance proceeds received, increased $1,699,000 due primarily to increased sales from our Branded Product Program, higher license royalties from John Morrell & Co. and temporary advances to our advertising fund. The increase in prepaid expenses and other current assets of $1,403,000 primarily relates to prepaid income taxes at March 29, 2015. The increase in accounts payable and other current liabilities of $1,779,000 relates to accrued interest of $750,000, accrued incentive compensation of $517,000, dividends payable on unvested restricted stock of $375,000 and accrued professional fees of $249,000.

Cash provided by investing activities was $2,224,000 in the fiscal 2015 period. We received cash proceeds of $8,020,000 from the maturity of available-for-sale securities. We purchased available-for-sale securities of $4,258,000. We incurred capital expenditures of $1,538,000 in connection with the relocation of our Company-owned restaurant in Oceanside, New York, our Branded Product Program and other select restaurant improvements.

Cash provided by financing activities of $13,807,000 in the fiscal 2015 period is primarily attributable to the Company’s issuance of $135.0 million of the Notes offset by, debt discounts and issuance costs paid of $5,926,000 offset by a Special Dividend declared of $116,110,000 of which $115,110,000 was paid on March 27, 2015. The Company paid withholding taxes of $3,693,000 on the net share settlement exercise of share-based compensation plans. Nathan’s expects to realize tax benefits associated with employee stock option exercises of $4,572,000 and also received proceeds from the exercise of employee stock options of $880,000. Nathan’s purchased 37,661 shares of its common stock at a cost of $1,916,000 during the fiscal 2015 period.

During the period from October 2001 through March 29, 2015, Nathan's purchased 4,647,687 shares of its common stock at a cost of approximately $56,800,000 pursuant to its stock repurchase plans previously authorized by the Board of Directors. . Since March 26, 2007, to date, we have repurchased 2,756,587 shares at a total cost of approximately $49,642,000, reducing the number of shares then-outstanding by 45.8%.

The Company currently has an aggregate of 251,272 shares available to be purchased under Nathan's existing stock buy-back program Purchases may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases to be made under these stock-repurchase plans.

On September 11, 2014, the Company and Mutual Securities, Inc. ("MSI") amended its existing agreement to provide MSI with authorization on the Company's behalf to purchase shares of the Company's common stock, $.01 par value having a value of up to an additional $6,000,000, which purchases could commence on September 24, 2014. The agreement with MSI was adopted under the safe harbor provided by Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, as amended to assist the Company in implementing its previously announced stock purchase plans.

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

As discussed above, we had cash and cash equivalents at March 29, 2015 aggregating $51,393,000, and marketable securities of $7,091,000. Our Board routinely monitors and assesses its cash position and our current and potential capital requirements. In March 2015, we completed a dividend recapitalization, returning approximately $116,110,000 to our shareholders and we may continue to return capital to our shareholders through stock repurchases, although there is no assurance that the Company will make any repurchases under its existing stock-repurchase plan. We expect that in the future we will make investments in certain existing restaurants, support the growth of the Branded Product and Branded Menu Programs, service the outstanding debt and continue our stock repurchase programs, funding those investments from our operating cash flow. We may also incur capital and other expenditures or engage in investing activities in connection with opportunistic situations that may arise on a case-by-case basis. In the Fiscal year ending March 27, 2016, we will be required to make interest payments of approximately $13.8 million.

At March 29, 2015, we subleased to franchisees two properties we lease from third parties. We remain contingently liable for all costs associated with these properties including: rent, property taxes and insurance. We may incur future cash payments with respect to such properties, consisting primarily of future lease payments, including costs and expenses associated with terminating any of such leases.

On December 1, 2009, a wholly-owned subsidiary of the Company executed a Guaranty of Lease in connection with its re-franchising of a restaurant located in West Nyack, New York. The Guaranty extended through the fifth Lease Year, as defined in the lease, which has expired as of March 29, 2015.The Guaranty could have been called upon in the event of a default by the tenant/franchisee. Nathan's believes that its franchisee has fulfilled all of its obligations that Nathan's guaranteed and Nathan's has not been required to make any payments pursuant to the Guaranty. In connection with the Nathan's franchise agreement, Nathan's has received a personal guaranty from the franchisee for all obligations under the Guaranty.

The following schedule represents Nathan's cash contractual obligations and commitments by maturity as of March 29, 2015 (in thousands):

	Payments Due by Period				
Cash Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long term debt (a)	$ 135,000	$ -	$ -	$ 135,000	$ -
Employment Agreements	3,412	1,264	1,548	400	200
Dividends Payable	1,000	375	500	125	-
Operating Leases	16,209	1,641	3,343	3,203	8,022
Gross Cash Contractual Obligations	155,621	3,280	5,391	138,728	8,222
Sublease Income	2,676	270	516	533	1,357
Net Cash Contractual Obligations	$ 152,945	$ 3,010	$ 4,875	$ 138,195	$ 6,865

a) Represents 10.000% Senior Secured Notes due March 2020.

b) At March 29, 2015, the Company had unrecognized tax benefits of $266,000. The Company believes that it is reasonably possible that the unrecognized tax benefits may decrease by $98,000 within the next year. A reasonable estimate of the timing of the remaining liabilities is not practicable.

Inflationary Impact

We do not believe that general inflation has materially impacted earnings since 2006. However, we have experienced significant volatility in our costs for our hot dogs and certain food products, distribution costs and utilities. Our commodity costs for beef have been especially volatile since fiscal 2004. We continue to experience unprecedented increases in the cost of beef. The market price of hot dogs during the fiscal 2015 period was approximately 17.1% higher than the fiscal 2014 period. The market price of hot dogs during the fiscal 2014 period was approximately 7.4% higher than the fiscal 2013 period. We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products during the remainder of fiscal 2015. Beef prices continue to be extremely volatile due to the supply constraints, as a result of the lingering effect of the drought in the Midwest during 2012. Beginning January 2008, we had entered into purchase commitments for a portion of our hot dogs in an effort to reduce the impact of increasing market prices. Our last purchase commitment was completed in July 2013 and to date we have not entered in any new purchase commitments for beef. We may attempt to enter into similar purchase arrangements for hot dogs and other products in the future. Additionally, we expect to continue experiencing volatility in oil and gas prices on our distribution costs for our food products and utility costs in the Company-owned restaurants and volatile insurance costs resulting from the uncertainty of the insurance markets.

In March 2010, the Federal government passed new legislation to reform the U.S. health care system. As part of the plan, employers will be expected to provide their employees that work more than 30 hours per week with minimum levels of healthcare coverage or incur certain financial penalties. As Nathan's workforce includes numerous part-time workers that typically are not offered healthcare coverage, we have been forced to expand healthcare coverage in 2015 or incur new penalties beginning January 2015 which will increase our health care costs.

From time to time, various Federal and New York State legislators have proposed changes to the minimum wage requirements. The New York State minimum wage increased to $8.00 on December 31, 2013 and $8.75 on December 31, 2014, and will increase to $9.00 per hour on December 31, 2015. The impact of the December 31, 2014 New York minimum wage increase on the Company amounted to a 6.9% average salary increase for our employees that were affected. There have been recent protests in New York and other municipalities relating to compensation at fast food restaurants. In Governor Cuomo's State of The State address, he also called for an increase in New York State's minimum wage to $10.50 per hour throughout New York State and $11.50 per hour in New York City. Mayor DeBlasio, of the City of New York, had previously stated that New York City should have a minimum wage of $15.00 per hour. We estimate that the recent increase in minimum wage has the potential to increase our restaurant cost of sales by approximately 80 bps if prices remain the same. Although we only operate five Company-owned restaurants, we believe that significant increases in the minimum wage could have a significant financial impact on our financial results and the results of our franchisees.

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

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Cash and Cash Equivalents

We have historically invested our cash and cash equivalents in money market funds or short-term, fixed rate, highly rated and highly liquid instruments which are generally reinvested when they mature. Although these existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of March 29, 2015, Nathan’s cash and cash equivalents aggregated $51,393,000. Earnings on these cash and cash equivalents would increase or decrease by approximately $128,000 per annum for each 0.25% change in interest rates.

Marketable Securities

We have invested our marketable securities in intermediate term, fixed rate, highly rated and highly liquid instruments. These investments are subject to fluctuations in interest rates. As of March 29, 2015, the market value of Nathan’s marketable securities aggregated $7,091,000. Interest income on these marketable securities would increase or decrease by approximately $18,000 per annum for each 0.25% change in interest rates. The following chart presents the hypothetical changes in the fair value of the marketable investment securities held at March 29, 2015 that are sensitive to interest rate fluctuations:

	Valuation of securities Given an interest rate Decrease of X Basis points			Fair Value	Valuation of securities Given an interest rate Increase of X Basis points		
	(150BPS)	(100BPS)	(50BPS)		+50BPS	+100BPS	+150BPS
Municipal notes and bonds	$ 7,077,000	$ 7,081,000	$ 7,086,000	$ 7,091,000	$ 7,101,000	$ 7,110,000	$ 7,119,000

Borrowings

At March 29, 2015, we had $135.0 million of Senior Secured Notes outstanding which are due in March 2020. Upon maturity, we anticipate having to refinance a significant portion of the Notes and such refinancing would be based upon the then-prevailing interest rates. Interest expense on these borrowings would increase or decrease by approximately $338,000 per annum for each 0.25% change in interest rates. We currently do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings.

Commodity Costs

The cost of commodities is subject to market fluctuation. Our commodity costs for beef have been especially volatile since fiscal 2004. We continue to experience unprecedented increases in the cost of beef. The market price of hot dogs during the fiscal 2015 period was approximately 17.1% higher than the fiscal 2014 period. The market price of hot dogs during the fiscal 2014 period was approximately 7.4% higher than fiscal 2013. We are unable to predict the future cost of our hot dogs and expect to experience price volatility for our beef products throughout fiscal 2016. Beef prices continue to be extremely volatile due to the supply constraints, as a result of the lingering effect of the drought in the Midwest during 2012. Beginning January 2008, we had entered into purchase commitments for a portion of our hot dogs in an effort to reduce the impact of increasing market prices. Our last purchase commitment was completed in July 2013 and to date we have not entered in any new purchase commitments for beef. We may attempt to enter into similar purchase arrangements for hot dogs and other products in the future. Additionally, we expect to continue experiencing volatility in oil and gas prices on our distribution costs for our food products and utility costs in the Company-owned restaurants and volatile insurance costs resulting from the uncertainty of the insurance markets. A short-term increase or decrease of 10% in the cost of our food and paper products for the fifty-two weeks ended March 29, 2015 would have increased or decreased our cost of sales by approximately $5,587,000.

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 are submitted as a separate section of this report beginning on Page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. **Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that:

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

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

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

Management has assessed the effectiveness of our system of internal control over financial reporting as of March 29, 2015. In making this assessment, management used the framework in Internal Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment and the criteria set forth by COSO in 2013, management believes that Nathan's maintained effective internal control over financial reporting as of March 29, 2015. The effectiveness of our internal control over financial reporting as of March 29, 2015, has been audited by Grant Thornton LLP, an independent registered public accounting firm which has also audited our consolidated financial statements, as stated in its attestation report which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the thirteen weeks ended March 29, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

Item 9B. **Other Information.**

On June 10, 2015, the Company and Wayne Norbitz entered into a Transition Agreement (the "Transition Agreement") relating to the retirement of Mr. Norbitz as President and Chief Operating Officer of the Company. Under the Transition Agreement, Mr. Norbitz will continue to serve as President and Chief Operating Officer of the Company through August 7, 2015 at which time he will become a Consultant to the Company pursuant to the terms of a one year Consulting Agreement between him and the Company (the "Consulting Agreement"). The Consulting Agreement provides that Mr. Norbitz will receive a consulting fee of $16,291 per month. The Transition Agreement further provides that Mr. Norbitz will receive a severance payment of $288,750 and under the terms of the Transition Agreement the Company purchased from Mr. Norbitz 56,933 shares of the Company's common stock, $.01 par value (the "Common Stock") at a purchase price of $40.28 which was the closing price of the Common Stock as reported on the Nasdaq Global Market on June 10,2015. Mr. Norbitz will also be included as a nominee on management's slate of Directors at the Company's upcoming annual meeting of stockholders.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Nathan's Famous, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of March 29, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 29, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended March 29, 2015, and our report dated June 12, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York
June 12, 2015

PART III

Item 10. <u>Directors, Executive Officers and Corporate Governance.</u>

The information required in response to this Item is incorporated herein by reference from the discussions under the captions *Proposal 1 – Election of Directors, Corporate Governance Management and Security Ownership* in our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

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

Item 11. <u>Executive Compensation.</u>

The information required in response to this Item is incorporated herein by reference from the discussion under the caption *Executive Compensation*, including the Summary Compensation and other tables, Non-Qualified Deferred Compensation, Risk Consideration in our Compensation Programs and 2015 Director Compensation in our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>

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

Item 13. <u>Certain Relationships and Related Transactions, and Director Independence.</u>

The information required in response to this Item is incorporated herein by reference from the discussion under the caption *Corporate Governance – Director Independence and Corporate Governance – Certain Relationships* and *Related Persons* transactions in our proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Report.

Item 14. <u>Principal Accountant Fees and Services.</u>

Audit Fees

We were billed by Grant Thornton LLP the aggregate amount of approximately $429,000 in respect of fiscal 2015 and $245,000 in respect of fiscal 2014 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. The fiscal 2015 amount includes billings by Grant Thornton LLP of approximately $189,000 for fees for professional services rendered for the review of interim financial information in connection with the issuance of their comfort letter in conjunction with the private placement of the Company's Senior Secured Notes.

Audit-Related Fees

Grant Thornton LLP did not render any audit-related services for fiscal 2015 and 2014 and, accordingly, did not bill for any such services.

Tax Fees

Grant Thornton LLP did not render any tax compliance, tax advice or tax planning services for fiscal 2015 and 2014 and, accordingly, did not bill for any such services.

All Other Fees

Grant Thornton LLP did not render any other services for fiscal 2015 and 2014 and, accordingly, did not bill for any such services.

Pre-Approval Policies

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

Our Audit Committee approved all of the audit services provided by Grant Thornton LLP during 2015 and 2014.

PART IV

Item 15. <u>Exhibits and Financial Statement Schedules.</u>

(a) (1) Consolidated Financial Statements

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

(3) Exhibits

Certain of the following exhibits were previously filed as exhibits to other reports or registration statements filed by the Registrant under the Securities Act of 1933 or under the Securities Exchange Act of 1934 and are therefrom incorporated by reference.

Exhibit No.	Exhibit
3.1	Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 No. 33- 56976.)
3.2	Amendment to the Certificate of Incorporation, filed December 15, 1992. (Incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-1 No. 33-56976.)
3.3	By-Laws, as amended. (Incorporated by reference to Exhibit 3.1 to Form 8-K dated November 1, 2006.)
4.1	Specimen Stock Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 No. 33-56976.)
4.2	Specimen Rights Certificate. (Incorporated by reference to Exhibit 2 to Form 8-A/A dated December 10, 1999.)
4.3	Rights Agreement, dated as of June 5, 2013, between Nathan’s Famous, Inc. and American Stock Transfer and Trust Company, LLC, as Rights Agent, which includes form of Rights Certificate as Exhibit A and the Summary of Rights to Purchase as Exhibit B. (Incorporated by reference to Exhibit 4.2 to the Company’s Current Report filed on Form 8-K dated June 11, 2013.)
4.4	Indenture, dated as of March 10, 2015, by and among Nathan’s Famous, Inc., certain of its wholly owned subsidiaries, as guarantors, and U.S. Bank National Association, a National Banking Association, as trustee and collateral trustee (including the form of Note (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report filed on Form 8-K dated March 10, 2015.)
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 to Exhibit 10.3 to Registration Statement on Form S-1 No. 33-56976.) a) Lease, dated November 22, 1967, between Nathan’s Realty Associates and the Company. b) Lease, dated November 22, 1967, between Ida’s Realty Associates and the Company.
10.3	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.)
10.4	Form of Standard Franchise Agreement. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-1 No. 33-56976.)
10.5	401K Plan and Trust. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 No. 33-56976.)
10.6	***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.)

10.7	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.)
10.8	***Modification Agreement dated December 31, 1996, to the Employment Agreement with Wayne Norbitz. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report filed on Form 10-Q for the fiscal quarter ended December 29, 1996.)
10.9	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.)
10.10	2002 Stock Incentive Plan. (Incorporated by reference to Exhibit 4 to Registration Statement on Form S-8 No. 333-101355.)
10.11	***Employment Agreement with Howard M. Lorber, dated as of December 15, 2006. (Incorporated by reference to Exhibit 10.1 to Form 8-K dated December 15, 2006.)
10.12	***Employment Agreement with Eric Gatoff, dated as of December 15, 2006. (Incorporated by reference to Exhibit 10.2 to Form 8-K dated December 15, 2006.)
10.13	***Amendment to Employment Agreement with Eric Gatoff dated August 3, 2010. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the fiscal quarter ended June 27, 2010.)
10.14	License Agreement dated April 23, 2008 between Roasters Asia Pacific (Cayman) Limited and Nathan's Famous, Inc. (Incorporated by reference to Exhibit 10.2 to Form 8-K dated April 23, 2008.)
10.15	Agreement of Lease between One-Two Jericho Plaza Owner LLC and Nathan's Famous Services, Inc. dated September 11, 2009, (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 27, 2009.)
10.16	Guaranty by Nathan's Famous, Inc. of Agreement of Lease with One-Two Jericho Plaza Owner LLC dated September 11, 2009, (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 27, 2009.)
10.17	***2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Proxy Statement on Schedule 14A dated July 23, 2010).
10.18	***Amendment to 2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Proxy Statement on Schedule 14A dated July 23, 2012).
10.19	***Amendment to Employment Agreement with Howard M. Lorber, dated November 1, 2012. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 23, 2012.)
10.20	***Restricted Stock Agreement with Howard M. Lorber, dated November 1, 2012. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 23, 2012.)
10.21	**Letter agreement dated December 5, 2012 between Nathan's Famous Systems, Inc. and John Morrell & Co. (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended December 23, 2012).
10.22	***Restricted Stock Agreement with Eric Gatoff, dated June 4, 2013. (Incorporated by reference to Exhibit 10.27 to Form 10-K for the year ended March 31, 2013.)
10.23	*Parity Lien Security Agreement dated as of March 10, 2015, by and among Nathan's Famous, Inc. and Other Assignors Identified therein and U.S. Bank National Association as Collateral Trustee.
10.24	*Transition Agreement and Release with Wayne Norbitz dated as of June 10, 2015.
10.25	*Consulting Agreement with Wayne Norbitz dated as of June 10, 2015.
10.26	10b5-1 Issuer Repurchase Instructions dated December 13, 2013, between the Company and Mutual Securities, Inc. (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated December 13, 2013.)
10.27	Amendment to Issuer Repurchase Instructions, dated September 10, 2014, between the Company and Mutual Securities, Inc. (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 11, 2014.)
21	*List of Subsidiaries of the Registrant.
23	*Consent of Grant Thornton LLP dated June 12, 2015.
31.1	*Certification by Eric Gatoff, Chief Executive Officer, pursuant to Rule 13a - 14(a).
31.2	*Certification by Ronald G. DeVos, Chief Financial Officer, pursuant to Rule 13a - 14(a).
32.1	*Certification by Eric Gatoff, Chief Executive Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*Certification by Ronald G. DeVos, Chief Financial Officer of Nathan's Famous, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

*Filed herewith.

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

*** Indicates a management plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th day of June, 2015.

Nathan's Famous, Inc.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 12th day of June, 2015.

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

/s/ HOWARD LORBER
Howard Lorber
Executive Chairman

/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/ ROBERT J. EIDE
Robert J. Eide
Director

/s/ BARRY LEISTNER
Barry Leistner
Director

/s/ BRIAN GENSON
Brian Genson
Director

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

/s/ CHARLES RAICH
Charles Raich
Director

Nathan's Famous, Inc. and Subsidiaries

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Nathan's Famous, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of March 29, 2015 and March 30, 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' (deficit) equity, and cash flows for each of the fifty-two weeks ended March 29, 2015, the fifty-two weeks ended March 30, 2014, and the fifty-three weeks ended March 31, 2013. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 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 29, 2015 and March 30, 2014, and the results of their operations and their cash flows for the fifty-two weeks ended March 29, 2015, the fifty-two weeks ended March 30, 2104, and the fifty-three weeks ended March 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material aspects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 29, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 12, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

New York, New York
June 12, 2015

Nathan's Famous, Inc. and Subsidiaries

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

	March 29, 2015	March 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 51,393**	$ 22,077
Marketable securities	**7,091**	11,187
Accounts and other receivables, net	**9,499**	7,823
Inventories	**822**	947
Prepaid expenses and other current assets (Note F)	**4,532**	3,129
Deferred income taxes	**277**	26
Total current assets	**73,614**	45,189
Property and equipment, net of accumulated depreciation of $6,946 and $7,554, respectively	**9,257**	8,970
Goodwill	**95**	95
Intangible asset	**1,353**	1,353
Other assets	**347**	528
	$ 84,666	$ 56,135
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 5,319**	$ 4,826
Accrued expenses and other current liabilities	**6,412**	4,751
Deferred franchise fees	**278**	234
Total current liabilities	**12,009**	9,811
Long-term debt, net of unamortized debt discounts and issuance costs of $5,860 (Note K)	**129,140**	-
Other liabilities	**2,397**	1,693
Deferred income taxes	**1,028**	734
Total liabilities	**144,574**	12,238
COMMITMENTS AND CONTINGENCIES (Note M)		
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock, $.01 par value; 30,000,000 shares authorized; 9,252,097 and 9,092,183 shares issued; and 4,604,410 and 4,482,157 shares outstanding at March 29, 2015 and March 30, 2014, respectively	**93**	91
Additional paid-in capital	**60,196**	57,578
(Accumulated deficit) retained earnings	**(63,444)**	40,963
Accumulated other comprehensive income	**47**	149
	(3,108)	98,781
Treasury stock, at cost, 4,647,687 and 4,610,026 shares at March 29, 2015 and March 30, 2014, respectively	**(56,800)**	(54,884)
Total stockholders' (deficit) equity	**(59,908)**	43,897
	$ 84,666	$ 56,135

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except share and per share amounts)

	Fifty-Two weeks ended March 29, 2015	Fifty-Two weeks ended March 30, 2014	Fifty-Three weeks ended March 31, 2013
REVENUES			
Sales	$ 75,520	$ 65,521	$ 56,656
License royalties	18,011	8,513	8,571
Franchise fees and royalties	5,581	5,718	5,842
Total revenues	99,112	79,752	71,069
COSTS AND EXPENSES			
Cost of sales	61,951	53,072	44,874
Restaurant operating expenses	3,747	3,142	2,700
Depreciation and amortization	1,253	1,157	940
General and administrative expenses	12,203	11,460	10,437
Total costs and expenses	79,154	68,831	58,951
Income from operations	19,958	10,921	12,118
Interest expense	(816)	(135)	(453)
Interest income	176	325	392
Insurance gain (Note M.4)	-	2,774	-
Impairment charge – long-term investment (Note G)	-	(400)	-
Other income, net	87	76	82
Income before provision for income taxes	19,405	13,561	12,139
Provision for income taxes	7,702	5,234	4,671
Net income	$ 11,703	$ 8,327	$ 7,468
PER SHARE INFORMATION			
Income per share:			
Basic	$ 2.61	$ 1.87	$ 1.70
Diluted	$ 2.55	$ 1.81	$ 1.63
Cash dividends declared per share	$ 25.00	$ -	$ -
Weighted average shares used in computing income per share:			
Basic	4,486,000	4,450,000	4,400,000
Diluted	4,588,000	4,605,000	4,588,000

