FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended DECEMBER 26, 2004.

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

Commission File Number 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)	(IRS employer identification number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

At February 3, 2005, an aggregate of 5,456,332 shares of the registrant's common stock, par value of $.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	Dec. 26, 2004 (Unaudited)	March 28, 2004
Current assets:		
Cash and cash equivalents including restricted cash of $83	$ 3,009	$ 3,449
Marketable securities	10,673	7,477
Notes and accounts receivable, net	3,224	2,352
Inventories	468	743
Assets held for sale	689	507
Prepaid expenses and other current assets	655	463
Deferred income taxes	1,331	1,326
Total current assets	20,049	16,317
Notes receivable, net	157	313
Property and equipment, net	4,761	5,094
Goodwill	95	95
Intangible assets, net	2,866	3,063
Deferred income taxes	2,446	2,452
Other assets, net	248	250
	$ 30,622	$ 27,584
Current liabilities:		
Current maturities of notes payable and capital lease obligations	$ 174	$ 173
Accounts payable	1,354	1,950
Accrued expenses and other current liabilities	5,349	4,836
Deferred franchise fees	326	173
Total current liabilities	7,203	7,132
Notes payable and capital lease obligations, less current maturities	736	866
Other liabilities	1,796	2,234
Total liabilities	9,735	10,232
Stockholders' equity:		
Common stock, $.01 par value - 30,000,000 shares authorized; 7,297,432 and 7,065,202 shares issued; 5,406,332 and 5,213,901 shares outstanding at December 26, 2004 and March 28, 2004, respectively	73	71
Additional paid-in capital	42,035	40,746
Accumulated deficit	(14,095)	(16,611)
Accumulated other comprehensive income	32	67
	28,045	24,273
Treasury stock at cost, 1,891,100 and 1,851,301 shares at December 26, 2004 and March 28, 2004, respectively	(7,158)	(6,921)
Total stockholders' equity	20,887	17,352
	$ 30,622	$ 27,584

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Thirteen weeks ended December 26, 2004 and December 28, 2003
(In thousands, except per share amounts)
(Unaudited)

	2004	2003
Sales	$4,690	$ 3,841
Franchise fees and royalties	1,749	1,690
License royalties	684	674
Investment and other income	106	46
Interest income	71	39
Total revenues	7,300	6,290
Costs and expenses:		
Cost of sales	3,657	2,902
Restaurant operating expenses	734	720
Depreciation and amortization	220	226
Amortization of intangible assets	65	65
General and administrative expenses	1,959	1,907
Interest expense	12	16
Impairment charge on notes receivable	-	44
Total costs and expenses	6,647	5,880
Income from continuing operations before income taxes	653	410
Provision for income taxes	177	162
Income from continuing operations	476	248
Discontinued operations		
Loss from discontinued operations before income taxes	-	(18)
Benefit from income taxes	-	(7)
Loss from discontinued operations	-	(11)
Net income	$ 476	$ 237
PER SHARE INFORMATION		
Basic income (loss) per share		
Income from continuing operations	$ 0.09	$ 0.04
Loss from discontinued operations	0.00	(0.00)
Net income	$ 0.09	$ 0.04
Diluted income (loss) per share		
Income from continuing operations	$ 0.08	$ 0.04
Loss from discontinued operations	0.00	(0.00)
Net income	$ 0.08	$ 0.04
Weighted average shares used in computing per share information		
Basic	5,352	5,286
Diluted	6,173	5,742

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Thirty-nine weeks ended December 26, 2004 and December 28, 2003
(In thousands, except per share amounts)
(Unaudited)

	2004	2003
Sales	$ 18,269	$ 15,930
Franchise fees and royalties	5,084	4,753
License royalties	2,507	2,330
Investment and other income	435	339
Interest income	169	165
Total revenues	26,464	23,517
Costs and expenses:		
Cost of sales	13,181	11,210
Restaurant operating expenses	2,332	2,657
Depreciation and amortization	663	712
Amortization of intangible assets	196	196
General and administrative expenses	6,025	5,523
Interest expense	36	55
Impairment charge on notes receivable	-	100
Total costs and expenses	22,433	20,453
Income from continuing operations before income taxes	4,031	3,064
Provision for income taxes	1,506	1,213
Income from continuing operations	2,525	1,851
Discontinued operations		
Loss from discontinued operations before income taxes	(15)	(23)
Benefit from income taxes	(6)	(9)
Loss from discontinued operations	(9)	(14)
Net income	$ 2,516	$ 1,837
PER SHARE INFORMATION		
Basic income (loss) per share		
Income from continuing operations	$ 0.48	$ 0.35
Loss from discontinued operations	(0.00)	(0.00)
Net income	$ 0.48	$ 0.35
Diluted income (loss) per share		
Income from continuing operations	$ 0.42	$ 0.33
Loss from discontinued operations	(0.00)	(0.00)
Net income	$ 0.42	$ 0.33
Weighted average shares used in computing per share information		
Basic	5,256	5,323
Diluted	6,003	5,604

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Thirty-nine weeks ended December 26, 2004
(In thousands, except share amounts)
(Unaudited)

	Common Shares	Common Stock	Additional Paid -in Capital	Accumulated Deficit	Accumulated Other Comprehen-sive Income	Treasury Shares	Treasury Stock, at cost	Total Stockholders' Equity
Balance at March 28, 2004	7,065,202	$ 71	$ 40,746	$ (16,611)	$ 67	1,851,301	$ (6,921)	$ 17,352
Repurchases of treasury stock						39,799	(237)	(237)
Proceeds received from the exercise of warrants	142,855	1	856					857
Proceeds received from the exercise of stock options	89,375	1	330					331
Income tax benefit on stock option exercises			103					103
Unrealized losses on available for sale securities, net of deferred income taxes of $25					(35)			(35)
Net income				2,516				2,516
Balance at Dec. 26, 2004	7,297,432	$ 73	$ 42,035	$ (14,095)	$ 32	1,891,100	$ (7,158)	$ 20,887

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Thirty-nine weeks ended December 26, 2004 and December 28, 2003
(In thousands)
(Unaudited)