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fifty-Two weeks ended March 29, 2015	Fifty-Two weeks ended March 30, 2014	Fifty-Three weeks ended March 31, 2013
Net income	**$ 11,703**	$ 8,327	$ 7,468
Other comprehensive loss, net of deferred income taxes:			
Unrealized losses on marketable securities	**(102)**	(180)	(168)
Other comprehensive loss	**(102)**	(180)	(168)
Comprehensive income	**$ 11,601**	$ 8,147	$ 7,300

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

Fifty-two weeks ended March 29, 2015, the Fifty-two weeks ended March 30, 2014 and the Fifty-three weeks ended March 31, 2013
(in thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' Equity
Balance, March 25, 2012	8,855,263	$ 89	$ 53,396	$ 25,168	$ 497	4,491,486	$ (50,313)	$ 28,837
Shares issued in connection with share-based compensation plans	102,918	1	388	-	-	-	-	389
Withholding tax on net share settlement of share-based compensation plans	-	-	(982)	-	-	-	-	(982)
Repurchase of common stock	-	-	-	-	-	88,077	(3,085)	(3,085)
Income tax benefit on stock option exercises	-	-	1,062	-	-	-	-	1,062
Share-based compensation	-	-	627	-	-	-	-	627
Unrealized losses on available-for-sale securities, net of deferred income tax benefit of $105	-	-	-	-	(168)	-	-	(168)
Net income	-	-	-	7,468	-	-	-	7,468
Balance, March 31, 2013	8,958,181	$ 90	$ 54,491	$ 32,636	$ 329	4,579,563	$ (53,398)	$ 34,148

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

Fifty-two weeks ended March 29, 2015, the Fifty-two weeks ended March 30, 2014 and the Fifty-three weeks ended March 31, 2013
(in thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' Equity
Balance, March 31, 2013	8,958,181	$ 90	$ 54,491	$ 32,636	$ 329	4,579,563	$ (53,398)	$ 34,148
Shares issued in connection with share-based compensation plans	134,002	1	943	-	-	-	-	944
Withholding tax on net share settlement of share-based compensation plans	-	-	(772)	-	-	-	-	(772)
Repurchase of common stock	-	-	-	-	-	30,463	(1,486)	(1,486)
Income tax benefit on stock option exercises	-	-	2,195	-	-	-	-	2,195
Share-based compensation	-	-	721	-	-	-	-	721
Unrealized losses on available-for-sale securities, net of deferred income tax benefit of $119	-	-	-	-	(180)	-	-	(180)
Net income	-	-	-	8,327	-	-	-	8,327
Balance, March 30, 2014	9,092,183	$ 91	$ 57,578	$ 40,963	$ 149	4,610,026	$ (54,884)	$ 43,897

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

Fifty-two weeks ended March 29, 2015, the Fifty-two weeks ended March 30, 2014 and the Fifty-three weeks ended March 31, 2013
(in thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Treasury Stock, at Cost Shares	Treasury Stock, at Cost Amount	Total Stockholders' (Deficit) Equity
Balance, March 30, 2014	**9,092,183**	**$ 91**	**$ 57,578**	**$ 40,963**	**$ 149**	**4,610,026**	**$ (54,884)**	**$ 43,897**
Shares issued in connection with share-based compensation plans	**159,914**	**2**	**880**	**-**	**-**	**-**	**-**	**882**
Withholding tax on net share settlement of share-based compensation plans	**-**	**-**	**(3,693)**	**-**	**-**	**-**	**-**	**(3,693)**
Repurchase of common stock	**-**	**-**	**-**	**-**	**-**	**37,661**	**(1,916)**	**(1,916)**
Income tax benefit on stock option exercises	**-**	**-**	**4,572**	**-**	**-**	**-**	**-**	**4,572**
Share-based compensation	**-**	**-**	**859**	**-**	**-**	**-**	**-**	**859**
Unrealized losses on available-for-sale securities, net of deferred income tax benefit of $66	**-**	**-**	**-**	**-**	**(102)**	**-**	**-**	**(102)**
Dividends declared				**(116,110)**				**(116,110)**
Net income	**-**	**-**	**-**	**11,703**	**-**	**-**	**-**	**11,703**
Balance, March 29, 2015	**9,252,097**	**$ 93**	**$ 60,196**	**$ (63,444)**	**$ 47**	**4,647,687**	**$ (56,800)**	**$ (59,908)**

The accompanying notes are an integral part of these statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fifty-Two weeks ended March 29, 2015	Fifty-Two weeks ended March 30, 2014	Fifty-Three weeks ended March 31, 2013
Cash flows from operating activities:			
Net income	$ 11,703	$ 8,327	$ 7,468
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,253	1,157	940
Insurance gain	-	(2,774)	-
Amortization of bond premium	164	150	130
Amortization of debt discounts and issuance costs	66	-	-
Share-based compensation expense	859	721	627
Provision for doubtful accounts	23	21	15
Impairment charge – long-term investment	-	400	-
Deferred income taxes	111	1,652	497
Changes in operating assets and liabilities:			
Accounts and other receivables, net	(2,417)	(927)	(397)
Insurance proceeds received for business interruption claim	718	-	-
Inventories	125	99	79
Prepaid expenses and other current assets	(1,403)	(2,033)	298
Other assets	181	30	7
Accrued litigation	-	(5,874)	455
Accounts payable, accrued expenses and other current liabilities	1,779	2,329	(838)
Advances of insurance proceeds	-	-	130
Deferred franchise fees	44	(44)	155
Other liabilities	79	(358)	(72)
Net cash provided by operating activities	13,285	2,876	9,494
Cash flows from investing activities:			
Proceeds from sales and maturities of available-for-sale securities	8,020	2,890	2,000
Insurance proceeds received for property and equipment (Note M.4)	-	2,711	449
Purchase of long-term investment	-	-	(500)
Change in restricted cash	-	(135)	(455)
Purchase of property and equipment	(1,538)	(4,339)	(998)
Purchase of available-for-sale securities	(4,258)	(2,219)	-
Litigation settlement	-	6,009	-
Net cash provided by investing activities	2,224	4,917	496
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	135,000	-	-
Debt discounts and issuance costs	(5,926)	-	-
Dividends paid to stockholders	(115,110)	-	-
Repurchase of treasury stock	(1,916)	(1,486)	(3,085)
Proceeds from the exercise of stock options	880	944	389
Income tax benefit on stock option exercises	4,572	2,195	1,062
Payments of withholding tax on net share settlement of share-based compensation plans	(3,693)	(772)	(982)
Net cash provided by (used in) financing activities	13,807	881	(2,616)
Net increase in cash and cash equivalents	29,316	8,674	7,374
Cash and cash equivalents, beginning of year	22,077	13,403	6,029
Cash and cash equivalents, end of year	$ 51,393	$ 22,077	$ 13,403
Cash paid during the year for:			
Interest	$ -	$ 1,099	$ -
Income taxes	$ 4,545	$ 3,457	$ 2,548

The accompanying notes are an integral part of these statements.

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

March 29, 2015, March 30, 2014 and March 31, 2013

NOTE A - DESCRIPTION AND ORGANIZATION OF BUSINESS

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

At March 29, 2015, the Company’s restaurant system included five Company-owned units in the New York City metropolitan area and 296 franchised or licensed units, located in 27 states, the Cayman Islands and ten foreign countries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Principles of Consolidation*

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

2. *Fiscal Year*

The Company’s fiscal year ends on the last Sunday in March, which results in a 52 or 53-week reporting period. The results of operations and cash flows for the fiscal year ended March 29, 2015 contained 52 weeks. The results of operations and cash flows for the fiscal years ended March 30, 2014 contained 52 weeks and March 31, 2013 contained 53 weeks.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. *Reclassifications*

As of March 29, 2015, Nathan's has adopted a new income statement format that it believes will better present its results of operations. The Company concluded that it was appropriate to separately present its non-operating revenue and expenses. Accordingly, interest expense, impairment charge-long-term investment, insurance gain, interest income and other income, net, have been removed from total revenues and total costs and expenses. These prior year balances have been reclassified to conform with the current year presentation.

4. *Use of Estimates*

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

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

5. *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 equivalents amounted to $1,754 and $330 at March 29, 2015 and March 30, 2014, respectively. Substantially all of the Company's cash and cash equivalents are in excess of government insurance.

6. *Inventories*

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

(in thousands, except share and per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. *Marketable 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 29, 2015 and March 30, 2014, all marketable securities held by the Company have been classified as available-for-sale and, as a result, are stated at fair value, based upon quoted market prices for similar assets as determined in active markets or model-derived valuations in which all significant inputs are observable for substantially the full-term of the asset, with unrealized gains and losses included as a component of accumulated other comprehensive income. Realized gains and losses on the sale of securities are determined on a specific identification basis. Interest income is recorded when it is earned and deemed realizable by the Company.

8. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The estimated useful lives are as follows:

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

9. *Goodwill and Intangible Assets*

Goodwill and intangible assets consist of (i) goodwill of $95 resulting from the acquisition of Nathan's in 1987; and (ii) trademarks, trade names and other intellectual property of $1,353 in connection with Arthur Treacher's.

The Company's goodwill and intangible assets are deemed to have indefinite lives and, accordingly, are not amortized, but are evaluated for impairment at least annually, but more often whenever changes in facts and circumstances occur which may indicate that the carrying value may not be recoverable. As of March 29, 2015 and March 30, 2014, the Company performed its required annual impairment test of goodwill and intangible assets and has determined no impairment is deemed to exist.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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. As a result of Hurricane Sandy, our Coney Island restaurant sustained significant damage which resulted in the write-off of $449 related to destroyed property (Note M.4). The restaurant was fully repaired and re-opened on May 20, 2013. No long-lived assets were deemed impaired during the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013.

11. Fair Value of Financial Instruments

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

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

The fair value hierarchy consists of the following three levels:

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

(in thousands, except share and per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following table presents assets and liabilities measured at fair value on a recurring basis as of March 29, 2015 and March 30, 2014 based upon the valuation hierarchy:

March 29, 2015	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**
Marketable securities	**$ -**	**$ 7,091**	**$ -**	**$ 7,091**
Total assets at fair value	**$ -**	**$ 7,091**	**$ -**	**$ 7,091**

March 30, 2014	Level 1	Level 2	Level 3	Carrying Value
Marketable securities	$ -	$ 11,187	$ -	$ 11,187
Total assets at fair value	$ -	$ 11,187	$ -	$ 11,187

Nathan's marketable securities, which consist primarily of municipal bonds, are not actively traded. The valuation of such bonds is based upon quoted market prices for similar bonds currently trading in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset.

The Company's long-term debt had a carrying value of $135,000 as of March 29, 2015 and a fair value of $141,835 as of March 29, 2015. The Company estimates the fair value of its long-term debt based upon review of observable pricing in secondary markets as of the last trading day of the fiscal period. Accordingly, the Company classifies its long-term debt as Level 2.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. *Start-up Costs*

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

13. *Revenue Recognition - Branded Product Program*

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

14. *Revenue Recognition - Company-owned Restaurants*

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

15. *Revenue Recognition - Franchising Operations*

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

Franchise and area development fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are non-refundable, 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

At March 29, 2015 and March 30, 2014, $278 and $234, respectively, of deferred franchise fees are included in the accompanying consolidated balance sheets. For the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, the Company earned franchise fees of $1,043, $863, and $852, respectively, from new unit openings, transfers, co-branding and forfeitures.

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 shall be recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions to the sale have been substantially performed by the franchisor. If substantial obligations under the development agreement are not dependent on the number of individual franchise locations to be opened, substantial performance shall be determined using the same criteria applicable to an individual franchise, which is generally the opening of the first location pursuant to the development agreement. If substantial performance is dependent on the number of locations, then the development fee is deferred and recognized ratably over the term of the agreement, 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 29, 2015 and March 30, 2014, $214 and $200, respectively, of deferred development fee revenue is included in other liabilities in the accompanying consolidated balance sheets.

(in thousands, except share and per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of franchise openings and closings for the Nathan’s franchise restaurant system for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013:

	March 29, 2015	March 30, 2014	March 31, 2013
Franchised restaurants operating at the beginning of the period	**324**	303	299
New franchised restaurants opened during the period	**36**	56	40
Franchised restaurants closed during the period	**(64)**	(35)	(36)
Franchised restaurants operating at the end of the period	**296**	324	303

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

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

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

16. *Revenue Recognition – License Royalties*

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

(in thousands, except share and per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Business Concentrations and Geographical Information

The Company's accounts receivable consist principally of receivables from franchisees for royalties and advertising contributions, from sales under the Branded Product Program, and from royalties from retail licensees. At March 29, 2015, three Branded Product customers represented 20%, 17% and 10%, of accounts receivable. At March 30, 2014, three Branded Product customers represented 23%, 13% and 11%, of accounts receivable. At March 31, 2013, one retail licensee and three Branded Product customers each represented 18%, 16%, 11% and 10%, respectively, of accounts receivable. One Branded Products customer accounted for 17%, 17% and 12% of total revenue for the years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively. One retail licensee accounted for 17% of total revenue for the year ended March 29, 2015.

The Company's primary supplier of hot dogs represented 83%, 75% and 82% of product purchases for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively. The Company's distributor of products to its Company-owned restaurants represented 5%, 5% and 7% of product purchases for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

The Company's revenues for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 were derived from the following geographic areas:

	March 29, 2015	March 30, 2014	March 31, 2013
Domestic (United States)	**$ 95,682**	$ 76,221	$ 68,025
Non-domestic	**3,430**	3,531	3,044
	$ 99,112	$ 79,752	$ 71,069

The Company's sales for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 were derived from the following:

	March 29, 2015	March 30, 2014	March 31, 2013
Branded Products	**$ 58,948**	$ 51,877	$ 43,214
Company-owned restaurants	**15,874**	13,231	13,403
Other	**698**	413	39
	$ 75,520	$ 65,521	$ 56,656

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Advertising

The Company administers an advertising fund on behalf of its franchisees to coordinate the marketing efforts of the Company. Under this arrangement, the Company collects and disburses fees paid by manufacturers, franchisees and Company-owned stores for national and regional advertising, promotional and public relations programs. Contributions to the advertising fund are based on specified percentages of net sales, generally ranging up to 2%. Company-owned store advertising expense, which is expensed as incurred, was $175, $147 and $144, for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively, and have been included within restaurant operating expenses in the accompanying consolidated statements of earnings.

19. Stock-Based Compensation

At March 29, 2015, the Company had one stock-based compensation plan in effect which is more fully described in Note L.

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

20. Classification of Operating Expenses

Cost of sales consists of the following:

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

Restaurant operating expenses consist of the following:

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Income Taxes

The Company's current provision for income taxes is based upon its estimated taxable income in each of the jurisdictions in which it operates, after considering the impact on taxable income of temporary differences resulting from different treatment of items for tax and financial reporting purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss or tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible. Should management determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made.

Uncertain Tax Positions

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

22. *Adoption of New Accounting Pronouncements*

In April 2014, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance changing the criteria for reporting discontinued operations. The revised definition of a discontinued operation includes those components of an entity or a group of components of an entity representing a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The guidance eliminates the current requirement to assess continuing cash flow and continuing involvement with the disposal group. The revised definition also includes a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale. A disposal meeting the new definition is required to be reported as discontinued operations when the component of an entity or group of components of an entity meets the held for sale criteria, is actually disposed of by sales, or is disposed of through means other than a sale. The guidance is effective for Nathan’s for annual periods beginning on or after December 15, 2014 and interim periods within those years, which for Nathan’s will be the first quarter of fiscal 2016 beginning on March 30, 2015. Early adoption is permitted for disposals that have not been previously reported in the financial statements. Nathan’s does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

In May 2014, the FASB issued a new accounting standard that attempts to establish a uniform basis for recording revenue to virtually all industries’ financial statements, under U.S. GAAP. The revenue standard’s core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. In order to accomplish this objective, companies must evaluate the following five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. There are three basic transition methods that are available – full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. Prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is prohibited under U.S. GAAP. Public companies must apply the new standard for annual periods beginning after December 15, 2016, including interim periods therein, which for Nathan’s will be its first quarter of fiscal 2018, beginning on March 27, 2017.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On April 29, 2015, the FASB issued a proposal to defer the standard's effective date until 2018. On May 12, 2015, the FASB issued a second proposed update to the standard clarifying the distinction between revenue from licenses of intellectual property that represent a promise to deliver a good or service over time versus a promise to be satisfied at a point in time. The Company continues to monitor these proposals and currently expects to use the modified retrospective method, recognizing a cumulative effect adjustment to retained earnings when adopted, and is currently evaluating the impact of this new accounting standard on its consolidated financial position and results of operations.

In August 2014, the FASB issued new guidance that requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions exist, management will be required to include disclosures enabling users to understand those conditions and management's plans to alleviate or mitigate those conditions. This new standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 16, 2016. This standard will take effect in Nathan's fourth quarter of our fiscal year ending March 26, 2017.

In January 2015, the FASB issued new guidance to simplify the income statement presentation requirements by eliminating the seldom-used concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies the income statement presentation by no longer segregating such extraordinary items from the ordinary results of operations and separately stating the amount, net of tax along with the effect on earnings per share. This new standard is effective for annual periods beginning after December 15, 2015, including interim periods therein, which for Nathan's would be its first quarter of fiscal 2017 beginning March 28, 2016. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Nathan's expects to early adopt this standard in the first quarter of our fiscal year ending March 27, 2016 that begins on March 30, 2015. Nathan's does not expect the adoption of this new guidance to have a material impact on its results of operations or financial position.

In April 2015, the FASB issued new guidance to simplify the presentation of debt issuance costs. Under the new standard, debt issuance costs related to a recognized debt liability shall be presented in the balance sheet as a direct deduction to the carrying value of the debt and not as an asset. The amendment is effective for public entities with fiscal years beginning after December 15, 2015 and interim periods within those periods and will be applied retroactively. Early adoption of the amendment is permitted for financial statements that have not been previously issued. Nathan's has early adopted this new standard in its financial statements beginning with the period ended March 29, 2015. The adoption of this new guidance did not have a material impact on its results of operations or financial position.

(in thousands, except share and per share amounts)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE C - INCOME PER SHARE

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

The following chart provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively:

	Net Income			Shares			Net income per share		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Basic EPS									
Basic calculation	**$ 11,703**	$ 8,327	$ 7,468	**4,486,000**	4,450,000	4,400,000	**$ 2.61**	$ 1.87	$ 1.70
Effect of dilutive employee stock options	**-**	-	-	**102,000**	155,000	188,000	**(.06)**	(.06)	(.07)
Diluted EPS									
Diluted calculation	**$ 11,703**	$ 8,327	$ 7,468	**4,588,000**	4,605,000	4,588,000	**$ 2.55**	$ 1.81	$ 1.63

There were no options to purchase shares of common stock for the years ended March 29, 2015, March 30, 2014 and March 31, 2013 that were excluded from the computation of diluted earnings per share.

(in thousands, except share and per share amounts)

NOTE D – MARKETABLE SECURITIES

The cost, gross unrealized gains, gross unrealized losses and fair market value for marketable securities, which consist entirely of municipal bonds that are classified as available-for-sale securities are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
March 29, 2015	**$ 7,019**	**$ 72**	**$ -**	**$ 7,091**
March 30, 2014	$ 10,947	$ 240	$ -	$ 11,187

As of March 29, 2015, the municipal bonds mature at various dates between April 2015 and January 2017. The following represents the bond maturities by period:

Fair value of Municipal Bonds	Total	Less than 1 Year	1 – 5 Years	5 – 10 Years	After 10 Years
March 29, 2015	**$ 7,091**	**$ 4,650**	**$ 2,441**	**$ -**	**$ -**

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

	March 29, 2015	March 30, 2014	March 31, 2013
Available-for-sale securities:			
Proceeds	**$ 8,020**	$ 2,890	$ 2,000
Gross realized gains	**$ -**	$ -	$ -

The change in net unrealized losses on available-for-sale securities for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, of $(102), $(180) and $(168), respectively, which is net of deferred income taxes, has been included as a component of comprehensive income. Accumulated other comprehensive income is comprised entirely of the net unrealized gains on available-for-sale securities as of March 29, 2015 and March 30, 2014.

(in thousands, except share and per share amounts)

NOTE E - ACCOUNTS AND OTHER RECEIVABLES, NET

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

	March 29, 2015	March 30, 2014
Branded product sales	**$ 6,317**	$ 5,141
Franchise and license royalties	**2,570**	1,658
Other	**1,055**	1,457
	9,942	8,256
Less: allowance for doubtful accounts	**443**	433
Accounts and other receivables, net	**$ 9,499**	$ 7,823

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

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

Changes in the Company's allowance for doubtful accounts for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 are as follows:

	March 29, 2015	March 30, 2014	March 31, 2013
Beginning balance	**$ 433**	$ 130	$ 138
Bad debt expense	**23**	21	15
Uncollectible marketing fund contributions	**-**	320	5
Accounts written off	**(13)**	(38)	(28)
Ending balance	**$ 443**	$ 433	$ 130

(in thousands, except share and per share amounts)

NOTE F – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	March 29, 2015	March 30, 2014
Income taxes	$ 3,525	$ 2,059
Insurance	497	506
Other	510	564
	$ 4,532	$ 3,129

NOTE G – LONG-TERM INVESTMENT

In September 2012, Nathan's purchased 351,550 shares of Series A Preferred Stock in a privately-owned corporation for $500. Nathan's investment currently represents a 2.5% equity ownership in the entity and Nathan's does not have the ability to exercise significant influence over the investee. The shares have voting rights on the same basis as the common shareholders and have certain dividend rights, if declared. Nathan's accounts for this investment pursuant to the cost method and recognizes dividends distributed by the investee as income to the extent that dividends are distributed from net accumulated earnings of the investee. There were no dividends declared by the investee during the fifty-two week periods ended March 29, 2015 or March 30, 2014. Each reporting period, management reviews the carrying value of this investment based upon the financial information provided by the investment's management and considers whether indicators of impairment exist. If an impairment indicator exists, management evaluates the fair value of its investment to determine if an, other-than-temporary impairment in value has occurred. We are required to recognize an impairment on the investment if such impairment is considered to be other-than-temporary. We have performed our evaluation of whether indicators of impairment existed, and determined that an other-than-temporary impairment has occurred and recorded an impairment charge of $400 on this investment during the fifty-two week period ended March 30, 2014.

(in thousands, except share and per share amounts)

NOTE H - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	March 29, 2015	March 30, 2014
Land	$ 1,197	$ 1,197
Building and improvements	2,067	2,161
Machinery, equipment, furniture and fixtures	5,594	6,349
Leasehold improvements	6,120	6,792
Construction-in-progress	1,225	25
	16,203	16,524
Less: accumulated depreciation and amortization	6,946	7,554
	$ 9,257	$ 8,970

NOTE I – ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	March 29, 2015	March 30, 2014
Payroll and other benefits	$ 2,847	$ 2,433
Accrued rebates	815	855
Rent and occupancy costs	206	163
Deferred revenue	601	734
Construction costs	269	281
Unexpended advertising funds	-	52
Interest	750	-
Professional fees	329	81
Dividend payable	375	-
Other	220	152
	$ 6,412	$ 4,751

(in thousands, except share and per share amounts)

NOTE I – ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES (continued)

Other liabilities consist of the following:

	March 29, 2015	March 30, 2014
Deferred development fees	**$ 214**	$ 200
Reserve for uncertain tax positions (Note J)	**555**	620
Deferred rental liability	**991**	661
Dividend payable	**625**	-
Other	**12**	212
	$ 2,397	$ 1,693

NOTE J - INCOME TAXES

The income tax provision consists of the following for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013:

	March 29, 2015	March 30, 2014	March 31, 2013
Federal			
Current	**$ 5,992**	$ 2,664	$ 3,237
Deferred	**60**	1,421	377
	6,052	4,085	3,614
State and local			
Current	**1,599**	918	937
Deferred	**51**	231	120
	1,650	1,149	1,057
	$ 7,702	$ 5,234	$ 4,671

The total income tax provision for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 differs from the amounts computed by applying the United States Federal income tax rates of 35%, 34% and 34%, respectively, to income before income taxes as a result of the following:

	March 29, 2015	March 30, 2014	March 31, 2013
Computed "expected" tax expense	**$ 6,792**	$ 4,611	$ 4,127
State and local income taxes, net of Federal income tax benefit	**1,112**	773	633
Tax-exempt investment earnings	**(63)**	(110)	(133)
Change in uncertain tax positions, net	**(62)**	(22)	22
Nondeductible meals and entertainment and other	**(77)**	(18)	22
	$ 7,702	$ 5,234	$ 4,671

(in thousands, except share and per share amounts)

NOTE J - INCOME TAXES (continued)

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

	March 29, 2015	March 30, 2014
Deferred tax assets		
Accrued expenses	**$ 145**	$ 162
Allowance for doubtful accounts	**52**	49
Deferred revenue	**432**	569
Deferred stock compensation	**223**	594
Excess of straight line over actual rent	**412**	289
Investment	**152**	157
Other	**140**	129
Total gross deferred tax assets	**$ 1,556**	$ 1,949
Deferred tax liabilities		
Deductible prepaid expense	**288**	302
Unrealized gain on marketable securities	**16**	83
Depreciation expense	**1,692**	1,692
Deductible business interruption expenses	**-**	293
Amortization	**311**	287
Total gross deferred tax liabilities	**2,307**	2,657
Net deferred tax (liability)	**(751)**	(708)
Less current portion	**(277)**	(26)
Long-term portion	**$ (1,028)**	$ (734)

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

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties, for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013.

	March 29, 2015	March 30, 2014	March 31, 2013
Unrecognized tax benefits, beginning of year	**$ 283**	$ 296	$ 422
Decreases of tax positions taken in prior years	**(64)**	(34)	(50)
Increases based on tax positions taken in current year	**47**	21	34
Settlements of tax positions taken in prior years	**-**	-	(110)
Unrecognized tax benefits, end of year	**$ 266**	$ 283	$ 296

(in thousands, except share and per share amounts)

NOTE J - INCOME TAXES (continued)

The amount of unrecognized tax benefits at March 29, 2015, March 30, 2014 and March 31, 2013 were $266, $283 and $296, respectively, all of which would impact Nathan's effective tax rate, if recognized. As of March 29, 2015 and March 30, 2014, the Company had $289 and $329, respectively, accrued for the payment of interest and penalties. For the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 Nathan's recognized interest and penalties in the amounts of $44, $43, and $46, respectively. The Company believes that it is reasonably possible that decreases in unrecognized tax benefits of up to $98 may be recorded within the next year.

In May 2014, Nathan's received notification from the Internal Revenue Service that it is seeking to review its tax return for the year ended March 31, 2013. The earliest tax years' that are subject to examination by taxing authorities by major jurisdictions are as follows:

Jurisdiction	Fiscal Year
Federal	2012
New York State	2012
New York City	2012

NOTE K – LONG-TERM DEBT

Long-term debt consists of the following:

	March 29, 2015
10.000% Senior secured notes due 2020	$ 135,000
Less: current maturities of long-term debt	-
Less: unamortized debt discounts and issuance costs	(5,860)
	$ 129,140

On March 10, 2015, the Company completed the issuance of $135,000 of 10.000% Senior Secured Notes due 2020 ("The Notes") in a Rule 144A transaction. The Company used the proceeds to pay a special cash dividend of approximately $116,100 (see Note L.1) with the remaining net proceeds for general corporate purposes, including working capital. Debt discounts and issuance costs are presented net of the long-term debt of approximately $5,926 which will be amortized into interest expense over the 5-year term of the Notes.

The notes bear interest at 10.000% per annum, payable semi-annually on March 15th and September 15th with the first payment due on September 15, 2015. The Notes have no scheduled principal amortization payments prior to its final maturity on March 10, 2020.

NOTE K – LONG-TERM DEBT (continued)

There are no financial maintenance covenants associated with the Notes. The Indenture contains certain covenants limiting the Company's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to, subject to certain exceptions and qualifications: (i) incur additional indebtedness; (ii) pay dividends or make other distributions on, redeem or repurchase, capital stock; (iii) make investments or other restricted payments; (iv) create or incur certain liens; (v) incur restrictions on the payment of dividends or other distributions from its restricted subsidiaries; (vi) enter into certain transactions with affiliates; (vii) sell assets; or (viii) effect a consolidation or merger. Certain Restricted Payments which may be made or indebtedness incurred by Nathan's or its Restricted Subsidiaries may require compliance with certain financial ratios.

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

As of March 29, 2015, Nathan's was in compliance with all covenants associated with the Notes.

The finacial ratios are as follows:

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

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

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

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

Prior to September 15, 2017, the Company has the option to redeem up to 35% of the aggregate principal amount of the Notes at a redemption price equal to 110% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and any additional interest, with the net cash proceeds of certain equity offerings.

(in thousands, except share and per share amounts)

NOTE K – LONG-TERM DEBT (continued)

The Company may redeem the Notes in whole or in part prior to September 15, 2017, at a redemption price of 100% of the principal amount of the Notes plus the Applicable Premium, plus accrued and unpaid interest. An Applicable Premium is the greater of 1% of the principal amount of the Notes; or the excess of the present value at such redemption date of (i) the redemption price of the Notes at September 15, 2017 plus (ii) all required interest payments due on the Notes through September 15, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over the then outstanding principal amount of the Notes. On or after September 15, 2017, the Company may redeem some or all of the Notes at a decreasing premium over time, plus accrued and unpaid interest as follows:

YEAR	PERCENTAGE
On or after September 15, 2017 and prior to March 15, 2018	105.000%
On or after March 15, 2018 and prior to March 15, 2019	102.500%
On and after March 15, 2019	100.000%

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

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

The Notes may be traded between qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933. We have recorded the Notes at cost. As of March 29, 2015, the fair value of the long-term debt was $141,835, as determined based upon review of observable pricing in secondary markets as of the last trading day of the fiscal period. Accordingly, the long-term debt is categorized as Level 2 for purposes of the fair value measurement hierarchy.

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS

1. *Dividend*

On March 10, 2015, the Company's Board of Directors declared a special cash dividend of $25.00 per share payable to shareholders of record as of March 20, 2015. On March 27, 2015, the Company paid cash dividends of approximately $115,100 to the shareholders of our outstanding common stock. The Company also accrued $1,000 for the expected dividends payable on unvested shares pursuant to the terms of the restricted stock agreements. As certain restricted stock grants vest beginning in June 2015, the declared dividend will be paid. We estimate that approximately $375 will be paid during the next fiscal year. The ex-date for the distribution was March 30, 2015 pursuant to NASDAQ regulations for dividend distributions that are greater than 25% of the Company's market capitalization.

2. *Stock Incentive Plans*

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

On September 13, 2012, the Company amended the 2010 Plan increasing the number of shares available for issuance by 250,000 shares. Shares to be issued under the 2010 Plan may be made available from authorized but unissued stock, common stock held by the Company in its treasury, or common stock purchased by the Company on the open market or otherwise. The number of shares issuable and the grant, purchase or exercise price of outstanding awards are subject to adjustment in the amount that the Company's Compensation Committee considers appropriate upon the occurrence of certain events, including stock dividends, stock splits, mergers, consolidations, reorganizations, recapitalizations, or other capital adjustments. In the event that the Company issues restricted stock awards pursuant to the 2010 Plan, each share of restricted stock would reduce the amount of available shares for issuance by either 3.2 shares for each share of restricted stock granted or 1 share for each share of restricted stock granted. As of March 29, 2015, there were up to 268,500 shares available to be issued for future option grants or up to 204,219 shares of restricted stock that may be granted under the 2010 Plan.

(in thousands, except share and per share amounts)

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

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

During the fiscal year ended March 29, 2015, the Company granted options to purchase 50,000 shares at an exercise price of $53.89 per share, all of which expire five years from the date of grant. All such stock options vest ratably over a four-year period commencing August 6, 2015.

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

Weighted-average option fair values	$	11.970
Expected life (years)		4.5
Interest rate		1.66%
Volatility		22.77%
Dividend Yield		0%

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

During the fiscal year ended March 30, 2014, the Company granted 25,000 shares of restricted stock at a fair value of $49.80 per share representing the closing price on the date of grant, which will be fully vested five years from the date of grant. The restrictions on the shares lapse ratably over a five-year period on the annual anniversary of the date of grant. The compensation expense related to this restricted stock award is expected to be $1,245 and will be recognized, commencing on the grant date, over the next five years.

During the fiscal year ended March 31, 2013, the Company granted 50,000 shares of restricted stock at a fair value of $29.29 per share representing the closing price on the date of grant, which will be fully vested four years from the date of grant. Upon grant, 10,000 shares vested immediately, and the restrictions on the remaining 40,000 shares lapse ratably over a four-year period on the annual anniversary of the date of grant.

(in thousands, except share and per share amounts)

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

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

	March 29, 2015	March 30, 2014	March 31, 2013
Stock options	**$ 318**	$ 224	$ 224
Restricted stock	**541**	497	403
	$ 859	$ 721	$ 627

The tax benefit on stock-based compensation expense was $350**,** $286 and $251 for the years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively. As of March 29, 2015, there was $1,815 of unamortized compensation expense related to stock-based incentive awards. The Company expects to recognize this expense over approximately one year and one month, which represents the weighted average remaining requisite service periods for such awards.

A summary of the status of the Company's stock options at March 29, 2015, March 30, 2014 and March 31, 2013 and changes during the fiscal years then ended is presented in the tables below:

	2015		2014		2013	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding – beginning of year	**279,500**	**$ 15.22**	429,500	$ 13.29	622,000	$ 13.21
Granted	**50,000**	**$ 53.89**	-	-	-	-
Expired	**-**	**-**	-	-	-	-
Exercised	**(235,125)**	**14.74**	(150,000)	9.71	(192,500)	13.04
Options outstanding - end of year	**94,375**	**$ 36.90**	279,500	$ 15.22	429,500	$ 13.29
Options exercisable - end of year	**-**	**$ -**	190,750	$ 14.04	296,375	$ 11.29
Weighted-average fair value of options granted	**50,000**	**$ 11.97**	-	-	-	-

(in thousands, except share and per share amounts)

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

During the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, options to purchase 235,125, 150,000 and 192,500 shares were exercised which aggregated proceeds of $880, $944 and $389, respectively, to the Company. The aggregate intrinsic values of the stock options exercised during the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 was $13,040, $6,038 and $3,523, respectively.

The following table summarizes information about outstanding stock options at March 29, 2015:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding at March 29, 2015	**94,375**	**$ 36.90**	**2.87**	**$ 3,460**
Options exercisable at March 29, 2015	**-**	**$ -**	**-**	**-**
Exercise prices range from **$17.75 to $53.89**				

Replacement stock options:

March 30, 2015, was the ex-dividend date for the Nathan's dividend distribution that was paid on March 27, 2015. Pursuant to the mandatory anti-dilution provisions of the option plan, the Company will issue replacement options for the unvested stock options that were outstanding as of March 29, 2015. Nathan's performed its evaluation based on the closing price of its common stock on Friday March 27, 2015 of $73.56 per share, or $48.56 per share excluding the dividend of $25.00 per share. No other terms or conditions of the outstanding options were modified. The anti-dilution provisions of the original award were structured to equalize the award's fair value before and after the modification and as a result there will be no resulting incremental fair value after the modification to equalize value.

The following table summarizes information about the replacement stock options outstanding after the conversion, effective March 30, 2015:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding at March 30, 2015	**142,964**	**$ 24.36**	**2.87**	**$ 3,460**
Options exercisable at March 30, 2015	**-**	**$ -**	**-**	**$ -**
Exercise prices range from **$11.72 to $35.576**				

(in thousands, except share and per share amounts)

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

Diluted Earnings Per Share for the fiscal year ended March 29, 2015 would have been $2.53 per share, based upon 4,621,000 weighted average shares outstanding after giving effect to the issuance of the replacement options.

Restricted stock:

Transactions with respect to restricted stock for the fiscal year ended March 29, 2015 are as follows:

	Shares		Weighted-Average Grant-date Fair value Per share
Unvested restricted stock at March 30, 2014	**55,000**	**$**	**38.61**
Granted	**-**		**-**
Vested	**(15,000)**	**$**	**36.13**
Unvested restricted stock at March 29, 2015	**40,000**	**$**	**39.54**

The aggregate fair value of restricted stock vested during the fiscal years ended March 29, 2015 March 30, 2014 and March 31, 2013 was $965, $533 and $293, respectively.

3. *Common Stock Purchase Rights*

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

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

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

The Company's Board of Directors may redeem the 2013 Rights prior to the time they are triggered. Upon adoption of the 2013 Rights Plan, the Company reserved 10,188,600 shares of common stock for issuance upon exercise of the 2013 Rights. The 2013 Rights will expire on June 17, 2018 unless earlier redeemed or exchanged by the Company.

At March 29, 2015, the Company has reserved 10,311,542 shares of common stock for issuance upon exercise of the Common Stock Purchase Rights approved by the Board of Directors on June 5, 2013.

4. *Stock Repurchase Programs*

On December 13, 2013, the Company and Mutual Securities, Inc. ("MSI") entered into an agreement pursuant to which MSI has been authorized on the Company's behalf to purchase shares of the Company's common stock, $.01 par value having a value of up to an aggregate of five million dollars ($5,000), which purchases could commence on December 23, 2013. The agreement with MSI was adopted under the safe harbor provided by Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, as amended in order to assist the Company in implementing its previously announced stock purchase plans described below and provides for the purchase of up to an aggregate of 800,000 shares.

On September 11, 2014, the Company and MSI amended its existing agreement pursuant to which MSI was authorized on the Company's behalf to purchase shares of the Company's common stock, $.01 par value having a value of up to an additional $6,000, which purchases could commence on September 24, 2014. The agreement with MSI was adopted under the safe harbor provided by Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, as amended to assist the Company in implementing its previously announced stock purchase plans.

Through March 29, 2015, Nathan's purchased a total of 4,647,687 shares of common stock at a cost of approximately $56,800 pursuant to the various stock repurchase plans previously authorized by the Board of Directors. Of these repurchased shares, 37,661 shares were repurchased at a cost of $1,916 during the year ended March 29, 2015.

On November 9, 2009, Nathan's Board of Directors authorized its sixth stock repurchase plan for the purchase of up to 500,000 shares of its common stock on behalf of the Company. On February 1, 2011, Nathan's Board of Directors increased the authorization to purchase its common stock by an additional 300,000 shares. The Company has repurchased 548,728 shares at a cost of $13,194 under the sixth stock repurchase plan through March 29, 2015, an aggregate of 251,272 shares are available to be purchased. Purchases under the existing stock repurchase plan may be made from time to time, depending on market conditions, in open market or privately-negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases to be made under the stock repurchase plan.

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

5. Employment Agreements

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

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

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

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

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

In the event of termination due to Mr. Lorber's death or disability, he is entitled to receive an amount equal to his salary and annual bonuses for a three-year period, which bonus shall be equal to the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination.

Under the terms of the Gatoff Employment Agreement, Mr. Gatoff initially served as Chief Executive Officer from January 1, 2007 until December 31, 2008, which period automatically extends for additional one-year periods unless either party delivers notice of non-renewal no less than 180 days prior to the end of the term then in effect. Consequently, the Gatoff Employment Agreement is expected to be extended through December 31, 2016, based on the original terms, and no non-renewal notice has been given.

Pursuant to the agreement, Mr. Gatoff will receive a base salary, currently $375, and an annual bonus based on his performance measured against the Company's financial, strategic and operating objectives as determined by the Compensation Committee. The Gatoff Employment Agreement provides for an automobile allowance and the right of Mr. Gatoff to participate in employment benefits offered to other Nathan's executives. The employment agreement automatically extends for successive one-year periods unless notice of non-renewal is provided in accordance with the agreement. During and after the contract term, Mr. Gatoff is subject to certain confidentiality, non-solicitation and non-competition provisions in favor of the Company. On June 4, 2013, Mr. Gatoff received a grant of 25,000 shares of restricted stock at a fair value of $49.80 per share representing the closing price on the date of grant, subject to vesting as provided in a Restricted Stock Agreement between Mr. Gatoff and the Company. The compensation expense related to this restricted stock award is expected to be $1,245 and will be recognized, commencing of the grant date, over the next five years.

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 automatically extends for successive one-year periods unless notice of non-renewal is provided in accordance with the agreement. The agreement provides for annual compensation, currently $289, 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.

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

Effective May 31, 2007, the Company and its Executive Vice President entered into a new employment agreement which provided for annual compensation of $210 plus certain other benefits. In connection with the contemplated retirement of the Executive Vice President, effective February 12, 2013, the Company and the Executive Vice President agreed to amend the employment contract to extend the expiration of the employment term from September 30, 2013 until February 12, 2014 and the Company purchased his 67,619 shares of the Company's common stock, $.01 par value at a purchase price of $36.87 per share which was the closing price of the Company's common stock as reported on the Nasdaq Global Market on February 13, 2013. The amendment to the Employment Agreement further provided that he will serve as a consultant to the Company from February 13, 2014 until February 12, 2015, at which time the consulting agreement terminated.

The Company and one employee of Nathan's entered into a change of control agreement effective May 31, 2007 for annual compensation of $136 per year. The agreement additionally includes a provision under which the employee has the right to terminate the agreement and receive payment equal to approximately three times his annual compensation upon a change in control, as defined.

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

6. *Defined Contribution and Union Pension Plans*

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering all nonunion employees over age 21, who have been employed by the Company for at least one year. Employees may contribute to the plan, on a tax-deferred basis, up to 20% of their total annual salary. Historically, the Company has matched contributions at a rate of $.25 per dollar contributed by the employee on up to a maximum of 3% of the employee's total annual salary. Employer contributions for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013 were $30, $34 and $31, respectively.

(in thousands, except share and per share amounts)

NOTE L – STOCKHOLDERS' EQUITY, STOCK PLANS AND OTHER EMPLOYEE BENEFIT PLANS (continued)

The Company participates in a noncontributory, multi-employer, defined benefit pension plan (the "Union Plan") covering substantially all of the Company's union-represented employees. The risks of participating in the Union Plan are different from a single-employer plan in the following aspects (a) assets contributed to the Union Plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if the Company chooses to stop participating in the Union Plan, the Company may be required to pay the Union Plan an amount based on the underfunded status of the Union Plan, referred to as a withdrawal liability. The Company has no plans or intentions to stop participating in the plan as of March 29, 2015 and does not believe that there is a reasonable possibility that a withdrawal liability will be incurred. Contributions to the Union Plan were $10, $10 and $16 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

7. *Other Benefits*

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

NOTE M - 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).

As of March 29, 2015**,** the Company had non-cancelable operating lease commitments, net of certain sublease rental income, as follows:

	Lease commitments	Sublease income	Net lease commitments
2016	$ 1,641	$ 270	$ 1,371
2017	1,658	254	1,404
2018	1,685	262	1,423
2019	1,658	266	1,392
2020	1,545	267	1,278
Thereafter	8,022	1,357	6,665
	$ 16,209	$ 2,676	$ 13,533

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

Aggregate rental expense, net of sublease income, under all current leases amounted to $1,617, $1,391 and $1,102 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively. Sublease rental income was $267, $265 and $353 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

Contingent rental payments on building leases are typically made based on the percentage of gross sales of the individual restaurants that exceed predetermined levels. The percentage of gross sales to be paid and related gross sales level vary by unit. Contingent rental expense, which is inclusive of common area maintenance charges, was approximately $489, $454 and $399 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

At March 29, 2015, the Company leases two sites which it in turn subleases to franchisees, which expire on various dates through 2027 exclusive of renewal options. The Company remains liable for all lease costs when properties are subleased to franchisees.

2. *Legal Proceedings*

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

3. *Guaranty*

On December 1, 2009, a wholly-owned subsidiary of the Company executed a Guaranty of Lease (the "Guaranty") in connection with its re-franchising of a restaurant located in West Nyack, New York. The Guaranty could be called upon in the event of a default by the tenant/franchisee. The Guaranty extends through the fifth Lease Year, as defined in the lease, and shall not exceed an amount equal to the highest amount of the annual minimum rent, percentage rent and any additional rent payable pursuant to the lease and reasonable attorney's fees and other costs. The guaranty expired as of March 29, 2015 and the Company has reversed all previously recorded liabilities in connection with this guaranty. In connection with the Nathan's Franchise Agreement, Nathan's has received a personal guaranty from the franchisee for all obligations under the Guaranty. Nathan's has not been required to make any payments pursuant to the Guaranty.

NOTE M – COMMITMENTS AND CONTINGENCIES (continued)

4. *Hurricane Sandy*

On October 29, 2012, Superstorm Sandy struck the Northeastern United States, which forced the closing of all of the Company-owned restaurants. Seventy-eight franchised restaurants, including 18 Branded Menu locations, were closed for varying periods of time, one of which remains closed. Our Company-owned restaurant in Oceanside, New York was closed for approximately two weeks. Our Coney Island Boardwalk restaurant sustained minor damage and re-opened on March 18, 2013. Our flagship Coney Island restaurant incurred significant damage and re-opened on May 20, 2013. As a result of these damages, the Company incurred actual losses during the fiscal year ended March 31, 2013, of approximately $1,340, inclusive of amounts written off of $449 related to destroyed or damaged property and equipment and $42 of unsalable inventories.