	2004	2003
Cash flows from operating activities:		
Net income	$ 2,516	$ 1,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	663	749
Amortization of intangible assets	196	196
Amortization of bond premium	105	92
Provision for doubtful accounts	11	25
Gain on sale of available for sale securities	-	(12)
Gain on disposal of property and equipment	(67)	(149)
Impairment charge on notes receivable	-	100
Deferred income taxes	27	1,198
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(959)	141
Inventories	275	45
Prepaid expenses and other current assets	(192)	70
Accounts payable and accrued expenses	20	(675)
Deferred franchise fees	153	78
Other assets, net	3	8
Other non current liabilities	(383)	132
Net cash provided by operating activities	2,368	3,835
Cash flows from investing activities:		
Proceeds from sale of available for sale securities	900	1,322
Purchase of available for sale securities	(4,261)	(4,168)
Purchase of property and equipment	(515)	(307)
Proceeds from sale of restaurants, net	-	583
Proceeds from sale of property and equipment	14	6
Payments received on notes receivable	232	603
Net cash used in investing activities	(3,630)	(1,961)
Cash flows from financing activities:		
Repurchases of common stock	(237)	(553)
Proceeds received from the exercise of stock options and warrants	1,188	-
Principal repayment of borrowings and obligations under capital leases	(129)	(144)
Net cash provided by (used in) financing activities	822	(697)
Net decrease in cash and cash equivalents	(440)	1,177
Cash and cash equivalents, beginning of period	3,449	1,415
Cash and cash equivalents, end of period	$ 3,009	$ 2,592
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	$ 512	$ 266
Cash paid during the period for interest	$ 36	$ 59
NONCASH FINANCING ACTIVITIES:		
Loan to franchisees in connection with sale of restaurants	$ -	$ 600

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 26, 2004
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (collectively "Nathan's" or the "Company") for the thirteen and thirty-nine week periods ended December 26, 2004 and December 28, 2003 have been prepared in accordance with accounting principles generally accepted in the United States of America. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, were necessary for a fair presentation of financial condition, results of operations and cash flows for such periods presented. However, these results are not necessarily indicative of results for any other interim period or the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the requirements of the Securities and Exchange Commission. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in Nathan's Annual Report on Form 10-K for the fiscal year ended March 28, 2004.

NOTE B - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued a revision to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN No. 46(R)" or the "Interpretation"). FIN No. 46(R) clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN No. 46(R) requires the consolidation of these entities, known as variable interest entities, by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

The revisions of FIN No. 46(R) (a) clarified some requirements of the original FIN No. 46, which had been issued in January 2003, (b) simplified some of the implementation problems, and (c) added new scope exceptions. FIN No. 46(R) delayed the effective date of the FIN No. 46 for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of FIN No. 46(R) to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN No. 46(R) by the end of the first reporting period ending after December 15, 2003.

FIN No. 46(R) added several new scope exceptions, including one which states that companies are not required to apply the provisions to an entity that meets the criteria to be considered a "business" as defined in FIN No. 46(R) unless one or more of four named conditions exist.

The Company has no equity ownership interests in its franchisees, and has not consolidated any of these entities in the Company's financial statements. The Company does not provide more than half of the equity, subordinated debt or other subordinated financial support to any franchise entity. The Company has further concluded that the franchise entities were not designed such that substantially all of their activities either involve or are conducted on behalf of Nathan's. As such, the Company has not consolidated any franchised entity in the financial statements. If, at some future date, Nathan's does provide more than half of the subordinated financial support to a franchise entity, consolidation would not be automatic. The franchise entity would then be subject to further testing under the guidelines of FIN No.46(R). The Company will continue to monitor developments regarding the Interpretation as they occur. The Company adopted the provisions of FIN No. 46(R) in its fourth fiscal quarter of 2004.The adoption of FIN No. 46(R) did not have a material impact on the Company's financial position and results of operations.

NOTE C - INCOME FROM CONTINUING OPERATIONS PER SHARE

Basic income from continuing operations per common share is calculated by dividing income from continuing operations by the weighted-average number of common shares outstanding and excludes any dilutive effect of stock options or warrants. Diluted income from continuing operations 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 from continuing operations per common share result from the assumed exercise of stock options and warrants, using the treasury stock method.

The following chart provides a reconciliation of information used in calculating the per share amounts for the thirteen and thirty-nine week periods ended December 26, 2004 and December 28, 2003, respectively.

THIRTEEN WEEKS

	Income from Continuing Operations (In thousands)		Number of Shares (In thousands)		Income from Continuing Operations Per Share	
	2004	2003	2004	2003	2004	2003
Basic EPS						
Basic calculation	$ 476	$ 248	5,352	5,286	$ 0.09	$ 0.04
Effect of dilutive employee stock options and warrants	-	-	821	456	(0.01)	-
Diluted EPS						
Diluted calculation	$ 476	$ 248	6,173	5,742	$ 0.08	$ 0.04

THIRTY-NINE WEEKS

	Income from Continuing Operations (In thousands)		Number of Shares (In thousands)		Income from Continuing Operations Per Share	
	2004	2003	2004	2003	2004	2003
Basic EPS						
Basic calculation	$ 2,525	$ 1,851	5,256	5,323	$ 0.48	$ 0.35
Effect of dilutive employee stock options and warrants	-	-	747	281	(0.06)	(0.02)
Diluted EPS						
Diluted calculation	$ 2,525	$ 1,851	6,003	5,604	$ 0.42	$ 0.33

Options and warrants to purchase 19,500 and 249,753 shares of common stock in both the thirteen and thirty-nine week periods ended December 26, 2004 and December 28, 2003, respectively, were not included in the computation of diluted EPS because the exercise prices exceeded the average market price of common shares during the respective periods. These options and warrants were still outstanding at the end of the respective periods.

NOTE D - STOCK BASED COMPENSATION

At December 26, 2004, the Company had five stock-based employee compensation plans. The Company accounts for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25") and has adopted the disclosure provisions of Statement of Financial Accounting Standards ("SFAS")No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." Under APB No. 25, when the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized. No compensation expense has been recognized in the consolidated financial statements in connection with employee stock option grants.