As of March 30, 2014, the Company settled the property damage claim with its insurers and received payments of approximately $3,400, net of fees, from our insurer and used these proceeds towards the rebuilding of the Coney Island restaurant. In connection with the settlement of the property and casualty loss, the Company recognized a gain of approximately $2,774 during the fiscal ended March 30, 2014.

In April 2014, the Company settled its claim for reimbursable on-going business expenses while the restaurant was closed of approximately $718, net of fees, that was included in accounts and other receivables in the accompanying balance sheet as of March 30, 2014.

NOTE N - RELATED PARTY TRANSACTIONS

An accounting firm of which Charles Raich, who serves on Nathan’s Board of Directors, has been The Founding Partner, received ordinary tax preparation and other consulting fees of $160, $130 and $136 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

A firm to which Mr. Lorber is as an investor (and, prior to January 2012, a consultant), and the firm’s affiliates, received ordinary and customary insurance commissions aggregating approximately $24, $24 and $25 for the fiscal years ended March 29, 2015, March 30, 2014 and March 31, 2013, respectively.

(in thousands, except share and per share amounts)

NOTE O - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2015				
Total revenues	**$ 27,668**	**$ 28,953**	**$ 22,353**	**$ 20,401**
Gross profit (a)	**4,240**	**4,716**	**2,594**	**2,019**
Net income	**4,071**	**3,854**	**2,241**	**1,537**
Per share information				
Net income per share				
Basic (b)	**$ .91**	**$ .86**	**$ .50**	**$ .34**
Diluted (b)	**$ .89**	**$ .84**	**$ .49**	**$ .34**
Shares used in computation of net income per share				
Basic (b)	**4,471,000**	**4,472,000**	**4,482,000**	**4,521,000**
Diluted (b)	**4,593,000**	**4,593,000**	**4,603,000**	**4,562,000**

After giving effect to the issuance of the replacement options, Diluted Earnings Per Share would have been $0.34 per share based upon 4,576,000 weighted average shares outstanding for the fourth quarter ended March 29, 2015.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2014				
Total revenues	$ 23,401	$ 23,662	$ 18,533	$ 17,331
Gross profit (a)	3,475	4,513	2,457	2,004
Net income	3,354	2,648	1,107	1,218
Per share information				
Net income per share				
Basic (b)	$ .76	$ .59	$ .25	$ .27
Diluted (b)	$ .73	$ .57	$ .24	$ .27
Shares used in computation of net income per share				
Basic (b)	4,415,000	4,460,000	4,466,000	4,459,000
Diluted (b)	4,588,000	4,625,000	4,622,000	4,594,000

(a) Gross profit represents the difference between sales and cost of sales.
(b) The sum of the quarters may not equal the full year per share amounts included in the accompanying consolidated statements of earnings due to the effect of the weighted average number of shares outstanding during the fiscal years as compared to the quarters.

NOTE P - SUBSEQUENT EVENT

On June 10, 2015, the Company and Wayne Norbitz entered into a Transition Agreement (the "Transition Agreement") relating to the retirement of Mr. Norbitz as President and Chief Operating Officer of the Company. Under the Transition Agreement, Mr. Norbitz will continue to serve as President and Chief Operating Officer of the Company through August 7, 2015 at which time he will become a Consultant to the Company pursuant to the terms of a one year Consulting Agreement between him and the Company (the "Consulting Agreement"). The Consulting Agreement provides that Mr. Norbitz will receive a consulting fee of $16,291 per month. The Transition Agreement further provides that Mr. Norbitz will receive a severance payment of $288,750 and under the terms of the Transition Agreement the Company purchased from Mr. Norbitz 56,933 shares of the Company's common stock, $.01 par value (the "Common Stock") at a purchase price of $40.28 which was the closing price of the Common Stock as reported on the Nasdaq Global Market on June 10,2015. Mr. Norbitz will also be included as a nominee on management's slate of Directors at the Company's upcoming annual meeting of stockholders.

Nathan's Famous, Inc. and Subsidiaries

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

March 29, 2015, March 30, 2014 and March 31, 2013

(in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
Description	Balance at beginning of period	Additions charged to costs and expenses	Additions charged to other accounts	Deductions	Balance at end of period
Fifty-two weeks ended March 29, 2015					
Allowance for doubtful accounts - accounts receivable	**$ 433**	**$ 23**	**$ -**	**$ $13 (b)**	**$ 443**
Fifty-two weeks ended March 30, 2014					
Allowance for doubtful accounts - accounts receivable	$ 130	$ 21	$ 320 (a)	$ 38 (b)	$ 433
Fifty-three weeks ended March 31, 2013					
Allowance for doubtful accounts - accounts receivable	$ 138	$ 15	$ 5 (a)	$ 28 (b)	$ 130

(a) Uncollectible marketing fund contributions.
(b) Uncollectible amounts written off.

Exhibit 10.23

Execution Version

PARITY LIEN SECURITY AGREEMENT

by and among

NATHAN'S FAMOUS, INC.

and

THE OTHER ASSIGNORS IDENTIFIED HEREIN

and

U.S. BANK NATIONAL ASSOCIATION,

as COLLATERAL TRUSTEE

Dated as of March 10, 2015

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PARITY LIEN SECURITY AGREEMENT

This PARITY LIEN SECURITY AGREEMENT, dated as of March 10, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by each of the undersigned assignors (each, an "Assignor" and, together with any other entity that becomes an assignor hereunder pursuant to Section 9.12 hereof, the "Assignors"), in favor of U.S. Bank National Association, a national banking association ("U.S. Bank"), as collateral trustee (in such capacity, together with its successors and assigns, if any, "Collateral Trustee"), for the benefit of the Secured Creditors (as defined below). Certain capitalized terms as used herein are defined in Article VIII hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Indenture (as defined below).

W I T N E S S E T H:

WHEREAS, Nathan's Famous, Inc., a Delaware corporation (the "Issuer"), each of Issuer's Subsidiaries party thereto as Guarantors (such Subsidiaries, together with Issuer, are referred to hereinafter each individually as a "Guarantor" and individually and collectively, jointly and severally, as "Guarantors"), and U.S. Bank National Association, as trustee (in such capacity, "Trustee") and as Collateral Trustee have entered into the Indenture, dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Indenture"), pursuant to which the Issuer has issued the 10.000% Senior Secured Notes due 2020 (the "Notes"), all as contemplated therein;

WHEREAS, Collateral Trustee has agreed to act as agent for the benefit of the Secured Creditors in connection with the transactions contemplated by the Indenture and this Agreement; and

WHEREAS, in order to induce the Trustee and the Collateral Trustee to enter into the Indenture and the other Note Documents, and to induce the Holders to purchase the Notes from the Issuer as provided for in the Indenture and the other Note Documents, Assignors have agreed to grant a continuing security interest in and to the Collateral in order to secure the prompt and complete payment, observance and performance of, among other things, the Secured Obligations;

WHEREAS, following the date hereof, if not prohibited by the Indenture, the Assignors may incur Additional Parity Lien Obligations (including Additional Notes (as defined in the Indenture)) which are secured equally and ratably with the Assignors' obligations in respect of the Notes in accordance with Section 9.20 of this Agreement.

NOW, THEREFORE, in consideration of the benefits accruing to each Assignor, the receipt, sufficiency and adequacy of which are hereby acknowledged, each Assignor hereby agrees with Collateral Trustee for the benefit of the Secured Creditors as follows:

ARTICLE I

SECURITY INTEREST

1.1 Grant of Security Interest. Each Assignor hereby unconditionally grants and pledges to Collateral Trustee, for the benefit of the Secured Creditors, to secure the Secured Obligations, a continuing security interest (hereinafter referred to as the "Security Interest") in all of the right, title and interest of such Assignor in, to and under all of the following personal property (and all rights therein) of such Assignor, or in which or to which such Assignor has any rights, in each case, whether now owned or hereafter acquired by such Assignor and wherever located (the "Collateral"):

(a) all of such Assignor's Accounts;

(b) all of such Assignor's Chattel Paper;

(c) all of such Assignor's Commercial Tort Claims, including those from time to time set forth on Schedule 5 hereto;

(d) all of such Assignor's Contracts, together with all Contract Rights arising thereunder;

(e) all of such Assignor's Equipment;

(f) all of such Assignor's Books;

(g) all of such Assignor's Negotiable Collateral;

(h) all of such Assignor's General Intangibles;

(i) all of such Assignor's Goods;

(j) all of such Assignor's Inventory;

(k) all of such Assignor's Software;

(l) all of such Assignor's Investment Property;

(m) all of such Assignor's Permits;

(n) all of such Assignor's Deposit Accounts (or demand, deposit, time, savings or similar accounts);

(o) all of such Assignor's Supporting Obligations;

(p) all of such Assignor's money, Cash Equivalents, or other assets of such Assignor that now or hereafter come into the possession, custody, or control of any Agent (or its agent or designee) or any Secured Creditor; and

(q) all of the proceeds (as such term is defined in the Code) and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance or Commercial Tort Claims covering or relating to any or all of the foregoing, and any and all Accounts, Books, Chattel Paper, Deposit Accounts, Equipment, Fixtures, General Intangibles, Inventory, Investment Property, Negotiable Collateral, Supporting Obligations, money, or other tangible or intangible property resulting from the sale, lease, license, exchange, collection, or other disposition of any of the foregoing, the proceeds of any award in condemnation with respect to any of the foregoing, any rebates or refunds, whether for taxes or otherwise, and all proceeds of any such proceeds, or any portion thereof or interest therein, and the proceeds thereof, and all proceeds of any loss of, damage to, or destruction of the above, whether insured or not insured, and, to the extent not otherwise included, any indemnity, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to any of the foregoing (the "Proceeds"). Without limiting the generality of the foregoing, the term "Proceeds" includes whatever is receivable or received when Investment Property or proceeds are sold, exchanged, collected, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes proceeds of any indemnity or guaranty payable to any Assignor or any Agent from time to time with respect to any of the Investment Property.

Notwithstanding anything contained in this Agreement to the contrary, the term "Collateral" shall not include: (i) voting Capital Stock of any Foreign Subsidiary or Foreign Holding Company, solely to the extent that such Capital Stock represents more than 65% of the outstanding voting Capital Stock of such Foreign Subsidiary or Foreign Holding Company; or (ii) any rights or interest in any contract, lease, permit, license, or license agreement covering real or personal property of any Assignor if under the terms of such contract, lease, permit, license, or license agreement, or applicable law with respect thereto, the grant of a security interest or Lien therein is prohibited as a matter of law or under the terms of such contract, lease, permit, license, or license agreement and such prohibition or restriction has not been waived or the consent of the other party to such contract, lease, permit, license, or license agreement has not been obtained (provided, that, (A) the foregoing exclusions of this clause (ii) shall in no way be construed (1) to apply to the extent that any described prohibition or restriction is unenforceable under Section 9-406, 9-407, 9-408, or 9-409 of the Code or other applicable law, or (2) to apply to the extent that any consent or waiver has been obtained that would permit Collateral Trustee's security interest or Lien notwithstanding the prohibition or restriction on the pledge of such contract, lease, permit, license, or license agreement and (B) the foregoing exclusions of clauses (i) and (ii) shall in no way be construed to limit, impair, or otherwise affect any of Collateral Trustee's or any Secured Creditor's continuing security interests in and Liens upon any rights or interests of any Assignor in or to (1) monies due or to become due under or in connection with any described contract, lease, permit, license, license agreement, or Capital Stock (including any Accounts or Capital Stock), or (2) any proceeds from the sale, license, lease, or other dispositions of any such contract, lease, permit, license, license agreement, or Capital Stock); (iii) any United States intent-to-use Trademark application prior to filing of a statement of use pursuant to 15 U.S.C. Section 1051(d) or an amendment to allege use pursuant to 15 U.S.C. Section 1051(c), to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of any registration that issues from such intent-to-use Trademark application under applicable federal law, provided, and it being agreed, that upon submission to and acceptance by the United States Patent and Trademark Office of a statement of use or an amendment to allege use, such intent-to-use Trademark application shall be considered Collateral; (iv) property (whether real, personal or mixed, tangible or intangible), and proceeds thereof, owned by any Assignor on the date hereof or hereafter acquired that is subject to a Lien securing Indebtedness, Disqualified Stock or Permitted Stock permitted to be incurred or issued pursuant to clause (4) of the definition of “Permitted Debt” for so long as the contract or other agreement in which such Lien is granted (or the documentation providing for such Indebtedness, Disqualified Stock or Preferred Stock) validly prohibits the creation of any other Lien on such property; (v) 51% of the Capital Stock of Nathan’s Famous of Lynbrook, Inc.; (vi) (A) any real estate asset leased by any Assignor and (B) any real estate asset owned by any Assignor; (vii) all tax, payroll, employee benefit, fiduciary and trust accounts; or (viii) all motor vehicles the perfection of a security interest in which is excluded from the Uniform Commercial Code in the relevant jurisdiction.

1.2 Security for Secured Obligations. The Security Interest created hereby secures the payment and performance of the Secured Obligations, whether now existing or arising hereafter. Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Secured Obligations and would be owed by Assignors, or any of them, to the Secured Creditors, or any of them, but for the fact that they are unenforceable or not allowable (in whole or in part) as a claim in an insolvency or liquidation proceeding involving any Assignor due to the existence of such insolvency or liquidation proceeding.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor hereby represents, warrants and covenants to Collateral Trustee, for the benefit of the Secured Creditors, which representations and warranties shall be true, correct, and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the Issue Date and such representations and warranties shall survive the execution and delivery of this Agreement:

2.1 Necessary Filings. This Agreement creates a valid security interest in the Collateral of each Assignor, to the extent a security interest therein can be created under the Code, securing the payment and performance of the Secured Obligations. Except to the extent a security interest in the Collateral cannot be perfected by the filing of a financing statement under the Code, all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken or will have been taken (including, in the case of any Assignor organized in the State of Florida, the payment of all documentary stamps due and payable or to become due and payable pursuant to s.201.22 F.S.) upon the filing of financing statements listing each applicable Assignor, as a debtor, and Collateral Trustee, as secured party, in the jurisdictions listed next to such Assignor's name on Schedule 6. Upon the making of such filings, Collateral Trustee shall have not less than a Second Priority perfected security interest in the Collateral of each Assignor to the extent such security interest can be perfected by the filing of a financing statement. Upon filing of the Trademark Security Agreement and the Patent Security Agreement with the United States Patent and Trademark Office, together with an appropriately completed recordation form, filing of the Copyright Security Agreement with the United States Copyright Office, and filing of appropriate financing statements in the jurisdictions listed on Schedule 6, all action necessary or desirable to protect and perfect the Security Interest in and to each Assignor's Patents, Trademarks, or Copyrights shall have been taken and such perfected Security Interest shall be enforceable as such as against any and all creditors of and purchasers from any Assignor. All action by any Assignor necessary to protect and perfect such security interest on each item of Collateral has been duly taken.

2.2 No Liens. Such Assignor is, and as to all Collateral acquired by it from time to time after the date hereof such Assignor will be, the owner of such Collateral free and clear from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), and such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to Collateral Trustee.

2.3 Other Financing Statements. As of the date hereof, there is no financing statement (or similar statement or instrument of registration under any applicable law) covering or purporting to cover any interest of any kind in the Collateral (other than financing statements filed in respect of Permitted Liens), and such Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under any applicable law) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by such Assignor or in connection with Permitted Liens.

2.4 Location of Inventory and Equipment. All Inventory and Equipment located within the United States and held on the date hereof, or held at any time during the four calendar months prior to the date hereof, by each Assignor (other than Inventory and Equipment in transit) is located at one of the locations shown on Schedule 1 hereto for such Assignor.

2.5 Legal Names; Type of Organization (and Whether a Registered Organization); Jurisdiction of Organization; Location; Organizational Identification Numbers; Changes Thereto; etc. The exact legal name of each Assignor, the type of organization of such Assignor, whether or not such Assignor is a Registered Organization, the jurisdiction of organization of such Assignor, such Assignor's Location, and the organizational identification number (if any) of such Assignor, is listed on Schedule 2 hereto for such Assignor. Such Assignor may change its legal name, its type of organization, its status as a Registered Organization (in the case of a Registered Organization), its jurisdiction of organization, its Location, or its organizational identification number (if any) from that used on Schedule 2 hereto; provided that (a) Collateral Trustee shall have received a written notice not less than twenty (20) days prior to the effectiveness of such change, together with a supplement to Schedule 2 which shall correct all information contained therein for such Assignor, and (b) in connection with such change, such Assignor shall have taken all actions as necessary to maintain the security interests of Collateral Trustee in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. In addition, to the extent that such Assignor does not have an organizational identification number on the date hereof and later obtains one, such Assignor shall promptly thereafter notify Collateral Trustee of such organizational identification number and shall take all actions as necessary to maintain the security interest of Collateral Trustee in the Collateral intended to be granted hereby fully perfected and in full force and effect.

2.6 Trade Names; Etc. Such Assignor does not have or operate in any jurisdiction under, or in the preceding five years has not had or operated in any jurisdiction under, any trade name, fictitious names or other names except its legal name as specified in Schedule 2 and such other trade or fictitious names as are listed on Schedule 3 hereto for such Assignor.

2.7 Certain Significant Transactions. During the one year period preceding the date of this Agreement, no Person shall have merged or consolidated with or into any Assignor, and no Person shall have liquidated into, or transferred all or substantially all of its assets to, any Assignor, in each case except as described in Schedule 4 hereto. With respect to any transactions so described in Schedule 4 hereto, the respective Assignor shall have furnished such information with respect to the Person (and the assets of the Person and locations thereof) which merged with or into or consolidated with such Assignor, or was liquidated into or transferred all or substantially all of its assets to such Assignor, and no security interest (excluding Permitted Liens) continues perfected on the date hereof with respect to any Person described above (or the assets transferred to the respective Assignor by such Person), including pursuant to Section 9-316(a)(3) of the Code.

2.8 As-Extracted Collateral; Timber-to-be-Cut. On the date hereof, such Assignor does not own, or expect to acquire, any property which constitutes, or would constitute, As-Extracted Collateral or Timber-to-be-Cut. If at any time after the date of this Agreement such Assignor owns, acquires or obtains rights to any As-Extracted Collateral or Timber-to-be-Cut, such Assignor shall furnish Collateral Trustee with prompt written notice thereof (which notice shall describe in reasonable detail the As-Extracted Collateral and/or Timber-to-be-Cut and the locations thereof) and shall take all actions reasonably necessary or desirable to perfect the security interest of Collateral Trustee therein.

2.9 Collateral in the Possession of a Bailee. If any Assignor's Inventory or other Goods are at any time in the possession of a bailee, and the fair market value of such Inventory or Goods in the possession of such bailee exceeds $250,000, such Assignor shall promptly notify Collateral Trustee in writing thereof and shall use its commercially reasonable efforts to promptly obtain an acknowledgment from such bailee, in form and substance reasonably satisfactory to Collateral Trustee, that the bailee holds such Collateral for the benefit of Collateral Trustee and shall act upon the instructions of Collateral Trustee, without the further consent of such Assignor.

2.10 Consents. No consent, approval, authorization, or other order or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (a) for the grant of a security interest by such Assignor in and to the Collateral pursuant to this Agreement or for the execution, delivery, or performance of this Agreement by such Assignor, or (b) for the exercise by Collateral Trustee of the voting or other rights provided for in this Agreement with respect to the Investment Property or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with such disposition of Investment Property by laws affecting the offering and sale of securities generally. No Intellectual Property Contract of any Assignor that is necessary to the conduct of such Assignor's business requires any consent of any other Person in order for such Assignor to grant the security interest granted hereunder in such Assignor's right, title or interest in or to such Intellectual Property Contract.

2.11 Recourse. This Agreement is made with full recourse to each Assignor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Assignor contained herein, in the other Note Documents and in any certificate delivered in writing in connection herewith or therewith.

ARTICLE III

SPECIAL PROVISIONS CONCERNING ACCOUNTS; CONTRACT RIGHTS; INSTRUMENTS; CHATTEL PAPER AND CERTAIN OTHER COLLATERAL

3.1 Additional Representations and Warranties. As of the time when each of its Accounts arises, each Assignor shall be deemed to have represented and warranted that, to such Assignor's knowledge, each such Account, and all records, papers and documents relating thereto (if any) are genuine and what they purport to be, and that all papers and documents (if any) relating thereto (a) will represent the genuine, legal, valid and binding obligation of the Account Debtor evidencing indebtedness unpaid and owed by the respective Account Debtor, (b) will evidence true and valid obligations, enforceable in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, moratorium, reorganization, or similar laws relating to or limiting creditors' rights generally and (c) will be in compliance and will conform in all material respects with all applicable laws.

3.2 Maintenance of Records. Each Assignor will keep and maintain at its own cost and expense accurate records of its Accounts and Contracts, including originals or electronic or other copies of all documentation (including each Contract) with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other material dealings therewith, and such Assignor will make the same available on such Assignor's premises to Collateral Trustee for inspection, at such Assignor's own cost and expense and otherwise in accordance with the Indenture and each applicable Additional Parity Lien Agreement. Upon the occurrence and during the continuance of an Event of Default and at the request of Collateral Trustee, such Assignor shall, at its own cost and expense, deliver to Collateral Trustee or to its representatives copies (and, if the Notes have been accelerated, originals (except where the originals have been delivered to Collateral Trustee’s agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement)) of all tangible evidence of its Accounts and Contract Rights (including all documents evidencing the Accounts and all Contracts) and such books and records (copies of which evidence and books and records may be retained by such Assignor). Upon the occurrence and during the continuance of an Event of Default and if Collateral Trustee so directs, such Assignor shall legend, in form and manner reasonably satisfactory to Collateral Trustee, the Accounts and the Contracts, as well as books, records and documents (if any) of such Assignor evidencing or pertaining to such Accounts and Contracts, with an appropriate reference to the fact that such Accounts and Contracts have been assigned to Collateral Trustee and that Collateral Trustee has a security interest therein.

3.3 Direction to Account Debtors; Contracting Parties; etc. Subject to the terms of the Collateral Trust Agreement, upon the occurrence and during the continuance of an Event of Default, if Collateral Trustee so directs any Assignor, such Assignor agrees (a) to cause all payments on account of the Accounts and Contracts to be made directly to the Cash Collateral Account, (b) to notify Account Debtors of any Assignor that the Accounts, General Intangibles, Chattel Paper or Negotiable Collateral of such Assignor have been assigned to Collateral Trustee, for the benefit of the Secured Creditors, or that Collateral Trustee has a security interest therein, and (c) that Collateral Trustee or Collateral Trustee's designee may collect the Accounts, General Intangibles and Negotiable Collateral of any Assignor directly, and any collection costs and expenses shall constitute part of such Assignor's Secured Obligations under the Note Documents. Without notice to or assent by any Assignor, Collateral Trustee may, upon the occurrence and during the continuance of an Event of Default and subject to the terms and provisions of the Collateral Trust Agreement, apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account toward the payment of the Secured Obligations in the manner provided in Section 6.10 of the Indenture.

3.4 Possession of Collateral. In the event that any Collateral, including Proceeds, is evidenced by or consists of Negotiable Collateral, Investment Property, or Chattel Paper, in each case, having an aggregate value or face amount of $250,000 or more for all such Negotiable Collateral, Investment Property, or Chattel Paper, the Assignors shall promptly (and in any event within two (2) Business Days after receipt thereof), notify Collateral Trustee in writing thereof, and if and to the extent that perfection or priority of Collateral Trustee's Security Interest is dependent on or enhanced by possession, the applicable Assignor, promptly (and in any event within five (5) Business Days) shall execute such other documents and instruments as necessary or, if applicable, endorse and deliver physical possession of such Negotiable Collateral, Investment Property, or Chattel Paper to Collateral Trustee (or its agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement), together with such undated powers (or other relevant document of transfer) endorsed in blank as necessary, and shall do such other acts or things necessary or desirable to perfect and protect Collateral Trustee's Security Interest therein.

3.5 Assignors Remain Liable. Neither Collateral Trustee nor any other Secured Creditor shall have any obligation or liability under any Account (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by Collateral Trustee or any other Secured Creditor of any payment relating to such Account or Contract pursuant hereto, nor shall Collateral Trustee or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Account (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by them or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times. Anything herein to the contrary notwithstanding, (a) each of the Assignors shall remain liable under the contracts and agreements included in the Collateral to perform all of the duties and obligations thereunder to the same extent as if this Agreement had not been executed, and (b) the exercise by Collateral Trustee or any Secured Creditor of any of the rights hereunder shall not release any Assignor from any of its duties or obligations under such contracts and agreements included in the Collateral.

3.6 Letter-of-Credit Rights. If the Assignors (or any of them) are or become the beneficiary of letters of credit having a face amount or value of $250,000 or more in the aggregate, then the applicable Assignor or Assignors shall promptly (and in any event within two (2) Business Days after becoming a beneficiary), notify Collateral Trustee in writing thereof and, promptly (and in any event within five (5) Business Days), pursuant to an agreement in form and substance reasonably satisfactory to Collateral Trustee, (a) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Collateral Trustee (or its agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement) of such Letter-of-Credit Rights or (b) arrange for Collateral Trustee (or its agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement) to become the transferee beneficiary of such letter of credit, with Collateral Trustee agreeing, in each case, that the Proceeds of any drawing under the letter of credit are to be applied as provided in this Agreement and in the Indenture.

3.7 Commercial Tort Claims. All Commercial Tort Claims of each Assignor in existence on the date of this Agreement are described in Schedule 5 hereto. If the Assignors (or any of them) obtain Commercial Tort Claims having a value, or involving an asserted claim, in the amount of $250,000 or more in the aggregate for all Commercial Tort Claims, then the applicable Assignor or Assignors shall promptly (and in any event within two (2) Business Days of obtaining such Commercial Tort Claim) notify Collateral Trustee in writing upon incurring or otherwise obtaining such Commercial Tort Claims and, promptly (and in any event within two (2) Business Days), amend Schedule 5 to describe such Commercial Tort Claims in a manner that reasonably identifies such Commercial Tort Claims and which is otherwise reasonably satisfactory to Collateral Trustee, and hereby authorizes the filing of additional financing statements or amendments to existing financing statements describing such Commercial Tort Claims, and agrees to do such other acts or things necessary or desirable to give Collateral Trustee a Second Priority, perfected security interest in any such Commercial Tort Claim.

3.8 Chattel Paper.

(a) Each Assignor shall take all steps reasonably necessary to grant Collateral Trustee control of all Electronic Chattel Paper in accordance with the Code and all "transferable records" as that term is defined in Section 16 of the Uniform Electronic Transaction Act and Section 201 of the federal Electronic Signatures in Global and National Commerce Act as in effect in any relevant jurisdiction, to the extent that the aggregate value or face amount of such Electronic Chattel Paper equals or exceeds $250,000. Each Assignor will deliver all of its Tangible Chattel Paper to Collateral Trustee (or its agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement).

(b) If any Assignor retains possession of any Chattel Paper or instruments (which retention of possession shall be subject to the extent permitted hereby and by the Indenture), such Chattel Paper and instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of U.S. Bank National Association, as Collateral Trustee for the benefit of the Secured Creditors".

3.9 Government Contracts. Other than Accounts and Chattel Paper the aggregate value of which does not at any one time exceed $250,000, if any Account or Chattel Paper arises out of a contract or contracts with the United States of America or any department, agency, or instrumentality thereof, Assignors shall promptly (and in any event within two (2) Business Days of the creation thereof) notify Collateral Trustee in writing thereof and, promptly execute any instruments or take any steps reasonably required in order that all moneys due or to become due under such contract or contracts shall be assigned to Collateral Trustee, for the benefit of the Secured Creditors, and shall provide written notice thereof under the Assignment of Claims Act, 31 U.S.C. 3727, or other applicable law.

3.10 Control Agreements.

(a) Each Assignor shall obtain an authenticated Control Agreement (which may include a Blocked Account Agreement) from each bank maintaining a Deposit Account for such Assignor;

(b) Each Assignor shall obtain an authenticated Control Agreement from each issuer of uncertificated securities having an aggregate fair market value in excess of $250,000, each securities intermediary, or each commodities intermediary issuing or holding any financial assets or commodities to or for any Assignor; and

(c) Each Assignor shall obtain an authenticated Control Agreement with respect to all of such Assignor's Investment Property;

provided, however, that no Assignor shall be required to enter into a Control Agreement with respect to (a) any payroll account so long as such payroll account either (i) is a zero balance account or (ii) does not contain any amounts in excess of payroll due and payable within four (4) Business Days in an aggregate amount not to exceed $5,000,000, (b) accounts funded solely to pay sales and use tax, and any such funds are so used within two (2) Business Days and (c) any accounts that do not have an average daily balance for the immediately preceding 30-day period in excess of $100,000 individually or $1,500,000 in the aggregate for all accounts, as of or after the Issue Date. Notwithstanding the foregoing, each Assignor is not required to deliver any Control Agreements pursuant to this Section 3.10 from Citibank, N.A., Capital One Bank, Mutual Securities, Inc. and U.S. Trust Bank of America Private Wealth Management until, in each case, the date that is 60 days following the date of this Agreement (or such later date as determined by the Priority Lien Representative in its sole discretion).

3.11 Blocked Accounts.

(a) Each Assignor shall (i) establish and maintain cash management services of a type and on terms as are commercially reasonable at one or more of the Blocked Account Banks listed on Schedule 7 (it being understood and agreed that cash management services as of the Issue Date are satisfactory to Collateral Trustee), and shall take reasonable steps to ensure that all of its and its Subsidiaries' Account Debtors forward payment of the amounts owed by them directly to such Blocked Account Bank, and (ii) deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all of their Collections (including those sent directly by their Account Debtors to an Assignor) into a bank account of such Assignor (each, a "Blocked Account") at one of the Blocked Account Banks.

(b) Each Assignor shall establish and maintain Blocked Account Agreements with Collateral Trustee and the applicable Blocked Account Bank, in form and substance reasonably acceptable to Collateral Trustee. Each such Blocked Account Agreement shall provide, among other things, and in each case in accordance with the terms and provisions of the Collateral Trust Agreement, that (i) the Blocked Account Bank will comply with any instructions originated by Collateral Trustee directing the disposition of the funds in such Blocked Account without further consent by the applicable Assignor, (ii) the Blocked Account Bank waives, subordinates, or agrees not to exercise any rights of setoff or recoupment or any other claim against the applicable Blocked Account other than for payment of its service fees and other charges directly related to the administration of such Blocked Account and for returned checks or other items of payment, and (iii) upon the instruction of Collateral Trustee (an "Activation Instruction"), the Blocked Account Bank will forward by daily sweep all amounts in the applicable Blocked Account to the Trustee's Account. Collateral Trustee agrees not to issue an Activation Instruction with respect to the Blocked Accounts unless an Event of Default has occurred and is continuing at the time such Activation Instruction is issued and such instruction is otherwise in accordance with the terms and provisions of the Collateral Trust Agreement.

(c) So long as no Default or Event of Default has occurred and is continuing, Issuer may amend Schedule 7 to add or replace a Blocked Account Bank or Blocked Account; provided, however, that prior to the time of the opening of such Blocked Account, the applicable Assignor and such prospective Blocked Account Bank shall have executed and delivered to Collateral Trustee a Blocked Account Agreement.

3.12 Further Actions. Each Assignor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Trustee from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps (including any and all actions as may be necessary or required under the Federal Assignment of Claims Act, 31 U.S.C. 3727) relating to its Accounts, Contracts, Instruments and other property or rights covered by the security interest hereby granted, as the Collateral Trustee may reasonably request in order to fully effect the purposes of this Agreement.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING INTELLECTUAL PROPERTY

4.1 Representations and Warranties. Each Assignor hereby represents and warrants to Collateral Trustee, for the benefit of the Secured Creditors, which representations and warranties shall be true, correct, and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the Issue Date and such representations and warranties shall survive the execution and delivery of this Agreement:

(a) Each Assignor owns, or is licensed, or otherwise possesses legally enforceable rights, to use, sell or license, as applicable, all Material Intellectual Property. Schedule 8(a) sets forth a true, complete and correct list of all Registered Intellectual Property and domain names owned or used by the Assignors and their Subsidiaries (collectively, the "Scheduled Intellectual Property"). Each Assignor has licenses for all Commercial Software used in its business and no Assignor has any obligation to pay fees, royalties and other amounts at any time pursuant to any such license other than in the ordinary course of such Assignor's business. Each of the domain names listed on Schedule 8(a) is registered with the registrar listed opposite such domain name on Schedule 8(a) and such registration has been fully paid as of the date of closing.

(b) Schedule 8(b) sets forth a complete list of all material Intellectual Property Contracts (excluding Commercial Software and licenses under which any Assignor licenses its products to its customers in the ordinary course of its business). The applicable Assignor has delivered to Collateral Trustee correct and complete copies of all such licenses, sublicenses and agreements (as amended to date). No Assignor is in violation of any such license, sublicense or agreement, which violation could reasonably be expected to have a Material Adverse Effect.

(c) Each Assignor is the sole and exclusive owner of the Registered Intellectual Property (free and clear of any Liens except for Permitted Liens), and, subject to the terms and conditions of the Intellectual Property Contracts, has sole and exclusive rights to the use and distribution therefor or the material covered thereby in connection with the services or products in respect of which such Scheduled Intellectual Property are currently being used, sold, licensed or distributed.

(d) Intentionally omitted.

(e) To the Assignors' knowledge, the Assignors do not now and have not in the past five (5) years infringed or otherwise violated the Intellectual Property rights of any third party, except as set out in Schedule 8(c). To the Assignors' knowledge, no Person is violating any Intellectual Property in a manner such that it interferes with the business as currently conducted.

(f) The Scheduled Intellectual Property is not subject to any outstanding order, judgment, decree or agreement adversely affecting the Assignors' use thereof or their rights thereto and is subsisting and is, to the knowledge of the Assignors, valid and enforceable, except that Assignors make no representation or warranty as to the validity or enforceability of any trademark in a particular jurisdiction to the extent such trademark is not in continuous use for some or all of the goods and services for which it is registered, and (i) such goods and services are not being sold or provided under such trademark in such jurisdiction, and (ii) no current intent to sell or provide such goods and services under such mark exists. There is no litigation, opposition, cancellation, proceeding, objection or claim pending, asserted or threatened against any Assignor concerning the ownership, validity, registerability, enforceability, infringement or use of, or licensed right to use, any Intellectual Property. To the Assignors' knowledge, no valid basis for any such litigation, opposition, cancellation, proceeding, objection or claim exists, except that any trademark not in use for some or all of the goods and services for which it is registered may be subject to challenge as being unenforceable and/or invalid in a jurisdiction in which such trademark is registered but not in continuous use.

(g) The Registered Intellectual Property has been duly registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office, the United States Copyright Office or any other relevant Governmental Authority, and such registrations, issuances and applications remain in full force and effect, and are current and unexpired. The Assignors have properly executed and recorded all documents necessary to perfect their title to all Registered Intellectual Property, and have filed all documents and paid all taxes, fees, and other financial obligations required to maintain in force and effect all such items as they have come due.

(h) Each Assignor has taken reasonable measures in accordance with industry standards to protect the confidentiality and value of all Trade Secrets constituting Material Intellectual Property that are owned, used or held by the Assignors, and to the Assignors' knowledge, such Trade Secrets have not been used, disclosed to or discovered by any person except pursuant to valid and appropriate non-disclosure and/or license agreements which have not been breached.

(i) The IT Assets operate and perform in all material respects in accordance with the purpose for which they were acquired, and have not materially malfunctioned or failed within the past three (3) years. To the Assignors' knowledge, no person has gained unauthorized access to the IT Assets. The Assignors have implemented reasonable backup and disaster recovery technology consistent with industry practices.

(j) All employees and contractors of each Assignor who were involved in the creation or development of any Material Intellectual Property for such Assignor have signed agreements containing assignment of Intellectual Property rights to such Assignor and obligations of confidentiality.

4.2 Maintenance.

(a) In the event that any Assignor becomes aware that any of its Material Intellectual Property is being infringed, misappropriated, diluted or otherwise violated by a third party in any manner, such Assignor shall promptly notify Collateral Trustee in writing.

(b) Each Assignor shall have the duty, with respect to Material Intellectual Property, to protect and diligently enforce and defend at such Assignor's expense its Material Intellectual Property, including to (i) sue for infringement, misappropriation, or dilution and file for opposition, interference, and cancellation against conflicting Material Intellectual Property rights of any Person as such Assignor deems appropriate under the circumstances using its reasonable business judgment, (ii) prosecute diligently any trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement as such Assignor deems appropriate under the circumstances using its reasonable business judgment, (iii) prosecute diligently any patent application that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, and (iv) require all employees, consultants, and contractors of each Assignor who were involved in the creation or development of such Material Intellectual Property to sign agreements containing assignment of Intellectual Property rights and obligations of confidentiality.

(c) With respect to its Material Intellectual Property, such Assignor agrees to preserve and maintain, at its expense, such Material Intellectual Property in full force and effect, including, to the extent that Assignor deems appropriate to do so under the circumstances using its reasonable business judgment, the payment of required fees and taxes, the filing of applications for renewal or extension, affidavits of use, and affidavits of incontestability, and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. Each Assignor shall take reasonable and appropriate steps to preserve and protect each item of the foregoing Material Intellectual Property, including maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, materially consistent with the quality of the products and services as of the date hereof, and ensuring that all licensed users of any of the Trademarks use such consistent standards of quality.

(d) Each Assignor hereby agrees to take the steps described in this Section 4.2 with respect to all new or acquired Material Intellectual Property to which it or any of its Subsidiaries is now or later becomes entitled that is necessary in the conduct of such Assignor's business.

4.3 Abandonment. Each Assignor further agrees not to abandon any Material Intellectual Property or Intellectual Property Contract related thereto.

4.4 Enforceability. Each Assignor agrees to notify Collateral Trustee promptly in writing of becoming aware (a) that any item of its Material Intellectual Property may have become abandoned, placed in the public domain, invalid or unenforceable, or (b) of any adverse determination or the institution of any proceeding (including, without limitation, the institution of any proceeding in the United States Patent and Trademark Office or any court but excluding non-final determinations of examiners in the United States Patent and Trademark Office or the United States Copyright Office) regarding any item of Material Intellectual Property. No Assignor shall do or permit any act or knowingly omit to do any act whereby any of its Material Intellectual Property may lapse or become invalid or unenforceable or placed in the public domain.

4.5 Intellectual Property Security Agreements. With respect to its Intellectual Property, each Assignor agrees to execute or otherwise authenticate agreements, in substantially the form set forth in Exhibits A through C hereto, as applicable, or otherwise in form and substance satisfactory to Collateral Trustee (each, an "Intellectual Property Security Agreement"), for recording the security interest granted hereunder in such Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office and any other Governmental Authority necessary to perfect the security interest granted hereunder in such Intellectual Property.

4.6 Additional Intellectual Property.

(a) In order to facilitate filings with the United States Patent and Trademark Office and the United States Copyright Office, each Assignor shall execute and deliver to Collateral Trustee one or more Copyright Security Agreements, Trademark Security Agreements, or Patent Security Agreements to further evidence Collateral Trustee's Lien on such Assignor's Patents, Trademarks, or Copyrights, and the General Intangibles of such Assignor relating thereto or represented thereby.

(b) Each Assignor agrees that should it obtain an ownership interest in any item of Intellectual Property that is not on the date hereof a part of the Intellectual Property, or file an application for the registration of any Intellectual Property with the United States Copyright Office, the United States Patent and Trademark Office (except an intent-to-use trademark or service mark application) or any other relevant Governmental Authority, or receive a registration from the United States Patent and Trademark Office for an intent-to-use trademark or service mark application, (i) the provisions of this Agreement shall automatically apply thereto, and (ii) any such Intellectual Property shall automatically become part of the Collateral subject to the terms and conditions of this Agreement.

(c) On each date of the delivery of financial statements pursuant to Section 4.03(a)(1) and (2) of the Indenture, or as required by any other Additional Parity Lien Agreement, each Assignor shall provide Collateral Trustee with a written report of (i) all Patents and Trademarks that are registered or the subject of pending applications for registrations, and of all Intellectual Property Contracts that are material to the conduct of such Assignor's business, in each case, which were acquired, registered, or for which applications for registration were filed by any Assignor during the period to which such financial statements relate, and (ii) all intent-to-use Trademark applications for which any statement of use or amendment to allege use were filed by any Assignor during the period to which such financial statements relate. In the case of such registrations and applications therefor, each such Assignor shall file the necessary documents with the appropriate Governmental Authority identifying the applicable Assignor as the owner (or as a co-owner thereof, if such is the case) of such Intellectual Property. In each of the foregoing cases, the applicable Assignor shall promptly cause to be prepared, executed, and delivered to Collateral Trustee supplemental schedules to the applicable Note Documents to identify such Patent and Trademark registrations and applications therefor (with the exception of Trademark applications filed on an intent-to-use basis for which no statement of use or amendment to allege use has been filed) and Intellectual Property Contracts as being subject to the security interests created thereunder, and, subject to, and without limiting the generality of, Section 7.3 of the Collateral Trust Agreement, with respect to such U.S. Patent and U.S. Trademark registrations and applications therefor, shall execute and deliver one or more Patent Security Agreements and/or Trademark Security Agreements to record such security interests with the United States Patent and Trademark Office.

(d) Each Assignor shall promptly file an application with the United States Copyright Office for any Copyright that has not been registered with the United States Copyright Office if such Copyright is necessary in connection with the conduct of such Assignor's business unless in the reasonable business judgment of such Assignor, registration of such Copyright would not be reasonably prudent or commercially reasonable in the operation of such Assignor's business as then-currently conducted. Any expenses incurred in connection with the foregoing shall be borne by the Assignors. Anything to the contrary in this Agreement notwithstanding, in no event shall any Assignor, either itself or through any agent, employee, licensee, or designee, file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in another country without giving Collateral Trustee written notice thereof at least ten (10) Business Days prior to such filing and complying with Section 4.6(a). Upon receipt from the United States Copyright Office of notice of registration of any Copyright, each Assignor shall promptly (but in no event later than ten (10) Business Days following such receipt) (i) notify (but without duplication of any notice required by this Section 4.6(d)) Collateral Trustee of such registration by causing to be prepared, executed, and delivered to Collateral Trustee supplemental schedules to the applicable Note Documents to identify such Copyright registrations as being subject to the security interests created thereunder, and (ii) execute and deliver one or more Copyright Security Agreements to record such security interests with the United States Copyright Office. If any Assignor acquires from any Person any Copyright registered with the United States Copyright Office or an application to register any Copyright with the United States Copyright Office, such Assignor shall promptly (but in no event later than ten (10) Business Days following such acquisition) (i) notify Collateral Trustee in writing of such acquisition and cause to be prepared, executed, and delivered to Collateral Trustee supplemental schedules to the applicable Note Documents to identify such Copyright registrations as being subject to the security interests created thereunder, and (ii) execute and deliver one or more Copyright Security Agreements to record such security interests with the United States Copyright Office. In the case of such Copyright registrations or applications therefor which were acquired by any Assignor, each such Assignor shall promptly (but in no event later than ten (10) Business Days following such acquisition) file the necessary documents with the appropriate Governmental Authority identifying the applicable Assignor as the owner (or as a co-owner thereof, if such is the case) of such Copyrights.

4.7 Duties of Secured Creditors. Assignors acknowledge and agree that the Secured Creditors shall have no duties with respect to any Intellectual Property or Intellectual Property Contracts of any Assignor. Without limiting the generality of this Section 4.7, Assignors acknowledge and agree that no Secured Creditor shall be under any obligation to take any steps necessary to preserve rights in the Collateral consisting of Intellectual Property or Intellectual Property Contracts against any other Person, but any Secured Creditor may do so at its option from and after the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith (including reasonable fees and expenses of attorneys and other professionals) shall be for the sole account of Issuer.

4.8 Confidentiality. Each Assignor shall take reasonable steps to maintain the confidentiality of, and otherwise protect and enforce its rights in, Material Intellectual Property that is a Trade Secret, including, as applicable (a) protecting the secrecy and confidentiality of its Trade Secrets constituting Material Intellectual Property by having and enforcing a policy requiring all current employees, consultants, licensees, vendors and contractors with access to such information to execute appropriate confidentiality agreements; (b) taking actions reasonably necessary to ensure that no such Trade Secret falls into the public domain; and (c) protecting the secrecy and confidentiality of the source code of all material software programs and applications, if any, of which it is the owner or licensee by having and enforcing a policy requiring any licensees (or sublicensees) of such source code to enter into license agreements with commercially reasonable use and non-disclosure restrictions.

4.9 Additional Intellectual Property Contracts. No Assignor shall enter into any material Intellectual Property Contract to receive any license or rights in any Intellectual Property of any other Person unless such Assignor has used commercially reasonable efforts to permit the assignment of or grant of a security interest in such Intellectual Property Contract (and all rights of Assignor thereunder) to the Collateral Trustee (and any transferees thereof).

4.10 Remedies. If an Event of Default shall occur and be continuing and subject to Article VI and the Collateral Trust Agreement, Collateral Trustee (or its designee) may, at the direction of the Required Secured Creditors, take any or all of the following actions for the duration of such Event of Default and subject to any then-existing third party rights: (a) declare the entire right, title and interest of such Assignor in and to all Intellectual Property, vested in Collateral Trustee for the benefit of the Secured Creditors, in which event such rights, title and interest shall immediately vest, in Collateral Trustee for the benefit of the Secured Creditors, and Collateral Trustee shall be entitled to exercise the power of attorney referred to in Section 9.18 to execute, cause to be acknowledged and notarized and record said absolute assignment with the applicable Governmental Authority; (b) take and use, practice under or sell the Intellectual Property and the right to carry on the business and use the assets of such Assignor in connection with which the Intellectual Property has been used; and (c) direct such Assignor to refrain, in which event such Assignor shall refrain, from using or practicing under the Intellectual Property in any manner whatsoever, directly or indirectly, and such Assignor shall execute such further documents that Collateral Trustee may reasonably request to further confirm this and to transfer ownership of the Intellectual Property to Collateral Trustee.