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

	Thirteen Weeks Ended (In thousands)		Thirty-nine Weeks Ended (In thousands)	
	Dec.26, 2004	Dec.28, 2003	Dec.26, 2004	Dec.28, 2003
Net income, as reported	$ 476	$ 237	$ 2,516	$ 1,837
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards	(51)	(46)	(153)	(128)
Pro forma net income	$ 425	$ 191	$ 2,363	$ 1,709
Earnings per Share				
Basic - as reported	$ 0.09	$ 0.04	$ 0.48	$ 0.35
Diluted - as reported	$ 0.08	$ 0.04	$ 0.42	$ 0.33
Basic - pro forma	$ 0.08	$ 0.04	$ 0.45	$ 0.32
Diluted - pro forma	$ 0.07	$ 0.03	$ 0.39	$ 0.30

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

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

During the thirty-nine weeks ended December 26, 2004 and December 28, 2003, the Company granted 95,000 and 65,000 options having exercise prices of $5.62 and $4.03 per share, respectively. During the thirteen weeks ended December 28, 2003, the Company granted 25,000 options at an exercise price of $4.38 per share. No options were granted during the thirteen weeks ended December 26, 2004. All of the options granted are vested as follows: 33 1/3% on the first anniversary of the date of grant, 66 2/3% on the second anniversary of the date of grant and 100% on the third anniversary of the date of grant. All options have an expiration date of ten years from the date of grant.

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

	Thirty-nine Weeks Ended	
	Dec. 26, 2004	Dec. 28, 2003
Option fair values	$ 2.87	$ 1.60
Expected life (years)	7.0	7.0
Interest rate	4.50%	3.85%
Volatility	29.9%	30.6%
Dividend yield	0.0%	0.0%

NOTE E - SALES OF RESTAURANTS

The Company observes the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," which establishes accounting standards for recognizing profit or loss on sales of real estate. SFAS No. 66 provides for profit recognition by the full accrual method, provided (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obligated to perform significant activities after the sale to earn the profit. Unless both conditions exist, recognition of all or part of the profit shall be postponed and

other methods of profit recognition shall be followed. In accordance with SFAS No. 66, the Company recognizes profit on sales of restaurants under both the installment method and the deposit method, depending on the specific terms of each sale. The Company continues to record depreciation expense on the property subject to the sales contracts that are accounted for under the deposit method and records any principal payments received as a deposit until such time that the transaction meets the sales criteria of SFAS No. 66.

During the thirty-nine weeks ended December 28, 2003, the Company sold three Company-owned restaurants for total consideration of $1,083,000 and entered into two management agreements with franchisees to operate two Company-owned restaurants. As the Company expects to have a continuing stream of cash flows from these restaurants, the results of operations for these Company-operated restaurants are included in "Income from continuing operations" in the accompanying consolidated statements of operations for the thirteen and thirty-nine week periods ended December 28, 2003 through the date of sale. There have been no sales of Company-owned restaurants during the thirty-nine weeks ended December 26, 2004.

The results of operations for these Company-owned restaurants for the thirteen and thirty-nine week periods ended December 28, 2003 are as follows (in thousands):

	Thirteen Weeks Ended Dec. 28, 2003	Thirty-nine Weeks Ended Dec. 28, 2003
Sales	$ -	$ 1,237
Loss from continuing operations before income taxes	$ -	$ (124)

NOTE F - DISCONTINUED OPERATIONS

On September 12, 2004, the Company ceased operating one of its Company-operated restaurants pursuant to the expiration and non-renewal of its lease. The results of operations of this restaurant have been restated as discontinued operations in the accompanying consolidated statements of operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Following is a summary of the results of operations for this restaurant for the thirteen and thirty-nine week periods ended December 26, 2004 and December 28, 2003 (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Dec. 26, 2004	Dec. 28, 2003	Dec. 26, 2004	Dec. 28, 2003
Sales	$ -	$ 222	$ 415	$ 688
Loss from operations before income taxes	$ -	$ (18)	$ (15)	$ (23)

NOTE G - STOCK REPURCHASE PROGRAM

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to its stock repurchase program, it repurchased one million shares of common stock in open market transactions and a private transaction at a total cost of $3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock. Through December 26, 2004, Nathan's purchased 891,100 shares of common stock at a cost of approximately $3,488,000 which includes the repurchase of 39,799 shares during the thirty-nine weeks ended December 26, 2004 at a cost of $237,000. As of December 26, 2004, Nathan's has purchased a total of 1,891,100 shares of common stock at a cost of approximately $7,158,000. Nathan's expects to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

NOTE H - EXERCISE OF WARRANTS AND STOCK OPTIONS

In connection with the acquisition of Miami Subs Corporation ("Miami Subs"), which was concluded during fiscal 2000, Nathan's issued 579,040 warrants to purchase Nathans stock at $6.00 per share to the former shareholders of Miami Subs. These warrants had an expiration date of September 29, 2004. During the thirty-nine week period ended December 26, 2004,Nathan's

received approximately $857,000 in connection with the exercise of 142,855 warrants in addition to the six warrants which were exercised prior to the beginning of the fiscal year. The remaining 436,179 warrants expired unexercised on September 29, 2004. During the thirty-nine weeks ended December 26, 2004, Nathan's also received approximately $331,000 in connection with the exercise of 89,375 employee stock options.

NOTE I - COMPREHENSIVE INCOME

The components of comprehensive income are as follows (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Dec. 26, 2004	Dec. 28, 2003	Dec. 26, 2004	Dec. 28, 2003
Net income	$ 476	$ 237	$ 2,516	$ 1,837
Unrealized gain (loss) on available-for-sale securities, net of tax (benefit) provision of ($7), $1, ($25), $2, respectively	(11)	2	(35)	3
Comprehensive income	$ 465	$ 239	$ 2,481	$ 1,840

Accumulated other comprehensive income at December 26, 2004 and March 28, 2004 consists entirely of unrealized gains and (losses) on available-for-sale securities, net of deferred taxes.

NOTE J - COMMITMENTS AND CONTINGENCIES

1. CONTINGENCIES

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

Miami Subs has received a claim from a landlord for a franchised location that Miami Subs owes the landlord $150,000 in connection with the construction of the leased premises. Miami Subs has been the primary tenant at the location since 1993, when the lease was assigned to Miami Subs by the initial tenant under the lease, the party to whom the construction loan was made. To date, the landlord has not commenced legal action. Miami Subs intends to continue to dispute its liability for the construction loan and to vigorously defend any legal action.