ARTICLE V

PROVISIONS CONCERNING ALL COLLATERAL

5.1 Protection of Collateral Trustee's Security. Except to the extent not otherwise prohibited by the Note Documents, each Assignor will do nothing to impair the rights of Collateral Trustee in the Collateral. Each Assignor will at all times cause to be maintained insurance, at such Assignor's own expense or the expense of Issuer to the extent and in the manner provided in the Note Documents. Except to the extent otherwise permitted to be retained by such Assignor or applied by such Assignor pursuant to the terms of the Note Documents, Collateral Trustee shall, at the time any Proceeds of such insurance are distributed to the Secured Creditors, apply such Proceeds in accordance with Section 6.10 of the Indenture. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of such Assignor to pay the Secured Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to such Assignor.

5.2 Warehouse Receipts Non-Negotiable. To the extent practicable, each Assignor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such Assignor shall request that such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the Code as in effect in any relevant jurisdiction or under other relevant law).

5.3 Additional Information. Each Assignor will, at its own expense, from time to time upon the reasonable request of Collateral Trustee, promptly furnish to Collateral Trustee such information with respect to the Collateral (including the identity of the Collateral or such components thereof as may have been reasonably requested by Collateral Trustee in writing, the value and location of such Collateral, etc.) as may be requested by Collateral Trustee. Without limiting the foregoing, each Assignor agrees that it shall promptly furnish to Collateral Trustee such updated Schedules hereto as necessary to reflect the change in Collateral.

5.4 Further Actions. Each Assignor will, at its own expense and upon the reasonable request of Collateral Trustee, make, execute, endorse, acknowledge, file and/or deliver to Collateral Trustee from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which Collateral Trustee reasonably requests to perfect, preserve, protect or enforce its security interest in the Collateral or to enable Collateral Trustee to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral.

5.5 Financing Statements. Each Assignor agrees to deliver to Collateral Trustee such financing statements (including financing statements covering "all assets" or "all personal property" of the Assignor to be filed with the Secretary of State of the State of such Assignor's organization), in form and substance reasonably acceptable to Collateral Trustee, as Collateral Trustee may from time to time reasonably request to establish and maintain a valid, enforceable, perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby. Each Assignor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. Each Assignor hereby authorizes, but does not obligate, Collateral Trustee at any time and from time to time to file, transmit, or communicate, as applicable, any such financing statements and amendments without the signature of such Assignor where permitted by law (a) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (b) describing the Collateral as being of equal or lesser scope or with greater detail, or (c) that contain any information required by part 5 of Article 9 of the Code for the sufficiency of filing office acceptance. Each Assignor also hereby ratifies any and all financing statements or amendments previously filed by Collateral Trustee in any jurisdiction with respect to the Collateral of the Assignors. Each Assignor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of Collateral Trustee, subject to such Assignor's rights under Section 9-509(d)(2) of the Code.

5.6 Transfers and Other Liens. Assignors shall not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as expressly permitted by the Indenture or by any applicable Additional Parity Lien Agreement, or (b) create or permit to exist any Lien upon or with respect to any of the Collateral of any Assignor, except for Permitted Liens. The inclusion of Proceeds in the Collateral shall not be deemed to constitute Collateral Trustee's consent to any sale or other disposition of any of the Collateral except as expressly permitted in this Agreement or the other Note Documents.

ARTICLE VI

REMEDIES UPON OCCURRENCE OF AN EVENT OF DEFAULT

6.1 Remedies; Obtaining the Collateral Upon Default. Each Assignor agrees that, upon the occurrence and continuance of an Event of Default, Collateral Trustee, in addition to any rights now or hereafter existing under applicable law and under the other provisions of this Agreement and any other Note Document, shall have all rights as a secured creditor under the Code, and such additional rights and remedies to which a secured creditor is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including without limitation, the following (in each case subject to the terms of the Collateral Trust Agreement):

(a) Collateral Trustee without demand of performance or other demand, advertisement or notice of any kind (except a notice specified below of time and place of public or private sale) to or upon any Assignor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), may take immediate possession of all or any portion of the Collateral and (i) require Assignors to, and each Assignor hereby agrees that it will at its own expense and upon request of Collateral Trustee forthwith, assemble all or part of the Collateral as directed by Collateral Trustee and make it available to Collateral Trustee at one or more locations where such Assignor regularly maintains Inventory, and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Collateral Trustee's offices or elsewhere, for cash, on credit, and upon such other terms as Collateral Trustee may deem commercially reasonable. Each Assignor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the applicable Assignor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and specifically such notice shall constitute a reasonable "authenticated notification of disposition" within the meaning of Section 9-611 of the Code. Collateral Trustee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Collateral Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Assignor agrees that the internet shall constitute a "place" for purposes of Section 9-610(b) of the Code. Each Assignor agrees that any sale of Collateral to a licensor pursuant to the terms of a license agreement between such licensor and an Assignor is sufficient to constitute a commercially reasonable sale (including as to method, terms, manner, and time) within the meaning of Section 9-610 of the Code.

(b) Collateral Trustee may instruct the obligor or obligors on any agreement, instrument or other obligation (including the Accounts and the Contracts) constituting the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to Collateral Trustee and may exercise any and all remedies of such Assignor in respect of such Collateral.

(c) Each Assignor hereby grants to Collateral Trustee a license or other right to use, license and sublicense without liability for royalties or any other charge, all such Assignor's Intellectual Property, including but not limited to, any labels, Patents, Trademarks, trade names, URLs, domain names, industrial designs, Copyrights, and advertising matter, whether owned by any Assignor or with respect to which any Assignor has rights under license, sublicense, or other agreements (including any Intellectual Property Contract), as it pertains to the Collateral and to exercise any other rights and remedies under this Article VI, in preparing for sale, advertising for sale and selling any Collateral, and each Assignor's rights under all licenses and all franchise agreements shall inure to the benefit of Collateral Trustee.

(d) Any cash held by Collateral Trustee as Collateral and all cash proceeds received by Collateral Trustee in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied against the Secured Obligations in the order set forth in the Indenture.

(e) Collateral Trustee may, in addition to other rights and remedies provided for herein, in the other Note Documents, or otherwise available to it under applicable law and without the requirement of notice to or upon any Assignor or any other Person (which notice is hereby expressly waived to the maximum extent permitted by the Code or any other applicable law), (i) with respect to any Assignor's Deposit Accounts in which Collateral Trustee's Liens are perfected by control under Section 9-104 of the Code, instruct the bank maintaining such Deposit Account for the applicable Assignor to pay the balance of such Deposit Account to or for the benefit of Collateral Trustee, and (ii) with respect to any Assignor's Securities Accounts in which Collateral Trustee's Liens are perfected by control under Section 9-106 of the Code, instruct the securities intermediary maintaining such Securities Account for the applicable Assignor to (A) transfer any cash in such Securities Account to or for the benefit of Collateral Trustee, or (B) liquidate any financial assets in such Securities Account that are customarily sold on a recognized market and transfer the cash proceeds thereof to or for the benefit of Collateral Trustee.

(f) Collateral Trustee may take any other action as specified in clauses (a) through (e), inclusive, of Section 9-607 of the Code.

Each Assignor hereby acknowledges that the Secured Obligations arise out of a commercial transaction, and agrees that if an Event of Default shall occur and be continuing, Collateral Trustee shall have the right to an immediate writ of possession without notice of a hearing. Collateral Trustee shall have the right to the appointment of a receiver for the properties and assets of each Assignor, and each Assignor hereby consents to such rights and such appointment and hereby waives any objection such Assignor may have thereto or the right to have a bond or other security posted by Collateral Trustee.

6.2 Remedies; Disposition of the Collateral. To the extent permitted by any such Requirements of Law, Collateral Trustee may bid for and become the purchaser (and may pay all or any portion of the purchase price by crediting Secured Obligations against the purchase price) of the Collateral or any item thereof offered for disposition in accordance with this Section 6.2 without accountability to any Assignor. Each Assignor agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such disposition or dispositions of all or any portion of the Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Assignor's expense.

6.3 Waiver of Claims. Except as otherwise provided in this Agreement, EACH ASSIGNOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH COLLATERAL TRUSTEE'S TAKING POSSESSION OR COLLATERAL TRUSTEE'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES, and each Assignor hereby further waives, to the extent permitted by law:

(a) all damages occasioned by such taking of possession or any such disposition except any damages which are the result of Collateral Trustee's gross negligence or willful misconduct (as determined by a final non-appealable order of a court of competent jurisdiction);

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of Collateral Trustee's rights hereunder; and

(c) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Assignor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

To the fullest extent permitted by applicable law, any sale of, or the grant of options to purchase, or any other realization upon, any Collateral in accordance with the terms hereof shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the relevant Assignor therein and thereto, and shall be a perpetual bar both at law and in equity against such Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Assignor.

6.4 Application of Proceeds. All moneys collected by Collateral Trustee upon any sale or other disposition of the Collateral, together with all other moneys received by Collateral Trustee under any Note Document, shall be applied as set forth in Exhibit F and in accordance with the terms of the Collateral Trust Agreement. In the event the proceeds of Collateral are insufficient to satisfy all of the Secured Obligations in full, each Assignor shall remain jointly and severally liable for any such deficiency.

6.5 Remedies Cumulative. Each and every right, power and remedy hereby specifically given to Collateral Trustee or any of the other Secured Creditors shall be in addition to every other right, power and remedy specifically given to Collateral Trustee or any of the other Secured Creditors under this Agreement or the other Note Documents now or hereafter existing at law, in equity, by statute or otherwise and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Collateral Trustee. All such rights, powers and remedies shall be cumulative and concurrent and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of Collateral Trustee in the exercise of any such right, power or remedy and no renewal or extension of any of the Secured Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence thereof. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of Collateral Trustee to any other or further action in any circumstances without notice or demand. In the event that Collateral Trustee shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit Collateral Trustee may recover, to the fullest extent permitted by applicable law, reasonable expenses, including reasonable attorneys' fees, and the amounts thereof shall be included in such judgment.

6.6 Discontinuance of Proceedings. In case Collateral Trustee shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to Collateral Trustee, then and in every such case the relevant Assignor, Collateral Trustee and each holder of any of the Secured Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of Collateral Trustee shall continue as if no such proceeding had been instituted.

6.7 Marshaling. Collateral Trustee shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Secured Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, each Assignor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of Collateral Trustee's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each Assignor hereby irrevocably waives the benefits of all such laws.

6.8 Collateral Trustee's Right to Perform Contracts, Exercise Rights, etc. Upon the occurrence and during the continuance of an Event of Default (but subject to the terms of the Collateral Trust Agreement), Collateral Trustee (or its designee) may proceed to perform any and all of the obligations of any Assignor contained in any contract, lease, or other agreement and exercise any and all rights of any Assignor therein contained as fully as such Assignor itself could.

ARTICLE VII

INDEMNITY

7.1 Indemnity. (a) Each Assignor jointly and severally agrees to indemnify, reimburse and hold Collateral Trustee, each other Secured Creditor and their respective successors, assigns, directors, employees, affiliates and agents (hereinafter in this Section 7.1 referred to individually as "Indemnitee" and, collectively as "Indemnitees") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 7.1 the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to, arising out of or connected with (i) this Agreement, (ii) any other document executed in accordance with the terms hereof, (iii) the administration of this Agreement and the other documents executed in accordance with the terms hereof, (iv) the exercise or enforcement of any of the terms of, or the preservation of any rights under any thereof, (v) the custody, preservation, use or operation of, or, upon an Event of Default, the sale of, collection from, or other realization upon, any of the Collateral in accordance with this Agreement and the other Note Documents, or (vi) the failure by any Assignor to perform or observe any of the provisions hereof; provided that no Indemnitee shall be indemnified pursuant to this Section 7.1(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee (as determined by a court of competent jurisdiction in a final and non-appealable decision). Each Indemnitee agrees to promptly notify the relevant Assignor of any such assertion of which such Indemnitee has knowledge; provided that no delay by an Indemnitee in providing any such notification to an Assignor shall limit the indemnification obligation hereunder, except to the extent the relevant indemnified obligation to such Indemnitee has increased as a result of such delay.

(a) Without limiting the application of Section 7.1(a) hereof, each Assignor agrees, jointly and severally, to pay or reimburse Collateral Trustee for any and all reasonable fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of Collateral Trustee's Liens on, and security interest in, the Collateral, including all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral incurred under Section 10.08 of the Indenture and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and Collateral Trustee's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(b) Without limiting the application of Section 7.1(a) or (b) hereof, each Assignor agrees, jointly and severally, to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by any Assignor in this Agreement, any other Note Document or in any certificate delivered in compliance with this Agreement or any other Note Document.

(c) If and to the extent that the obligations of any Assignor under this Section 7.1 are unenforceable for any reason, such Assignor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

7.2 Indemnity Obligations Secured by Collateral; Survival. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Secured Obligations secured by the Collateral. The indemnity obligations of each Assignor contained in this Article VII shall continue in full force and effect and survive the termination of the Note Documents and the repayment of the Secured Obligations.

ARTICLE VIII

DEFINITIONS

The following terms shall have the meanings herein specified. Except as otherwise defined herein, all capitalized terms used herein and defined in the Indenture shall be used herein as therein defined. Any terms (whether capitalized or lower case) used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Indenture; provided, however, that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

"Account" means an "account" (as that term is defined in Article 9 of the Code), and in any event shall include all rights to payment of any monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a policy of insurance issued or to be issued, (d) for a secondary obligation incurred or to be incurred, (e) for energy provided or to be provided, (f) for the use or hire of a vessel under a charter or other contract, (g) arising out of the use of a credit or charge card or information contained on or for use with the card, or (h) as winnings in a lottery or other game of chance operated or sponsored by a State, governmental unit of a State, or person licensed or authorized to operate the game by a State or governmental unit of a State. Without limiting the foregoing, the term "account" shall include all Health-Care-Insurance Receivables.

"Account Debtor" means an account debtor (as that term is defined in the Code).

"Activation Instruction" has the meaning provided in Section 3.11(b).

“Additional Parity Lien Agent” shall mean the person appointed to act as trustee, agent or representative for any holder of Additional Parity Lien Obligations pursuant to any Additional Parity Lien Agreement and designated as “Additional Parity Lien Agent” for such holder in an Additional Parity Lien Joinder Agreement delivered to the Collateral Trustee pursuant to Section 9.20, together with its successors and assigns in such capacity.

“Additional Parity Lien Agreement” shall mean an indenture, credit agreement or other agreement under which any Additional Parity Lien Obligations (other than Additional Notes) are incurred and any notes or other instruments representing such Additional Parity Lien Obligations, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Additional Parity Lien Joinder Agreement” shall mean an agreement substantially in the form of Exhibit E.

“Additional Parity Lien Obligations” shall mean Parity Lien Obligations (as defined in the Indenture) other than the Obligations under the Notes.

"Agents" means, collectively, the Collateral Trustee, the Trustee and any Additional Parity Lien Agent.

"Agreement" means this Parity Lien Security Agreement, together with all Exhibits and Schedules hereto, as such agreement may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"As-Extracted Collateral" shall mean "as-extracted collateral" as such term is defined in the Code.

"Assignor" has the meaning provided in the first paragraph of this Agreement.

"Blocked Account" has the meaning provided in Section 3.11(a).

"Blocked Account Agreement" means an agreement, in form and substance reasonably satisfactory to Collateral Trustee, among a Blocked Account Bank, one or more Assignors, Collateral Trustee and Priority Lien Representative, as such agreement may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"Blocked Account Banks" means such banks or financial institutions selected by Issuer and reasonably acceptable to Collateral Trustee.

"Books" means books and records (including each Assignor's Records indicating, summarizing, or evidencing such Assignor's assets (including the Collateral) or liabilities, each Assignor's Records relating to such Assignor's business operations or financial condition, and each Assignor's goods or General Intangibles related to such information).

"Cash Collateral Account" means a deposit account in the name of Collateral Trustee (or its agent, bailee or designee, including the Priority Lien Representative in accordance with the terms of the Collateral Trust Agreement) at a bank or financial institutional selected by Collateral Trustee and approved by Issuer.

"Chattel Paper" means chattel paper (as that term is defined in the Code), and includes tangible chattel paper and electronic chattel paper.

"Code" means the New York Uniform Commercial Code, as in effect from time to time; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to Collateral Trustee's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies.

"Collateral" has the meaning provided in Section 1.1.

"Collateral Trustee" has the meaning provided in the first paragraph of this Agreement.

“Commercial Software” means commercially available, software programs generally available to the public which have been licensed to an Assignor or a Subsidiary of an Assignor pursuant to end-user licenses.

"Commercial Tort Claims" means commercial tort claims (as that term is defined in the Code), and includes those commercial tort claims listed on Schedule 5.

"Contract Rights" means all rights of any Assignor under each Contract, including (a) any and all rights to receive and demand payments under any or all Contracts, (b) any and all rights to receive and compel performance under any or all Contracts and (c) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

"Contracts" means all contracts between any Assignor and one or more additional parties (including any partnership agreements, joint venture agreements and limited liability company agreements).

"Control Agreement" means, with respect to a Securities Account or a Deposit Account, an agreement, in form and substance reasonably satisfactory to Collateral Trustee, which effectively gives "control" (as defined in the Code) to Collateral Trustee, for the benefit of the Secured Creditors, in such Securities Account and all investment property contained therein or Deposit Account and all funds contained therein, as the case may be.

"Copyright Security Agreement" means each Parity Lien Copyright Security Agreement executed and delivered by Assignors, or any of them, and Collateral Trustee, in substantially the form of Exhibit C.

"Copyrights" means, with respect to any Person, any and all rights in any works of authorship, including (a) all copyrights and moral rights, (b) all copyright registrations and recordings thereof and all applications in connection therewith, (c) all restorations, renewals and extensions thereof and amendments thereto, (d) all income, license fees, royalties, damages, and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, and future infringements and other violations thereof, (e) the right to sue or otherwise recover for past, present, and future infringements and other violations thereof, and (f) all of such Person's rights corresponding thereto throughout the world.

"Deposit Account" means a "deposit account" as that term is defined in the Code.

“Discharge of Priority Lien Obligations” has the meaning provided in the Collateral Trust Agreement.

"Electronic Chattel Paper" means electronic chattel paper (as that term is defined in the Code).

"Equipment" means, with respect to any Person, all of such Person's now owned or hereafter acquired right, title, and interest with respect to equipment (including, without limitation, "equipment" as such term is defined in Article 9 of the Code), machinery, machine tools, motors, furniture, furnishings, fixtures, vehicles (including motor vehicles), tools, parts, goods (other than consumer goods, farm products, or Inventory), wherever located, including all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing.

"Event of Default" shall mean an “Event of Default” under and as defined in the Indenture or any Additional Parity Lien Agreement.

"Fixtures" means fixtures (as that term is defined in the Code).

"General Intangibles" means general intangibles (as that term is defined in the Code), and includes payment intangibles, contract rights, rights to payment, rights under Hedge Agreements (including the right to receive payment on account of the termination (voluntarily or involuntarily) of any such Hedge Agreements), rights arising under common law, statutes, or regulations, choses or things in action, goodwill, Intellectual Property, Intellectual Property Contracts, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, including Intellectual Property Contracts, infringement claims, pension plan refunds, pension plan refund claims, insurance premium rebates, tax refunds, and tax refund claims, interests in a partnership or limited liability company which do not constitute a security under Article 8 of the Code, and any other personal property other than Commercial Tort Claims, money, Accounts, Chattel Paper, Deposit Accounts, Goods, Investment Property, Negotiable Collateral, and oil, gas, or other minerals before extraction.

"Goods" means goods (as that term is defined in the Code).

"Governing Documents" means, (a) with respect to any corporation, (i) the articles/certificate of incorporation (or the equivalent organizational documents) of such corporation, (ii) the by-laws (or the equivalent governing documents) of the corporation and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such corporation's capital stock; (b) with respect to any general partnership, (i) the partnership agreement (or the equivalent organizational documents) of such partnership and (ii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of the partnership interests; (c) with respect to any limited partnership, (i) the partnership agreement (or the equivalent organizational documents) of such partnership, (ii) a certificate of limited partnership (or the equivalent organizational documents) and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of the partnership interests; (d) with respect to any limited liability company, (i) the certificate of limited liability (or equivalent filings) of such limited liability company, (ii) the operating agreement (or the equivalent organizational documents) of such limited liability company, and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of such company's membership interests; and (e) with respect to any unlimited liability company, (i) the certificate of incorporation (or the equivalent organizational documents) of such unlimited liability company, (ii) the memorandum and articles of association (or the equivalent governing documents) of such unlimited liability company and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such unlimited liability company's Capital Stock.

"Governmental Authority" means any nation or government, any federal, state, provincial, city, town, municipal, county, local or other political subdivision thereof or thereto and any department, commission, board, bureau, instrumentality, agency, court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Health-Care-Insurance Receivable" means health-care-insurance receivable (as that term is defined in the Code).

"Hedge Agreement" means a "swap agreement" as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

"Indemnitee" has the meaning provided in Section 7.1(a).

"Indenture" has the meaning provided in the recitals of this Agreement.

"Instrument" means instrument (as that term is defined in the Code).

"Intellectual Property" means, with respect to any Person, any and all intellectual property rights of any kind, including Patents, Copyrights, Trademarks, Trade Secrets, algorithms, software programs (including source code and object code), processes, product designs, industrial designs, blueprints, drawings, data, specifications, documentations, reports, catalogs, literature, and any other forms of technology or proprietary information of any kind, and (a) all income, license fees, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, and future infringements, misappropriations, dilutions and other violations thereof, (b) the right to sue or otherwise recover for any past, present or future infringements, misappropriations, dilutions and other violations thereof, and (c) all of such Person's rights corresponding thereto throughout the world.

"Intellectual Property Contracts" means all agreements concerning Intellectual Property to which any of the Assignors or any of their Subsidiaries is a party including, without limitation, agreements granting any Assignor or any of its Subsidiaries rights to use Intellectual Property, franchise agreements, non-assertion agreements, settlement agreements, agreements granting rights to use Scheduled Intellectual Property, trademark coexistence agreements and trademark consent agreements.

"Intellectual Property Security Agreement" has the meaning provided in Section 4.5.

"Inventory" means all Assignors' and their Subsidiaries' now owned or hereafter acquired right, title, and interest with respect to inventory (as defined in the Code), including goods held for sale or lease or to be furnished under a contract of service, goods that are leased by an Assignor or any of its Subsidiaries as lessor, goods that are furnished by an Assignor or any of its Subsidiaries under a contract of service, and raw materials, work in process, or materials used or consumed in an Assignor's or any of its Subsidiaries' business.

"Investment Property" means investment property (as that term is defined in the Code).

"Issuer" has the meaning provided in the recitals to this Agreement.

"IT Assets" means the Assignors' and their Subsidiaries' computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, and all other information technology equipment, and all associated documentation.

"Letter-of-Credit Rights" means letter-of-credit rights (as that term is defined in the Code).