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of $1,000,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Initial discoveries and depositions have commenced. Nathan's has denied any liability and intends to continue to defend this action vigorously. Nathan's has submitted this claim to its insurance carrier and expects that it will not incur any material liability that is not covered by its employment practices liability insurance policy.

An employee of a Miami Subs franchised restaurant commenced an action for unspecified damages in the United States District Court, Southern District of Florida in September 2004 against Miami Subs Corporation, Miami Subs USA, Inc., and three Miami Subs franchisees, FMJ Subs Corporation, NEESA Subs Corp. and Muhammad Amin, (the "franchisees"), claiming that she was not paid overtime when she worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with the law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to plaintiff and defend against this action vigorously.

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

2. GUARANTEES

The Company guarantees certain equipment financing for franchisees with a third-party lender. The Company's maximum obligation, should the franchisees default on the required monthly payments to the third-party lender, for loans funded by the lender, as of December 26, 2004 was approximately $128,000. The equipment financing expires at various dates through fiscal 2008.

The Company also guarantees a franchisee's note payable with a bank. The note payable matures in April 2007. The Company's maximum obligation, should the franchisee default on the required monthly payments to the bank, for loans funded by the lender, as of December 26, 2004, was approximately $234,000.

3. COMMITMENTS

We entered into a new employment agreement with Howard M. Lorber, our Chairman and Chief Executive Officer, effective as of January 1, 2005. The agreement expires December 31, 2009. Pursuant to the agreement, Mr. Lorber receives a base salary of $250,000 and an annual bonus equal to 5 percent of our consolidated pre-tax earnings over $5,000,000 for each fiscal year. The agreement further provides for a three-year consulting period after the termination of employment during which Mr. Lorber will receive a consulting payment of $225,000 per year. The employment agreement also provides for life insurance and for the continuation of certain benefits following death or disability. In connection with the agreement, we issued to Mr. Lorber 50,000 shares of restricted common stock which vest ratably over the 5-year term of the employment agreement.

In the event that Mr. Lorber's officer's employment is terminated without cause, he is entitled to receive his salary and bonus for the remainder of the contract term. The employment agreement further provides that in the event there is a change in the control, as defined in the agreement, Mr. Lorber has the option, exercisable within one year after such event, to terminate his employment 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, as well as a lump sum cash payment equal to the difference between the exercise price of any exercisable options having an exercise price of less than the then current market price of our common stock and such then current market price. In addition, we will provide Mr. Lorber with a tax gross-up payment to cover any excise tax due. In the event of termination of employment 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.

NOTE K - RELATED PARTY TRANSACTIONS

An accounting firm of which Charles Raich, who joined Nathan's Board of Directors on June 15, 2004, serves as Managing Partner, received ordinary tax preparation and other consulting fees of $105,000 during the thirty-nine weeks ended December 26, 2004.

NOTE L - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the December 26, 2004 presentation.

NOTE M - NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In November 2004, the FASB issued FASB Statement No. 151, "Inventory Costs--an amendment of ARB No. 43" ("FAS 151"), which is the result of its efforts to converge U.S. accounting standards for inventories with International Accounting Standards. FAS No. 151 requires idle facility expenses, freight, handling costs, and wasted material (spoilage) costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. FAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are evaluating the impact of this standard on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) "Share-Based Payment" (SFAS No. 123R"). SFAS No. 123R addresses all forms of share-based payment ("SBP") awards, including shares issued under employee stock purchase plans, stock options, stock purchase plans, restricted stock and stock appreciation rights. SFAS No. 123R will require Nathan's to expense SBP awards with compensation cost for SBP transactions measured at fair value. The FASB originally stated a preference for a lattice model because it believed that a lattice model more fully captures the unique characteristics of employee stock options in the estimate of fair value, as compared to the Black-Scholes model which Nathan's currently uses for its footnote disclosure. The FASB decided to remove its explicit preference for a lattice model and not require a single valuation methodology. SFAS No. 123R requires Nathan's to adopt the new accounting provisions beginning in our second quarter of 2005. Nathan's has not yet determined the impact of applying the various provisions of SFAS No. 123R.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

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

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

In addition to plans for expansion through our Branded Product Program and franchising, Nathan's continues to co-brand within its existing restaurant system and in new units that open. Currently, the Arthur Treacher's brand is being sold within 114 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand is included on the menu of 64 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand is being sold within 90 Miami Subs and Nathan's restaurants.

At December 26, 2004, our combined system consisted of 352 franchised or licensed units, six Company-owned units and over 4,800 Nathan's Branded Product points of sale that feature Nathan's world famous all-beef hot dogs, located in 46 states, the District of Columbia and 13 foreign countries. At December 26, 2004, our Company-owned restaurant system included six Nathan's units, as compared to seven Nathan's units at December 28, 2003.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Impairment of Goodwill and Other Intangible Assets

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") requires that goodwill and intangible assets with indefinite lives will no longer be amortized but will be reviewed annually (or more frequently if impairment indicators arise) for impairment. The most significant assumptions which are used in this test are estimates of future cash flows. We typically use the same assumptions for this test as we use in the development of our business plans. If these assumptions differ significantly from actual results, additional impairment expenses may be required. No goodwill or other intangible assets were determined to be impaired during the thirty-nine weeks ended December 26, 2004.

Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") requires management judgements regarding the future operating and disposition plans for underperforming assets, and estimates of expected realizable values for assets to be sold. The application of SFAS No. 144 has affected the amounts and timing of charges to operating results in recent years. We evaluate possible impairment of each restaurant individually and record an impairment charge whenever we determine that impairment factors exist. We consider a history of restaurant operating losses to be the primary indicator of potential impairment of a restaurant's carrying value. No restaurants were determined to be impaired during the thirty-nine weeks ended December 26, 2004.

Impairment of Notes Receivable

Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," requires management judgements regarding the future collectibility of notes receivable and the underlying fair market value of collateral. We consider the following factors when evaluating a note for impairment: a) indications that the borrower is experiencing business problems, such as operating losses, marginal working capital, inadequate cash flow or business interruptions; b) whether the loan is secured by collateral that is not readily marketable; or c) whether the collateral is susceptible to deterioration in realizable value. When determining possible impairment, we also assess our future intention to extend certain leases beyond the minimum lease term and the debtor's ability to meet its obligation over that extended term. No notes receivable were determined to be impaired during the thirty-nine weeks ended December 26, 2004.

Revenue Recognition

Sales by Company-owned restaurants, which are typically paid in cash by the customer, are recognized upon the performance of services.

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

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

Development fees are non-refundable and the related agreements require the franchisee to open a specified number of restaurants in the development area within a specified time period or the agreements may be canceled by the Company. Revenue from development agreements is deferred and recognized as restaurants in the development area commence operations on a pro rata basis to the minimum number of restaurants required to be open, or at the time the development agreement is effectively canceled.

Nathan's recognizes franchise royalties when they are earned and deemed collectible. Franchise fees and royalties that are not deemed to be collectible are not recognized as revenue until paid by the franchisee. The number of non-performing units are determined by analyzing the number of months that royalties have been paid during a period. When royalties have been paid for less then the majority of the time frame reported such location is deemed non-performing. Accordingly, the number of non-performing units may differ between the quarterly results and year to date results. 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 accompanying consolidated statements of operations.

Nathan's recognizes revenue from the Branded Product Program when it is determined by the manufacturer that the products have been delivered via third party common carrier to Nathans' customers. The purchase of the product by the Company is recorded simultaneously with the revenue.

In the normal course of business, we extend credit to franchisees for the payment of ongoing royalties and to trade customers of our Branded Product Program. Notes and accounts receivable, net, as shown on our consolidated balance sheets are net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessment of collectibility based upon historical trends and an evaluation of the impact of current and projected economic conditions. In the event that the collectibility of a receivable is doubtful, the associated revenue is not recorded until the facts and circumstances change in accordance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition."

Self-insurance Liabilities

We are self-insured for portions of our general liability coverage. As part of our risk management strategy, our insurance programs include deductibles for each incident and in the aggregate for a policy year. As such, we accrue estimates of our ultimate self insurance costs throughout the policy year. These estimates have been developed based upon our historical trends, however, the final cost of many of these claims may not be known for five years or longer. Accordingly, our annual self insurance costs may be subject to adjustment from previous estimates as facts and circumstances change.

RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED DECEMBER 26, 2004 COMPARED TO THIRTEEN WEEKS ENDED DECEMBER 28, 2003

Revenues from Continuing Operations

Total sales increased by $849,000 or 22.1% to $4,690,000 for the thirteen weeks ended December 26, 2004 ("third quarter fiscal 2005") as compared to $3,841,000 for the thirteen weeks ended December 28, 2003 ("third quarter fiscal 2004"). Sales from the Branded Product Program increased by 48.6% to $2,543,000 for the third quarter fiscal 2005 as compared to sales of $1,711,000 in the third quarter fiscal 2004. This increase was attributable to a volume increase of approximately 42.0% and the impact of price increases implemented in the second half of fiscal 2004 in response to commodity cost increases. Company-owned restaurant sales increased by $21,000 or 1.0% to $2,046,000 from $2,025,000 primarily due to higher sales from the five comparable Company-owned Nathan's restaurants (excluding one seasonal location) as compared to the prior fiscal year. During the third quarter fiscal 2005, we realized sales of $101,000 as compared to $105,000 in the third quarter fiscal 2004 in connection with our QVC marketing program.

Franchise fees and royalties increased by $59,000 or 3.5% to $1,749,000 in the third quarter fiscal 2005 compared to $1,690,000 in the third quarter fiscal 2004. Franchise royalties increased by $106,000 or 7.3% to $1,564,000 in the third quarter fiscal 2005 as compared to $1,458,000 in the third quarter fiscal 2004. This increase is due primarily to improved royalty collections and higher domestic franchise sales. Domestic franchise restaurant sales increased by 1.5% to $41,306,000 in the third quarter fiscal 2005 as compared to $40,706,000 in the third quarter fiscal 2004. Comparable domestic franchise sales (consisting of 179 restaurants) increased by $2,299,000 or 7.1% to $34,695,000 in the third quarter fiscal 2005 as compared to $32,396,000 in the third quarter fiscal 2004. At December 26, 2004, 352 domestic and international franchised or licensed restaurants were operating as compared to 341 domestic and international franchised or licensed restaurants at December 28, 2003. During the thirteen weeks ended December 26, 2004, royalty income from 21 domestic franchised locations has been deemed unrealizable and, as a result, has not been recognized as revenue by the Company as compared to 34 domestic franchised locations during the thirteen weeks ended December 28, 2003. Domestic franchise fee income was $74,000 in the third quarter fiscal 2005 as compared to $91,000 in the third quarter fiscal 2004. During the third quarter fiscal 2005, ten new franchised units opened as compared to opening five new franchised units during the third quarter fiscal 2004. Seven of the new units that opened during the third quarter fiscal 2005 were non-traditional stores whereby lower franchise fees are earned as compared to two non-traditional units during the third quarter fiscal 2004. During the third quarter fiscal 2005, Nathan's also recognized $51,000 in connection with two forfeited franchise fees. International franchise fee income was $60,000 in the third quarter fiscal 2005 as compared to $141,000 during the third quarter fiscal 2004. During the third quarter fiscal 2005, three new international units were opened. During the third quarter fiscal 2004, we received approximately $75,000 of previously unrealized fees from the international Master Franchisor of the Kenny Rogers Brand.

License royalties were $684,000 in the third quarter fiscal 2005 as compared to $674,000 in the third quarter fiscal 2004. During the third quarter fiscal 2005, higher royalties were earned from the sale of Nathan's frankfurters within supermarkets and club stores, our license agreement for Nathan's french fries, and other smaller license agreements which were substantially offset by lower royalties earned from Nathan's non-food items. During the third quarter fiscal 2004, we marketed the Nathan's "griddle" via infomercial and retailers during the Christmas 2003 season.