"Location" of any Assignor, means such Assignor's location as determined pursuant to Section 9-307 of the Code.

"Material Adverse Effect" means a material adverse effect on (a) the condition (financial or otherwise), operations, performance, business or properties of the Assignors, taken as a whole, (b) the rights and remedies of the Holders or Collateral Trustee under the Note Documents, (c) the ability of Issuer to repay the Obligations or the ability of any other Assignor to perform its respective obligations under the Note Documents, (d) the legality, validity or enforceability of any Note Document, or (e) the validity, enforceability or priority of the Liens granted to Collateral Trustee for its benefit and the ratable benefit of the Secured Creditors pursuant to the Security Documents, except to the extent any failure to be perfected arises as a result of Collateral Trustee failing to file continuation statements under the Code or inadvertently filing termination statements under the Code.

"Material Intellectual Property" means any Intellectual Property that is material to the business of any Assignor.

"Negotiable Collateral" means Letter-of-Credit Rights, Instruments, letters of credit, promissory notes, drafts and documents (as each such term is defined in the Code).

"Note Documents" means the "Note Documents" as defined in the Indenture and the "Note Documents" (or any substantially similar term) as defined in any Additional Parity Lien Agreement.

"Notes" has the meaning provided in the recitals to this Agreement.

"Patent Security Agreement" means each Parity Lien Patent Security Agreement executed and delivered by Assignors, or any of them, and Collateral Trustee, in substantially the form of Exhibit B.

"Patents" means, with respect to any Person, inventions and discoveries, whether patentable or not, and all patents, registrations, invention disclosures and applications therefor, including (a) all continuations, divisionals, continuations-in-part, re-examinations, extensions, reissues, renewal applications, and renewals thereof and improvements thereon, (b) all income, license fees, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present, and future infringements and other violations thereof, (c) the right to sue or otherwise recover for past, present, and future infringements and other violations thereof, and (d) all of such Person's rights corresponding thereto throughout the world.

"Permits" means all permits, licenses, authorizations, approvals, entitlements and accreditations.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Priority Lien Documents" has the meaning provided in the Collateral Trust Agreement.

"Priority Lien Representative" has the meaning provided in the Collateral Trust Agreement.

"Proceeds" has the meaning provided in Section 1.1(q).

"Records" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

"Registered Intellectual Property" means all Intellectual Property that has been registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office, the United States Copyright Office or other Governmental Authority.

"Registered Organization" has the meaning provided in the Code.

"Required Secured Creditors" shall mean the holders of a majority in aggregate outstanding or committed principal amount of (i) the Notes and (ii) any Indebtedness constituting Additional Parity Lien Obligations, voting as a single class, in each case, excluding any Notes or Additional Parity Lien Obligations that are required to be disregarded for voting purposes under the Indenture or the applicable Additional Parity Lien Agreement.

"Requirements of Law" means, as to any Person, the charter and by-laws or other organizational or Governing Documents of such Person, the common law and all federal, state, provincial, local, foreign, multinational or international laws, statutes, codes, treaties, standards, orders, guidelines, ordinance, rule, regulation, judgments, writs, injunctions, decrees (including administrative or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements or requests of, any Governmental Authority, in each case, that are applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, including, without limitation, the Securities Act, the Exchange Act, Regulations T, U and X of the Board of the Federal Reserve System or any successor, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Internal Revenue Code of 1983, as amended, the Fair Labor Standards Act and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or Permit or environmental, labor, employment, occupational safety or health law, rule or regulation.

"Scheduled Intellectual Property" has the meaning provided in Section 4.1(a).

"Second Priority" means that the Security Interest is prior to all Liens other than the Liens granted to Priority Lien Representative and other Permitted Liens.

"Secured Creditors" means each Agent, each Holder, each Additional Parity Lien Agent, the holders of any Additional Parity Lien Obligations, or any one or more of them.

"Secured Obligations" means and includes, as to any Assignor, all Parity Lien Debt and all other Obligations in respect thereof, provided that obligations in respect of Additional Parity Lien Obligations shall not constitute "Secured Obligations" unless the Additional Parity Lien Agent for the holders of such Additional Parity Lien Obligations shall have executed an Additional Parity Lien Joinder Agreement in the form of Exhibit E hereto.

"Securities Account" has the meaning ascribed to such term in Section 8-501(a) of the Code.

"Security Documents" has the meaning provided in the Indenture.

"Security Interest" has the meaning provided therefor in Section 1.1.

"Software" means software (as that term is defined in the Code).

"Supporting Obligations" means any supporting obligation (as that term is defined in the Code), now or hereafter owned by any Assignor, or in which any Assignor has any rights, and, in any event, shall include, but shall not be limited to all of such Assignor's rights in any Letter-of-Credit Right or secondary obligation that supports the payment or performance of, and all security for, any Account, Chattel Paper, Document, General Intangible, Instrument or Investment Property.

"Tangible Chattel Paper" means tangible chattel paper (as that term is defined in the Code).

"Timber-to-be-Cut" means timber-to-be-cut (as that term is defined in the Code).

"Trade Secrets" means, with respect to any Person, confidential information, proprietary information, trade secrets, and know-how, including, without limitation, processes, schematics, business methods, formulae, drawings, prototypes, models, designs, recipes, including (a) all income, license fees, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present and future misappropriations and other violations thereof, (b) the right to sue or otherwise recover for past, present and future misappropriations and other violations thereof, and (c) all of such Person's rights corresponding thereto throughout the world.

"Trademark Security Agreement" means each Parity Lien Trademark Security Agreement executed and delivered by Assignor, or any of them, and Collateral Trustee, in substantially the form of Exhibit A.

"Trademarks" means, with respect to any Person, any and all trademarks, trade names, brand names, certification marks, collective marks, d/b/a's, Internet domain names, logos, symbols, trade dress, assumed names, fictitious names, service marks, and other indicia of origin, including (a) all registrations, applications and renewals thereof, (b) all income, license fees, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including payments under all licenses entered into in connection therewith and damages and payments for past, present and future infringements, dilutions and other violations thereof and injury to the goodwill associated therewith, (c) the right to sue or otherwise recover for past, present and future infringements, dilutions and other violations thereof and injury to the goodwill associated therewith, (d) the goodwill of the business connected with the use of, and symbolized by, the foregoing, and (e) all of such Person's rights corresponding thereto throughout the world.

"Trustee" has the meaning provided in the recitals to this Agreement.

"U.S. Bank" has the meaning provided in the first paragraph of this Agreement.

ARTICLE IX

MISCELLANEOUS

9.1 Notices. Except as otherwise specified herein, all notices and other communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered in accordance with Section 7.8 of the Collateral Trust Agreement or, with respect to any Additional Parity Lien Agent, at the address set forth in the applicable Additional Parity Lien Joinder Agreement.

9.2 Waiver; Amendment. Except as provided in Sections 9.8 and 9.12, none of the terms and conditions of this Agreement may be amended, modified, supplemented or waved in any manner whatsoever except in accordance with the requirements specified in Section 7.1 of the Collateral Trust Agreement.

9.3 Obligations Absolute. The obligations of each Assignor hereunder shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including without limitation: (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of such Assignor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Note Document; or (c) any amendment to or modification of any Note Document or any security for any of the Secured Obligations; whether or not such Assignor shall have notice or knowledge of any of the foregoing.

9.4 Successors and Assigns. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect, subject to release and/or termination as set forth in Section 9.8, until the Secured Obligations have been paid in full in accordance with the provisions of the Indenture, (b) be binding upon each Assignor, its successors and assigns; provided that the Assignors may not assign this Agreement or any rights or duties hereunder without the Holders' prior written consent and any prohibited assignment shall be absolutely void *ab initio*, and (c) inure, together with the rights and remedies of Collateral Trustee hereunder, to the benefit of Collateral Trustee, the other Secured Creditors and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Holder may, in accordance with the provisions of the Indenture, assign or otherwise transfer all or any portion of its rights and obligations under the Indenture to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Holder herein or otherwise. All agreements, statements, representations and warranties made by each Assignor herein, in any other Note Document or in any certificate or other instrument delivered by such Pledgor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Note Documents regardless of any investigation made by the Secured Creditors or on their behalf.

9.5 Section Headings. The section headings and Table of Contents used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

9.6 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL.

(a) **THIS AGREEMENT AND ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT (WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW RULES THAT WOULD RESULT IN THE APPLICATION OF A DIFFERENT GOVERNING LAW (OTHER THAN ANY MANDATORY PROVISIONS OF THE UCC RELATING TO THE LAW GOVERNING PERFECTION AND THE EFFECT OF PERFECTION OR PRIORITY OF THE SECURITY INTERESTS).**

(b) All judicial proceedings brought against any party hereto arising out of or relating to this Agreement may be brought in any state or federal court of competent jurisdiction in the State, County and City of New York. By executing and delivering this Agreement, each Grantor, for itself and in connection with its properties, irrevocably:

(i) accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts;

(ii) waives any defense of forum *non conveniens*;

(iii) agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such party at its address provided in accordance with Section 7.8 of the Collateral Trust Agreement;

(iv) agrees that service as provided in clause (3) above is sufficient to confer personal jurisdiction over such party in any such proceeding in any such court and otherwise constitutes effective and binding service in every respect; and

(v) agrees that each party hereto retains the right to serve process in any other manner permitted by law or to bring proceedings against any party in the courts of any other jurisdiction.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT, BREACH OF DUTY, COMMON LAW, STATUTE OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

9.7 Assignors' Duties. The powers conferred on Collateral Trustee hereunder are solely to protect Collateral Trustee's interest in the Collateral, for the benefit of the Secured Creditors, and shall not impose any duty upon Collateral Trustee to exercise any such powers. Notwithstanding anything herein to the contrary, the Collateral Trustee shall have no obligation to take any action whatsoever absent written instructions from the Required Secured Creditors. Except for the safe custody of any Collateral in its actual possession and the accounting for moneys actually received by it hereunder, Collateral Trustee shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Collateral Trustee shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its actual possession if such Collateral is accorded treatment substantially equal to that which Collateral Trustee accords its own property.

9.8 Termination; Release.

(a) Upon payment in full of the Secured Obligations in accordance with the provisions of the Indenture and any Additional Parity Lien Agreement, or otherwise in accordance with Section 10.04 of the Indenture or any substantially similar provision in any Additional Parity Lien Agreement, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to Assignors or any other Person entitled thereto. At such time, Collateral Trustee will authorize the filing of appropriate termination statements to terminate such Security Interests. No transfer or renewal, extension, assignment, or termination of this Agreement or of the Indenture, any other Note Document, or any other instrument or document executed and delivered by any Assignor to Collateral Trustee nor any other notes issued by the Issuer to any Holder, nor the taking of further security, nor the retaking or re-delivery of the Collateral to Assignors, or any of them, by Collateral Trustee, nor any other act of the Secured Creditors, or any of them, shall release any Assignor from any obligation, except a release or discharge executed in writing by Collateral Trustee in accordance with the provisions of this Agreement, the Indenture and the Collateral Trust Agreement. Collateral Trustee shall not by any act, delay, omission or otherwise, be deemed to have waived any of its rights or remedies hereunder, unless such waiver is in writing and signed by Collateral Trustee and then only to the extent therein set forth. A waiver by Collateral Trustee of any right or remedy on any occasion shall not be construed as a bar to the exercise of any such right or remedy which Collateral Trustee would otherwise have had on any other occasion.

(b) In the event that any part of the Collateral is sold or otherwise disposed of (to a Person other than an Assignor), in each case in connection with a sale or disposition permitted by the Note Documents and any Additional Parity Lien Agreement, and the proceeds of such sale, disposition (or from such release) or loss are applied in accordance with the terms of the Indenture or such other Note Documents or Additional Parity Lien Agreement, as the case may be, to the extent required to be so applied, subject to the terms and provisions of the Collateral Trust Agreement, Collateral Trustee, at the request and expense of such Assignor and upon satisfaction of each of the applicable conditions precedent described in Article 4 of the Collateral Trust Agreement, will duly release from the security interest created hereby (and will execute and deliver such documentation, including termination or partial release statements and the like in connection therewith) and assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or otherwise disposed of, or released, or the subject of a total loss or constructive total loss as provided above and as may be in the possession of Collateral Trustee and has not theretofore been released pursuant to this Agreement. Furthermore, upon the release of any Assignor from the Note Guarantee in accordance with the provisions thereof, such Assignor (and the Collateral at such time assigned by the respective Assignor pursuant hereto) shall be released from this Agreement.

(c) At any time that an Assignor desires that Collateral Trustee take any action to acknowledge or give effect to any release of Collateral pursuant to the foregoing Section 9.8(a) or (b), such Assignor shall deliver to Collateral Trustee a certificate signed by an Authorized Officer of such Assignor satisfying the conditions of Section 4.1(b)(1) of the Collateral Trust Agreement and otherwise stating that the release of the respective Collateral is permitted pursuant to such Section 9.8(a) or (b).

(d) Collateral Trustee shall have no liability whatsoever to any other Secured Creditor, any Assignor or any other Person as the result of any release of Collateral by it upon receipt of the officers' certificate described in Section 9.8(c) hereof or which Collateral Trustee in good faith believes to be in accordance with this Section 9.8.

9.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic imaging means), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g. "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart hereof.

9.10 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

9.11 Collateral Trustee and the other Secured Creditors.

(a) Collateral Trustee shall be under no obligation or duty to take any action under, or with respect to, any Note Document if taking such action (i) would subject Collateral Trustee to a tax in any jurisdiction where it is not then subject to a tax or (ii) would require Collateral Trustee to qualify to do business, or obtain any license, in any jurisdiction where it is not then so qualified or licensed or (iii) would subject Collateral Trustee to *in personam* jurisdiction in any locations where it is not then so subject.

(b) Collateral Trustee may deem and treat any Person identified by Trustee as a Holder under the Indenture for all purposes of the Note Documents and any Person identified by an Additional Priority Agent as the holder of an Additional Priority Lien Obligation for all purposes of the applicable Additional Priority Lien Agreement. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is a Secured Creditor shall be final and conclusive and binding on any subsequent transferee or assignee of such Secured Creditor.

(c) Collateral Trustee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement for the benefit of the Secured Creditors. It is expressly understood and agreed that the obligations of Collateral Trustee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement and in Section 10.03 of the Indenture. Collateral Trustee shall act hereunder on the terms and conditions set forth herein and in Section 10.03 of the Indenture (including, without limitation, its rights, protections and immunities), the terms of which shall be deemed incorporated herein by reference as fully as if the same were set forth herein in their entirety; provided that if an Event of Default has occurred and is continuing, the Collateral Trustee shall exercise, or refrain from exercising, any remedies provided for herein in accordance with the Collateral Trust Agreement and the written instructions of the Required Secured Creditors.

9.12 Additional Assignors. It is understood and agreed that any Subsidiary of the Issuer that desires to become an Assignor hereunder, or is required to execute a counterpart of this Agreement after the date hereof pursuant to the requirements of the Indenture, any other Note Document or any Additional Parity Lien Agreement, shall become an Assignor hereunder by (a) executing a Joinder Agreement, (b) delivering supplements to Schedules 1 through 7, inclusive, hereto as are necessary to cause such Schedules to be complete and accurate with respect to such additional Assignor on such date and (c) taking all actions as specified in this Agreement as would have been taken by such Assignor had it been an original party to this Agreement, in each case, with all documents required above to be delivered to Collateral Trustee and with all documents and actions required above to be taken to the reasonable satisfaction of Collateral Trustee. Such Subsidiary shall become an Assignor hereunder with the same force and effect as if originally named as an Assignor herein. The execution and delivery of any instrument adding an additional Assignor as a party to this Agreement shall not require the consent of any Assignor hereunder. The rights and obligations of each Assignor hereunder shall remain in full force and effect notwithstanding the addition of any new Assignor hereunder.

9.13 Relation to Other Security Documents. The provisions of this Agreement shall be read and construed with the other Note Documents referred to below in the manner so indicated.

(a) Indenture. In the event of any conflict between any provision in this Agreement and a provision in the Indenture, such provision of the Indenture shall control.

(b) Patent, Trademark, Copyright Security Agreements. The provisions of the Copyright Security Agreements, Trademark Security Agreements, and Patent Security Agreements are supplemental to the provisions of this Agreement, and nothing contained in the Copyright Security Agreements, Trademark Security Agreements, or the Patent Security Agreements shall limit any of the rights or remedies of Collateral Trustee hereunder. In the event of any conflict between any provision in this Agreement and a provision in a Copyright Security Agreement, Trademark Security Agreement or Patent Security Agreement, such provision of this Agreement shall control.

9.14 Collateral Trustee. Each reference herein to any right granted to, benefit conferred upon or power exercisable by "Collateral Trustee" shall be a reference to Collateral Trustee, for the benefit of the Secured Creditors. If any Assignor fails to perform any agreement contained herein, Collateral Trustee may itself perform, or cause performance of, such agreement, and the reasonable expenses of Collateral Trustee incurred in connection therewith shall be payable, jointly and severally, by Assignors. Without limiting the generality of the foregoing, each of the rights, privileges and indemnities of the Collateral Trustee in Section 7.12 of the Collateral Trust Agreement are hereby incorporated by reference.

9.15 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any Secured Creditor or any Assignor, whether under any rule of construction or otherwise. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

9.16 Merger, Amendments; Etc.. THIS AGREEMENT, TOGETHER WITH THE OTHER NOTE DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. No waiver of any provision of this Agreement, and no consent to any departure by any Assignor herefrom, shall in any event be effective unless the same shall be in writing and signed by Collateral Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment of any provision of this Agreement shall be effective unless the same shall be in writing and signed by Collateral Trustee and each Assignor to which such amendment applies.

9.17 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference in this Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import in this Agreement, shall be construed to refer to this Agreement or such other Note Document, as the case may be, in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any right or interest in or to assets and properties of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

9.18 Power of Attorney. Each Assignor hereby irrevocably designates, makes, constitutes and appoints Collateral Trustee (and all Persons designated by Collateral Trustee) as such Assignor's true and lawful attorney (and agent-in-fact), with full authority in the place and stead of such Assignor and in the name of such Assignor or otherwise, at such time as an Event of Default has occurred and is continuing, but in each case subject to the terms of the Collateral Trust Agreement, to take any action and to execute any instrument which Collateral Trustee may reasonably deem necessary or advisable (but without any obligation to do so) to accomplish the purposes of this Agreement, including, without limitation:

(a) receive, indorse, and collect any drafts or other instruments, documents, Negotiable Collateral, Chattel Paper, freight bill, bill of lading or similar document relating to the Collateral (including, without limitation, any items of payment or proceeds relating to any Collateral) and shall deposit such item of payment into a concentration account and credit the amount thereof (in accordance with the provisions of the Indenture);

(b) sell or assign any Collateral, and settle any legal proceedings brought to collect any Collateral, in each case, upon such terms, for such amounts, and at such time or times as Collateral Trustee deems advisable, subject to the provisions of any Note Document applicable thereto and to standards of commercial reasonableness;

(c) receive and open all mail addressed to such Assignor and to notify postal authorities to change the address for the delivery of mail to such Assignor to that of Collateral Trustee;

(d) prepare, file and sign such Assignor's name to any notice of Lien, assignment, or satisfaction of Lien or similar document, which in each case is sent to Account Debtors of such Assignor or any of its Subsidiaries in connection with any portion of the Collateral;

(e) to the extent permitted by such Assignor's license agreements, use the information recorded on or contained in any data processing equipment, computer hardware and software relating to the accounts receivable, Inventory, Equipment and any other Collateral;

(f) make and adjust claims under policies of casualty, property, boiler and machinery, business interruption insurance and other similar policies of insurance with respect to the Collateral (but excluding policies of liability or worker's compensation insurance) involving amounts greater than $50,000;

(g) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Accounts or any other Collateral of such Assignor;

(h) to file any claims or take any action or institute any proceedings which Collateral Trustee may deem necessary or desirable for the collection of any of the Collateral of such Assignor or otherwise to enforce the rights of Collateral Trustee with respect to any of the Collateral;

(i) to repair, alter, or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Person obligated to such Assignor in respect of any Account of such Assignor;

(j) to use any Intellectual Property or Intellectual Property Contracts of such Assignor in preparing for sale, advertising for sale, or selling Inventory or other Collateral and to collect any amounts due under Accounts, contracts or Negotiable Collateral of such Assignor;

(k) to execute any document which may be required by the United States Patent and Trademark Office, United States Copyright Office or any other Governmental Authority in order to effect an absolute assignment of all right, title and interest in or to any Intellectual Property of the Credit Parties, and record the same at the appropriate filing offices; and

(l) to bring suit in its own name, on behalf of the Secured Creditors, to enforce the Intellectual Property and Intellectual Property Contracts (it being understood and agreed that if Collateral Trustee shall commence any such suit, the appropriate Assignor shall, at the request of Collateral Trustee, do any and all lawful acts and execute any and all proper documents reasonably required by Collateral Trustee in aid of such enforcement).

To the extent permitted by law, each Assignor hereby ratifies all that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until this Agreement is terminated.

9.19 Collateral Trust Agreement.

(a) REFERENCE IS MADE TO THE COLLATERAL TRUST AGREEMENT. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE LIEN AND SECURITY INTEREST GRANTED TO THE COLLATERAL TRUSTEE, FOR THE BENEFIT OF THE SECURED CREDITORS, PURSUANT TO THIS AGREEMENT AND THE EXERCISE OF ANY RIGHT OR REMEDY BY THE COLLATERAL TRUSTEE AND THE OTHER SECURED CREDITORS HEREUNDER ARE SUBJECT TO THE PROVISIONS OF THE COLLATERAL TRUST AGREEMENT. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THE COLLATERAL TRUST AGREEMENT AND THE PROVISIONS OF THIS AGREEMENT OR THE OTHER INDENTURE DOCUMENTS, THE PROVISIONS OF THE COLLATERAL TRUST AGREEMENT, INCLUDING BUT NOT LIMITED TO SECTION 7.3(a) THEREOF, SHALL CONTROL.

(b) In accordance with and subject to the terms of the Collateral Trust Agreement, the Collateral Trustee hereby agrees that, prior to the Discharge of Priority Lien Obligations, the Priority Lien Representative shall act as a bailee and as a non-fiduciary agent for the Collateral Trustee, solely for the purpose of perfecting the security interests of the Collateral Trustee in any Collateral.

(c) Notwithstanding anything herein to the contrary, for so long as a Discharge of Priority Lien Obligations shall not have occurred and the Priority Lien Documents shall require the delivery of possession or control to the Priority Lien Representative of Collateral, any covenant hereunder requiring (or any representation or warranty hereunder to the extent that it would have the effect of requiring) the delivery of possession or control to the Collateral Trustee of Collateral shall be deemed to have been satisfied (or, in the case of any representation and warranty, shall be deemed to be true) if, prior to the Discharge of Priority Lien Priority Obligations, such possession or control shall have been delivered to the Priority Lien Representative, as provided in the Collateral Trust Agreement; provided that with respect to the Control Agreements required pursuant to Section 3.10, the Assignors shall be required to cause the delivery of control to both the Priority Lien Representative and the Collateral Trustee, subject to using commercially reasonable efforts to cause the Collateral Trustee to be party to such Control Agreements.