Investment and other income was $106,000 in the third quarter fiscal 2005 versus $46,000 in the third quarter fiscal 2004. During the third quarter fiscal 2005, income from subleasing activities and other income was approximately $80,000 higher than the third quarter fiscal 2004 primarily due to the termination of unprofitable leases which was partially offset by lower amortization of deferred income and other income.

Interest income was $71,000 in the third quarter fiscal 2005 versus $39,000 in the third quarter fiscal 2004 due primarily to earning higher interest income from the higher balances invested in marketable investment securities.

Costs and Expenses from Continuing Operations

Cost of sales increased by $755,000 to $3,657,000 in the third quarter fiscal 2005 from $2,902,000 in the third quarter fiscal 2004. Higher costs of approximately $719,000 were incurred primarily in connection with the growth of our Branded Product Program, and higher commodity costs during the third quarter fiscal 2005. During the third quarter fiscal 2005, restaurant cost of sales were higher than the third quarter fiscal 2004 by approximately $36,000. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 66.1% in the third quarter fiscal 2005 as compared to 65.2% in the third quarter fiscal 2004. This increase was the result of higher food and labor costs. The cost of our beef products has continued to increase since the beginning of fiscal 2004. The

cost of hot dogs was approximately 3.6% higher during the third quarter fiscal 2005 than the third quarter fiscal 2004. During the third quarter fiscal 2004, the average cost of hot dogs was approximately 5.7% higher than the average cost during the first six months of fiscal 2004. Since then, cost of hot dogs has remained at exceptionally high levels. In response to the cost increases, Nathan's increased selling prices within its Branded Product Program where possible to offset some of the margin pressure during the second half of fiscal 2004. Nathan's had previously increased menu prices in its company-operated restaurants due to these rising costs.

Restaurant operating expenses increased by $14,000 to $734,000 in the third quarter fiscal 2005 from $720,000 in the third quarter fiscal 2004. This increase is due primarily to higher occupancy and marketing costs which were partly offset by lower utility and insurance costs.

Depreciation and amortization was $220,000 in the third quarter fiscal 2005 as compared to $226,000 in the third quarter fiscal 2004.

Amortization of intangible assets was $65,000 in both the third quarter fiscal 2005 and the third quarter fiscal 2004.

General and administrative expenses increased by $52,000 to $1,959,000 in the third quarter fiscal 2005 as compared to $1,907,000 in the third quarter fiscal 2004. The increase in general and administrative expenses was due primarily to higher personnel and incentive compensation expenses of approximately $102,000 which was partly offset by lower corporate insurance expense and professional fees of approximately $64,000.

Interest expense was $12,000 during the third quarter fiscal 2005 as compared to $16,000 during the third quarter fiscal 2004. The reduction in interest expense relates primarily to the repayment of outstanding loans between the two periods.

No notes receivable were determined to be impaired during the third quarter fiscal 2005. Impairment charge on notes receivable of $44,000 during the third quarter fiscal 2004 represents the write-down of one non-performing note receivable.

Provision for Income Taxes from Continuing Operations

In the third quarter fiscal 2005, the income tax provision was $177,000 or 27.1% of income from continuing operations before income taxes as compared to $162,000 or 39.5% of income from continuing operations before income taxes in the third quarter fiscal 2004. During the third quarter fiscal 2005, Nathan's received a refund of prior years' state income taxes, which, net of applicable federal income tax, was approximately $81,000, lowering the effective tax rate by 12.4% during the third quarter fiscal 2005.

Discontinued operations

The third quarter fiscal 2004 includes the results of one restaurant that was closed pursuant to its lease expiration on September 12, 2004. Revenues and loss before income taxes from this restaurant during the third quarter fiscal 2004 were $222,000 and $18,000, respectively.

THIRTY-NINE WEEKS ENDED DECEMBER 26, 2004 COMPARED TO THIRTY-NINE WEEKS ENDED DECEMBER 28, 2003

Revenues from Continuing Operations

Total sales increased by $2,339,000 or 14.7% to $18,269,000 for the thirty-nine weeks ended December 26, 2004 ("fiscal 2005 period") as compared to $15,930,000 for the thirty-nine weeks ended December 28, 2003 ("fiscal 2004 period"). Sales from the Branded Product Program increased by 36.8% to $7,939,000 for the fiscal 2005 period as compared to sales of $5,803,000 in the fiscal 2004 period. This increase was attributable to a volume increase of approximately 29% and the impact of price increases implemented in the second half of fiscal 2004 in response to commodity cost increases. Company-owned restaurant sales decreased by $688,000 or 7.0% to $9,189,000 from $9,877,000 primarily due to the operation of five fewer Company-owned stores as compared to the prior fiscal year, which was partly offset by a 6.4% sales increase at our comparable restaurants (consisting of six Nathan's, including one seasonal location). The reduction in Company-owned stores is the result of our franchising three restaurants and entering into two management agreements during the fiscal 2004 period. The financial impact associated with these five restaurants lowered restaurant sales by $1,237,000 and improved restaurant operating profits by $125,000 versus the fiscal 2004 period. During the fiscal 2005 period we realized sales of $1,141,000 as compared to $250,000 in the fiscal 2004 period in connection with our QVC marketing program which was introduced in September 2003. Much of the sales generated by QVC during the fiscal 2005 period were in connection with the "Today's Special Value" program held on May 20, 2004 featuring Nathan's hot dogs.

Franchise fees and royalties increased by $331,000 or 7.0% to $5,084,000 in the fiscal 2005 period compared to $4,753,000 in the fiscal 2004 period. Franchise royalties increased by $291,000 or 6.8% to $4,589,000 in the fiscal 2005 period as compared to $4,298,000 in the fiscal 2004 period. This increase is due primarily to improved contract compliance and higher domestic franchise sales. Domestic sales increased by 2.2% to $124,324,000 in the fiscal 2005 period as compared to $121,625,000 in the fiscal 2004 period. Comparable domestic franchise sales (consisting of 176 restaurants) increased by $5,811,000 or 6.1% to $100,931,000 in the fiscal 2005 period as compared to $95,120,000 in the fiscal 2004 period. At December 26, 2004, 352 domestic and international franchised or licensed restaurants were operating as compared to 341 domestic and international franchised or licensed restaurants at December 28, 2003. During the thirty-nine weeks ended December 26, 2004, royalty income from 25 domestic franchised locations have been deemed unrealizable as compared to 34 domestic franchised locations during the thirty-nine weeks ended December 28, 2003. Domestic franchise fee income was $260,000 in the fiscal 2005 period as compared to $291,000 in the fiscal 2004 period. During the fiscal 2005 period, 22 new domestic franchised units opened as compared to opening 16 new franchised units and franchising three Company-owned restaurants during the fiscal 2004 period. Fourteen of the new units that opened during the fiscal 2005 period were non-traditional stores whereby lower franchise fees are earned as compared to eight non-traditional units during the fiscal 2004 period. Nathan's also recognized $51,000 in connection with two forfeited domestic franchise fees. International franchise fee income was $184,000 in the fiscal 2005 period as compared to $141,000 during the fiscal 2004 period. During the fiscal 2005 period, six new international units were opened.

License royalties were $2,507,000 in the fiscal 2005 period as compared to $2,330,000 in the fiscal 2004 period. This increase is primarily attributable to higher royalties earned from the sale of Nathan's frankfurters within supermarkets and club stores and from our license agreements for Nathan's french fries and condiments which were partly offset by lower royalties earned from the sale of the Nathan's "griddle" that was marketed via infomercial and retailers during the Christmas 2003 season.

Investment and other income was $435,000 in the fiscal 2005 period versus $339,000 in the fiscal 2004 period. During the fiscal 2005 period, income from subleasing activities and other income was approximately $227,000 higher than the fiscal 2004 period primarily due to the termination of unprofitable leases which was partially offset by lower investment income and amortized deferred income. Gains associated with the sale of fixed assets were approximately $82,000 lower during the fiscal 2005 period than during the fiscal 2004 period. In the fiscal 2004 period net gains of $149,000 were realized, primarily in connection with the sale of two Company-owned restaurants to franchisees.

Interest income was $169,000 in the fiscal 2005 period versus $165,000 in the fiscal 2004 period due primarily to earning higher interest income from our marketable investment securities and lower interest income on notes receivable which were determined to be impaired during the fiscal year ended March 28, 2004.

Costs and Expenses from Continuing Operations

Cost of sales increased by $1,971,000 to $13,181,000 in the fiscal 2005 period from $11,210,000 in the fiscal 2004 period. Higher costs of approximately $2,634,000 were incurred primarily in connection with the growth of our Branded Product Program. Increased costs were also incurred in connection with our QVC marketing program and higher commodity costs of both programs during the fiscal 2005 period. During the fiscal 2005 period, restaurant cost of sales were lower than the fiscal 2004 period by approximately $663,000. Restaurant cost of sales were lower by approximately $899,000 as a result of operating five fewer Company-owned restaurants during the fiscal 2005 period. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 58.6% in the fiscal 2005 period as compared to 59.5% in the fiscal 2004 period. This decrease was the result of lower labor related costs which were partly offset by higher food costs. The cost of beef products has continued to increase since the beginning of fiscal 2004. The cost of hot dogs was approximately 7.8% higher during the fiscal 2005 period than the fiscal 2004 period. In response to last year's cost increases, Nathan's increased selling prices within its Branded Product Program where possible to offset some of the margin pressure during the second half of fiscal 2004. Nathan's had previously increased menu prices in its company-operated restaurants due to these rising costs.

Restaurant operating expenses decreased by $325,000 to $2,332,000 in the fiscal 2005 period from $2,657,000 in the fiscal 2004 period. Restaurant operating expenses were lower by $464,000 as a result of operating five fewer restaurants which were partly offset by higher marketing, insurance and occupancy costs.

Depreciation and amortization decreased by $49,000 to $663,000 in the fiscal 2005 period from $712,000 in the fiscal 2004 period. Depreciation expense was lower by approximately $25,000 as a result of operating five fewer Company-owned restaurants.

Amortization of intangible assets was $196,000 in both the fiscal 2005 period and the fiscal 2004 period.

General and administrative expenses increased by $502,000 to $6,025,000 in the fiscal 2005 period as compared to $5,523,000 in the fiscal 2004 period. The increase in general and administrative expenses was due primarily to higher personnel and incentive compensation expenses of approximately $370,000 and higher corporate insurance expense of approximately $95,000. During the fiscal 2004 period, Nathan's recorded an expense reversal of approximately $50,000 from the settlement of a disputed claim.

Interest expense was $36,000 during the fiscal 2005 period as compared to $55,000 during the fiscal 2004 period. The reduction in interest expense relates primarily to the repayment of outstanding loans between the two periods.

No notes receivable were determined to be impaired during the fiscal 2005 period. Impairment charge on notes receivable of $100,000 during the fiscal 2004 period represents the write-down of one non-performing note receivable.

Provision for Income Taxes

In the fiscal 2005 period, the income tax provision was $1,506,000 or 37.4% of income from continuing operations before income taxes as compared to $1,213,000 or 39.6% of income from continuing operations before income taxes in the fiscal 2004 period. During the third quarter fiscal 2005, Nathan's received a refund of prior years' state income taxes, which, net of applicable federal income tax, was approximately $81,000, lowering the effective tax rate by 2.0% for the fiscal 2005 period.

Discontinued operations

The fiscal 2005 and fiscal 2004 periods include the results of one restaurant that was closed pursuant to its lease expiration on September 12, 2004. Revenues generated by this restaurant were $415,000 and $688,000 during the fiscal 2005 and 2004 periods, respectively. Losses before income taxes from this restaurant were $15,000 and $23,000 during the fiscal 2005 and 2004 periods, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 26, 2004 aggregated $3,009,000, decreasing by $440,000 during the fiscal 2005 period. At December 26, 2004, marketable securities increased by $3,196,000 from March 28, 2004 to $10,673,000 and net working capital increased to $12,743,000 from $9,185,000 at March 28, 2004.

Cash provided by operations of $2,368,000 in the fiscal 2005 period is due primarily to net income of $2,516,000 and non-cash expenses of $1,002,000 which was partly reduced by increased accounts receivable of $959,000 resulting primarily from higher Branded Product sales and increased royalties.