9.20 Additional Parity Lien Obligations. On or after the Issue Date, the Issuer may from time to time designate additional obligations as Additional Parity Lien Obligations by delivering to the Collateral Trustee, the Trustee and each Additional Parity Lien Agent (if any) (a) an Officer's Certificate (i) identifying the obligations so designated and the aggregate principal amount or face amount thereof, stating that such obligations are designated as "Additional Parity Lien Obligations" for purposes hereof, (ii) representing that such designation complies with the terms of the Indenture and each then extent Additional Parity Lien Agreement, and (iii) specifying the name and address of the Additional Parity Lien Agent for such obligations (if other than the Trustee); (b) except in the case of Additional Notes, a fully executed Additional Parity Lien Joinder Agreement (in the form attached as Exhibit E); and (c) an Opinion of Counsel to the effect that the designation of such obligations as "Additional Parity Lien Obligations" does not violate the terms of the Indenture or any then extant Additional Parity Lien Agreement, subject to the qualifications specified therein.

9.21 Incorporation by Reference.

(a) In connection with its execution and acting hereunder, the Collateral Trustee is entitled to all rights, privileges, benefits, protections, immunities and indemnities provided to it under the Indenture.

(b) By accepting the benefits of this Agreement and the other Security Documents, each Secured Creditor agrees that it is bound by (i) the terms of the Collateral Trust Agreement applicable to such Secured Creditor and (ii) the provisions of Exhibit F.

9.22 Concerning the Collateral Trustee. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed by the parties hereto that this Agreement has been signed by U.S. Bank National Association, not in its individual capacity or personally but solely in its capacity as the Collateral Trustee, in the exercise of the powers and authority conferred and vested in it under the Indenture and the Collateral Trust Agreement. In entering into this Agreement, the Collateral Trustee shall be entitled to the benefit of every provision of the Indenture, the Collateral Trust Agreement and any Security Document relating to the rights, exculpations or conduct of, affecting the liability of or otherwise affording protection to, the "Collateral Trustee" thereunder.

[Remainder of this page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

NATHAN'S FAMOUS, INC.,
a Delaware corporation

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OPERATING CORP.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS SYSTEMS, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS SERVICES, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OF TIMES SQUARE, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OF NEW JERSEY, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S ROADSIDE REST, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OF FARMINGDALE, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NAMASIL REALTY CORP.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OF LYNBROOK, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NF TREACHERS CORP.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN'S FAMOUS OF CENTRAL PARK AVENUE, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN’S FAMOUS SYSTEMS OF RUSSIA, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

NATHAN’S FAMOUS OF 2807 LONG BEACH ROAD, INC.

By: /s/ Ronald DeVos
Name: Ronald G. DeVos
Title: Vice President - Finance
Chief Financial Officer

Accepted and agreed to:

U.S. Bank National Association, as Collateral Trustee

By: /s/ Joshua A. Hahn
Name: Joshua A. Hahn
Title: Vice President

Exhibit 10.24

TRANSITION AGREEMENT

TRANSITION AGREEMENT AND RELEASE ("Agreement") executed this 10th day of June, 2015 (the Effective Date"), by and between WAYNE NORBITZ ("Employee") and NATHAN'S FAMOUS, INC., its parents, subsidiaries and affiliates (the "Company"), with an address at One Jericho Plaza, Second Floor – Wing A, Jericho, New York 11753.

1. Transition. Employee's employment with the Company shall terminate effective August 7, 2015 (the "Termination Date"). Between the Effective Date and the Termination Date, Employee agrees to continue to perform his normal duties, pursuant to the Company's directives and to assist the Company in the transition (the "Transition Period"). The Company shall continue to pay to Employee his current annual base salary during the Transition Period. On or within five (5) days of the Termination Date, Employee shall execute the Agreement and Release attached hereto as Exhibit A. In addition, the Employee will be included as a nominee on management's slate of Directors at the Company's upcoming annual meeting of stockholders.

2. Consultancy. Employee agrees to continue to assist the Company with the transition by providing consulting services to the Company in accordance with the terms set forth in the Consulting Agreement attached hereto as Exhibit B (the "Consulting Agreement"), which Employee shall execute simultaneously with his execution of this Agreement. Such Consulting Agreement will commence on August 10, 2015. It is the intention of the Employee to form a limited liability company which will perform the services required under the Consulting Agreement. In exchange for the provision of such consulting services, the Company shall pay such limited liability company a consulting fee of $16,291 per month of service.

3. Severance.

(a) Within ten (10) days of the later of (i) the Release Effective Date (defined below) or (ii) the Termination Date, the Company shall pay to Employee a lump sum payment equal to $288,750, less applicable withholdings and deductions.

(b) On the Effective Date, the Company shall repurchase Employee's 56,933 shares (the "Shares") of the Company's Common Stock, $.01 par value at a price equal to the closing price per share on the Effective Date as reported by the Nasdaq Stock Market. Employee represents that he has the requisite stock certificates for the Shares, that he can transfer the Shares free and clear of any liens, encumbrances or other restrictions and that he will deliver the Shares and a duly executed stock power to the Company.

4. Evaluation Period. Employee shall have up to twenty-one (21) days from the date of his receipt of this Agreement to consider the terms and conditions of this Agreement. Employee may accept this Agreement at any time within the twenty-one (21) day period by executing it and returning it to Eric Gatoff, Chief Executive Officer, One Jericho Plaza, Second Floor – Wing A, Jericho, New York 11753, no later than 5:00 p.m. on the twenty-first (21st) day after Employee's receipt of this Agreement. Thereafter, Employee will have seven (7) days to revoke this Agreement by stating his desire to do so in writing to Eric Gatoff at the address listed above, and delivering it to Eric Gatoff no later than 5:00 p.m. on the seventh (7^{th}) day following the date Employee signs this Agreement. The effective date of this Agreement shall be the eighth (8^{th}) day following Employee's signing of this Agreement (the "Release Effective Date"), provided the Employee does not revoke the Agreement during the revocation period. In the event Employee does not accept this Agreement as set forth above, or in the event Employee revokes this Agreement during the revocation period, this Agreement, including but not limited to the obligation of the Company and its subsidiaries and affiliates to provide the payments and/or benefits referred to in Paragraphs 2 and 3(a) above, shall automatically be deemed null and void.

5. Release. (a) In consideration of the payments and/or benefits referred to in paragraphs 1, 2 and 3, Employee for himself and for his heirs, executors, and assigns (hereinafter collectively referred to as the "Releasors"), forever releases and discharges the Company and any and all of its parent corporations, subsidiaries, divisions, affiliated entities, predecessors, successors and assigns, and any and all of its or their employee benefit and/or pension plans or funds, and any of its or their past or present officers, directors, stockholders, agents, trustees, administrators, employees or assigns (whether acting as agents for such entities or in their individual capacities), (hereinafter collectively referred to as the "Company Releasees"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever (based upon any legal or equitable theory, whether contractual, common-law, statutory, decisional, federal, state, local or otherwise), whether known or unknown, which Releasors ever had, now have or may have against the Company Releasees by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of the world up to and including the Release Effective Date, except for the obligations of the Company under this Agreement.

(b) Without limiting the generality of the foregoing subparagraph "(a)", this Agreement is intended to and shall release the Company Releasees from any and all claims arising out of Employee's employment with Releasees and/or the termination of Employee's employment, including but not limited to any claim(s) under or arising out of (i) Title VII of the Civil Rights Act of 1964, as amended; (ii) the Americans with Disabilities Act, as amended; (iii) the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (excluding claims for accrued, vested benefits under any employee benefit plan of the Company in accordance with the terms of such plan and applicable law); (iv) the Age Discrimination in Employment Act, as amended, or the Older Workers Benefit Protection Act; (v) Section 806 of the Sarbanes Oxley Act of 2002; (vi) New York City and State Human Rights Laws; (vii) alleged discrimination or retaliation in employment (whether based on federal, state or local law, statutory or decisional); (viii) the terms and conditions of Employee's employment with the Company, the termination of such employment, and/or any of the events relating directly or indirectly to or surrounding that termination; and (ix) any law (statutory or decisional) providing for attorneys' fees, costs, disbursements and/or the like.

(c) Notwithstanding the foregoing, nothing in this Agreement shall be construed to prevent Employee from filing a charge with or participating in an investigation conducted by any governmental agency, including, without limitation, the United States Equal Employment Opportunity Commission ("EEOC") or applicable state or city fair employment practices agency, to the extent required or permitted by law. Nevertheless, Employee understands and agrees that he is waiving any relief available (including, for example, monetary damages or reinstatement), under any of the claims and/or causes of action waived in paragraphs 5(a) and (b), including but not limited to financial benefit or monetary recovery from any lawsuit filed or settlement reached by the EEOC or anyone else with respect to any claims released and waived in this Agreement.

(d) Employee agrees and acknowledges that the payments and/or benefits provided for in paragraphs 2 and 3 exceed any payments or benefits to which he would otherwise be entitled under any policy, plan, and/or procedure of the Company or any agreement with the Company.

6. Non-Solicitation and Non-Competition Agreement.

(a) For twelve (12) months following the termination or expiration of the Consulting Agreement (the "Restricted Period"), the Employee will not, without the express written consent of an authorized representative of the Company, seek or accept employment within the Territory (as defined below) or enter into any other relationship, contractual or otherwise, with any entity that is (i) a Customer (as defined below); or (ii) in direct or indirect competition with the business of the Company as currently conducted.

(b) Throughout the Restricted Period, the Employee shall not, directly or indirectly, on his own behalf or on behalf of any person, firm or corporation, or in any capacity whatsoever, solicit or accept business from any Customers of the Company or encourage any Customer not to do business with the Company.

(c) Throughout the Restricted Period, Employee will not directly or indirectly hire, solicit or attempt to hire or solicit any employee of, or consultant to the Company, which employee or consultant had been rendering services to the Company at anytime within the twelve (12) month period immediately preceding the termination of his employment.

(d) For purposes of this Agreement, the term "Customer(s)" shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit public, privately held, or owned by the United States government that is a business entity or individual with whom the Company has done business with during the twelve (12) month period preceding the termination of his employment.

(e) For purposes of this Agreement, the term "Territory" shall mean throughout the area comprising the Company's market for its services and products within which area Employee was materially concerned during the twenty-four (24) month period prior to the termination of this Agreement.

7. Miscellaneous.

(a) On the Termination Date, Employee agrees to immediately return to the Company any and all originals and copies of documents, materials, records, computers, smartphones, tablets and other electronic devices or other items in his possession or control belonging to the Company or containing proprietary information relating to the Company.

(b) Employee acknowledges that the terms of Section 5, Trade Secrets and Section 6, Employee Knowledge; of the Employment Agreement entered into by the Company and Employee on December 28, 1992 (the "Employment Agreement"), are incorporated herein by reference, and Employee agrees and acknowledges that he is bound by their terms.

(c) Employee will cooperate with the Company and/or its subsidiaries and affiliates and its/their counsel in connection with any investigation, administrative proceeding or litigation relating to any matter in which Employee was involved or of which Employee has knowledge.

(d) Employee agrees that, in the event he is subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony (in a deposition, court proceeding or otherwise) which in any way relates to Employee's employment with the Company, he will give prompt notice of such request to the Company. Employee shall contact Eric Gatoff, Chief Executive Officer, or his successor, to seek such written consent, and will make no disclosure until the Company has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

8. Compromise.

(a) The making of this Agreement is not intended, and shall not be construed, as an admission that Releasees have violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract, or committed any wrong whatsoever against Employee.

(b) The parties agree that this Agreement may not be used as evidence in a subsequent proceeding except in a proceeding to enforce the terms of this Agreement.

9. Additional Terms.

(a) Employee acknowledges that: (a) he has carefully read this Agreement in its entirety; (b) he has had an opportunity to consider fully the terms of this Agreement; (c) he has been advised by the Company in writing to consult with an attorney of his choosing in connection with this Agreement; (d) he fully understands the significance of all of the terms and conditions of this Agreement and he has discussed it with his independent legal counsel, or has had a reasonable opportunity to do so; (e) he has had answered to his satisfaction any questions he has asked with regard to the meaning and significance of any of the provisions of this Agreement; and (f) he is signing this Agreement voluntarily and of his own free will and assents to all the terms and conditions contained herein.

(b) This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

(c) If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force and effect. However, the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement; provided, however, that, upon any finding by a court of competent jurisdiction that the release and covenants provided for by paragraph “5” of this Agreement is illegal, void, or unenforceable, Employee agrees to execute a release, waiver and/or covenant that is legal and enforceable. Finally, any breach of the terms of paragraphs “6” and/or “7” shall constitute a material breach of this Agreement as to which the Company may seek appropriate relief in a court of competent jurisdiction.

(d) This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to the conflict of laws provisions thereof. Actions to enforce the terms of this Agreement, or that relate to Employee’s employment with the Company shall be submitted to the exclusive jurisdiction of any state or federal court sitting in the Eastern District of New York. Each party agrees to waive trial by jury in any such litigation.

(e) This Agreement may be executed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument of this Agreement.

(f) This Agreement constitutes the complete understanding between the parties with respect to the termination of the Employee’s employment at the Company and supersedes any and all agreements, understandings, and discussions, whether written or oral, between the parties. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the parties.

[Signature page follows]

[Signature Page to Transition Agreement]

Dated:	June 10, 2015	/s/ Wayne Norbitz WAYNE NORBITZ	

NATHAN'S FAMOUS, INC.

By:	/s/ Eric Gatoff Eric Gatoff Chief Executive Officer	Date:	June 10, 2015

CONSULTING AGREEMENT

(EXHIBIT B of the TRANSITION AGREEMENT)

This CONSULTING AGREEMENT (the "Agreement") is effective as of August 10, 2015 (the "Effective Date"), by and between NATHAN'S FAMOUS, INC. (the "Company"), and WAYNE NORBITZ ("Consultant," and the Company and Consultant collectively referred to herein as the "Parties").

W I T N E S S E T H:

WHEREAS, the Company desires to have Consultant furnish certain consulting services to the Company, and Consultant has agreed to furnish such consulting services, pursuant to the terms and conditions hereinafter set forth.

NOW, THEREFORE, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. Duties. Subject to the terms and conditions set forth in this Agreement, the Company agrees to retain Consultant to provide services to the Company. Consultant shall provide two (2) days of service per week to the Company, as directed by the Board of Directors of the Company and/or the Eric Gatoff, Chief Executive Officer. It is the intention of the Consultant to form a limited liability company which will perform the services required under the Agreement.

2. Fee. The Company shall pay to Consultant $16,291 per month for services rendered. By the last week of each month, Consultant shall submit an invoice to the Company reasonably detailing time expended rendered that month. The Company shall pay Consultant no later than fourteen days after the submission of the invoice.

3. Expenses.

(a) The Company shall reimburse Consultant $500 per month for expenses related to Consultant's automobile.

(b) The Company shall reimburse Consultant for all reasonable business expenses properly and necessarily incurred and paid by Consultant in the performance of his duties under this Agreement upon his presentment of detailed receipts in the form required by the Company's policy.

4. Term and Termination. The terms and conditions set forth in this Agreement will commence on the Effective Date and shall remain in effect for twelve (12) months (the "Term"). Either Party may terminate the Agreement at any time upon sixty (60) days written notice to the other Party.

5. Confidentiality.

(a) Consultant understands that during the Term, he may have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Consultant and others have collected, obtained or created, information pertaining to clients, accounts, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by others under agreements to hold such information confidential (collectively, the "Confidential Information"). Consultant agrees to observe all Company policies and procedures concerning such Confidential Information. Consultant further agrees not to disclose or use, either during his consultancy or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that he may disclose and use such information when necessary in the performance of his duties for the Company. Consultant's obligations under this Agreement will continue with respect to Confidential Information, whether or not his consultancy is terminated, until such information becomes generally available from public sources through no fault of Consultant. Notwithstanding the foregoing, however, Consultant shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that he first notifies the Company of such subpoena, order or other requirement and allows the Company the opportunity to seek a protective order or other appropriate remedy.

(b) Upon the Company's request during Consultant's consultancy, or upon the termination of his consultancy for any reason, Consultant will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, tablets, smartphones or other PDAs, hardware, software, drawings, blueprints, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Consultant or others, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in his possession, custody or control.

6. Assignment of Intellectual Property.

(a) Consultant will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by him alone or with others at any time during his consultancy. Consultant agrees that the Company owns any such Creations, conceived or made by Consultant alone or with others at any time during his consultancy that relates to the business of the Company or directly or indirectly utilizes Confidential Information or products of the Company. Consultant hereby assigns and agrees to assign to the Company all rights he has or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of his consultancy with respect to Creations and derivatives of such Creations conceived or made during his consultancy with the Company.

(b) Consultant agrees to cooperate fully with the Company, both during and after his consultancy with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents, trademarks and other intellectual property rights (both in the United States and foreign countries) relating to such Creations. Consultant shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Creations. Consultant further agrees that if the Company is unable, after reasonable effort, to secure Consultant's signature on any such papers, any officer of the Company shall be entitled to execute such papers as his agent and attorney-in-fact and Consultant hereby irrevocably designates and appoints each officer of the Company as his agent and attorney-in-fact to execute any such papers on his behalf and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Creations, under the conditions described in this paragraph.

7. Non-Solicitation and Non-Competition Agreement. Consultant acknowledges that the terms of Section 6, Non-Solicitation and Non-Competition Agreement of the Transition Agreement and Release entered into by the Company and Wayne Norbitz on June 10, 2015, are incorporated herein by reference, and Consultant agrees and acknowledges that he is bound by their terms.

8. Independent Contractor.

(a) For all purposes Consultant will operate as an independent contractor of the Company. Consequently, Consultant retains full independence in exercising judgment as to the time, place and manner of performing the services, and bears full responsibility for any and all tax liability that arises from the monies paid pursuant to this Agreement and will fulfill such tax liability. The Company shall not withhold any funds for tax or other governmental purposes, and Consultant shall be responsible for the payment of same. Consultant shall not be entitled to receive any employment benefits offered to employees of the Company. To this end, Consultant acknowledges that he is not an employee, agent or co-venturer of the Company and that the Company will not incur any liability as the result of his actions. Consultant shall at all times disclose that he is an independent contractor of the Company and shall not represent to any third party that he is the employee, agent, co-venturer, or representative of the Company other than as expressly authorized in writing by the Company.

(b) Consultant shall defend, indemnify and hold harmless the Company and its officers, directors, employees, agents, parent, subsidiaries and other affiliates, from and against any and all damage, cost, liability, and expense whatsoever (including attorneys' fees and related disbursements) incurred by reason of (a) any failure to perform any covenant or agreement set forth herein; (b) any damage to or loss of property which is directly or indirectly due to the gross negligence and/or willful acts of Consultant or its agents; or (c) any breach by Consultant of any representation, warranty, covenant or agreement under this Agreement.

9. Representation and Warranty. Consultant represents and warrants to the Company that he is not subject to any non-competition provision of any other agreement restricting his ability fully to act hereunder. Consultant hereby indemnifies and holds the Company harmless against any losses, claims, expenses (including attorneys' fees), damages or liabilities incurred by the Company as a result of a breach of the foregoing representation and warranty.

10. Injunctive Relief. Without limiting the remedies available to the Company, Consultant acknowledges that a breach of any of the covenants contained in Sections 5, 6 and 7 above may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, without the requirement to post bond or other security, to obtain a temporary restraining order and/or injunction restraining Consultant from engaging in activities prohibited by this Agreement or such other relief as may be required to specifically enforce any of the covenants in Sections 5, 6 and 7 of this Agreement.

11. Notice. Any notice or other communication required or permitted to be given to the Parties shall be deemed to have been given if personally delivered, if sent by nationally recognized overnight courier or if mailed by certified or registered mail, return receipt requested, first class postage prepaid, and addressed as follows:

If to Consultant, to:
Wayne Norbitz
6 Parkwood Lane
Dix Hills, New York 11746

If to the Company, to:
Nathan's Famous, Inc.
One Jericho Plaza
Second Floor – Wing A
Jericho, New York 11753
Attention: Eric Gatoff

12. Severability. If any provision of this Agreement is declared void or unenforceable by a court of competent jurisdiction, all other provisions shall nonetheless remain in full force and effect.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without regard to the conflict of laws provisions thereof. This Agreement is intended to comply with the Internal Revenue Code, and shall be construed in a manner consistent with that intent. Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be submitted to the exclusive jurisdiction of any state or federal court in the Eastern District of New York.

14. Waiver. The waiver by either Party of a breach of any provision of this Agreement shall not be construed as a waiver of any subsequent breach. The failure of a Party to insist upon strict adherence to any provision of this Agreement on one or more occasions shall not be considered a waiver or deprive that Party of the right thereafter to insist upon strict adherence to that provision or any other provision of this Agreement. Any waiver must be in writing.

15. Assignment. This Agreement is a personal contract and Consultant may not sell, transfer, assign, pledge or hypothecate his rights, interests and obligations hereunder. Except as otherwise herein expressly provided, this Agreement shall be binding upon and shall inure to the benefit of Consultant and his personal representatives and shall inure to the benefit of the Company.

16. Entire Agreement. This Agreement embodies all of the representations, warranties, and agreements between the Parties relating to Consultant's consultancy with the Company. No other representations, warranties, covenants, understandings, or agreements exist between the Parties relating to Consultant's consultancy. This Agreement shall supersede all prior agreements, written or oral, relating to Consultant's consultancy but shall not supersede the Transition Agreement and Release between Consultant and the Company. This Agreement may not be amended or modified except by a writing signed by the Parties.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered on the date above.

NATHAN'S FAMOUS, INC.

By: /s/ Eric Gatoff
Eric Gatoff
Chief Executive Officer

Agreed to and Accepted:

/s/ Wayne Norbitz
Wayne Norbitz
Consultant

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated June 12, 2015, with respect to the consolidated financial statements, schedule, and internal control over financial reporting included in the Annual Report of Nathan’s Famous, Inc. on Form 10-K for the year ended March 29, 2015. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Nathan’s Famous, Inc. on Forms S-8 (File No. 333-82760, File No. 333-101355, File No. 333-155171, File No. 333-177736 and File No. 333-184722).

/s/ GRANT THORNTON LLP

New York, New York
June 12, 2015

CERTIFICATION

I, Eric Gatoff, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended March 29, 2015 of Nathan's Famous, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 12, 2015

/s/ ERIC GATOFF
Eric Gatoff
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ronald G. DeVos, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended March 29, 2015 of Nathan's Famous, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 12, 2015

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

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

The annual report on Form 10-K of Nathan’s Famous, Inc. for the fiscal year ended March 29, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ ERIC GATOFF
Name: Eric Gatoff
Date: June 12, 2015

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 32.2

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 annual report on Form 10-K of Nathan’s Famous, Inc. for the fiscal year ended March 29, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ RONALD G. DEVOS
Name: Ronald G. DeVos
Date: June 12, 2015

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.