Cash used in investing activities of $3,630,000 is comprised primarily of the net purchase of available for sale securities of $3,361,000 and capital expenditures of $515,000 which were partially offset by repayments on notes receivable of $232,000 and proceeds from the sale of other fixed assets of $14,000.

Cash provided by financing activities of $822,000 is comprised of proceeds received from the exercise of warrants and employee stock options of $1,188,000 which was partially offset by the repurchase of 39,799 shares of common stock of $237,000 and $129,000 for repayments of notes payable.

On September 14, 2001, Nathan's was authorized to purchase up to one million shares of its common stock. Pursuant to its stock repurchase program, it repurchased one million shares of common stock in open market transactions and a private transaction at a total cost of $3,670,000 through the quarter ended September 29, 2002. On October 7, 2002, Nathan's was authorized to purchase up to one million additional shares of its common stock. Through December 26, 2004, Nathan's purchased 891,100 shares of common stock at a cost of approximately $3,488,000 which includes the repurchase of 39,799 shares during the thirty-nine weeks ended December 26, 2004 at a cost of $237,000. As of December 26, 2004, Nathan's has purchased a total of 1,891,100 shares of common stock at a cost of approximately $7,158,000. Nathan's expects to make additional purchases of stock from time to time, depending on market conditions, in open market or in privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the purchases. Nathan's expects to fund these stock repurchases from its operating cash flow.

We expect that we will make additional investments in certain existing restaurants and support the growth of the Branded Product Program in the future and to fund those investments from our operating cash flow. We may incur additional capital expenditures in connection with the replacement of a Company-owned restaurant whose lease expired in September 2004.

There are currently 28 properties that we either own or lease from third parties which we lease or sublease to franchisees, operating managers and non-franchisees. Additionally, there is currently one leased vacant property which was previously sublet to a franchisee. We remain contingently liable for all costs associated with these properties including: rent, property taxes and insurance. Additionally, we guaranteed financing on behalf of certain franchisees with two third-party lenders. Our maximum obligation for loans funded by the lenders as of December 26, 2004 was approximately $362,000.

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

		Payments Due by Period			
Cash Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	4-5 Years	After 5 Years
Long-Term Debt	$ 861	$ 167	$ 333	$ 333	$ 28
Capital Lease Obligations	49	7	16	20	6
Employment Agreements	1,696	696	500	500	-
Operating Leases	15,779	3,632	6,526	3,592	2,029
Gross Cash Contractual Obligations	18,385	4,502	7,375	4,445	2,063
Sublease Income	9,021	1,999	3,546	2,036	1,440
Net Cash Contractual Obligations	$ 9,364	$ 2,503	$ 3,829	$ 2,409	$ 623

		Amount of Commitment Expiration Per Period			
Other Contractual Commitments	Total Amounts Committed	Less than 1 Year	1 - 3 Years	4-5 Years	After 5 Years
Loan Guarantees	$362	$138	$224	$ -	-
Total Commercial Commitments	$362	$138	$224	$ -	-

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital to finance our operations for at least the next twelve months. As of October 1, 2004, we maintained a $7,500,000 uncommitted bank line of credit and have never borrowed any funds under the company's lines of credit.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

CASH AND CASH EQUIVALENTS

We have historically invested our cash and cash equivalents in short term, fixed rate, highly rated and highly liquid instruments which are reinvested when they mature throughout the year. Although our existing investments are not considered at risk with respect to changes in interest rates or markets for these instruments, our rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events. As of December 26, 2004, Nathans' cash and cash equivalents aggregated $3,009,000. Earnings on these cash and cash equivalents would increase or decrease by approximately $7,500 per annum for each 0.25% change in interest rates.

MARKETABLE INVESTMENT SECURITIES

We have invested our marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments. These investments are subject to fluctuations in interest rates. As of December 26, 2004, the market value of Nathans' marketable investment securities aggregated $10,673,000. Interest income on these marketable investment securities would increase or decrease by approximately $26,700 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 December 26, 2004 that are sensitive to interest rate fluctuations (in thousands):

	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	$11,205	$11,023	$10,846	$10,673	$10,504	$10,337	$10,173

BORROWINGS

The interest rate on our borrowings is generally determined based upon the prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. We do not anticipate entering into interest rate swaps or other financial instruments to hedge our borrowings. At December 26, 2004, total outstanding debt, including capital leases, aggregated $910,000 of which $861,000 is at risk due to changes in interest rates. The current interest rate is 4.50% per annum and will adjust in January 2006 and January 2009 to prime plus 0.25%. Nathan's also maintains a $7,500,000 credit line at the prime rate (5.25% as of December 14, 2004). The Company has never borrowed any funds under its credit lines. Accordingly, the Company does not believe that fluctuations in interest rates would have a material impact on its financial results.

COMMODITY COSTS

The cost of commodities are subject to market fluctuation. We have not attempted to hedge against fluctuations in the prices of the commodities we purchase using future, forward, option or other instruments. As a result, our future commodities purchases are subject to changes in the prices of such commodities. Generally, we attempt to pass through permanent increases in our commodity prices to our customers, thereby reducing the impact of long-term increases on our financial results. A short term increase or decrease of 10% in the cost of our food and paper products for the thirty-nine weeks ended December 26, 2004 would have increased or decreased cost of sales by approximately $958,000.

FOREIGN CURRENCIES

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

Item 4. Controls and Procedures

EVALUATION AND 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 of the end of the period covered by this quarterly report on form 10-Q 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 our disclosure controls and procedures were effective to ensure that 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.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in our internal controls over financial reporting that occurred during the quarter ended December 26, 2004 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.

FORWARD LOOKING STATEMENTs

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our current judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: the future effects of the first case of bovine spongiform encephalopathy, BSE, identified in the United States on December 23, 2003; economic, weather, legislative and business conditions; the collectibility of receivables; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; the ability to continue to attract franchisees; the ability to purchase our primary food and paper products at reasonable prices; no material increases in the minimum wage; and our ability to attract competent restaurant and managerial personnel. We generally identify forward-looking statements with the words "believe," "intend," "plan," "expect," "anticipate," "estimate," "will," "should" and similar expressions.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

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

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

Ismael Rodriguez commenced an action, in the Supreme Court of the State of New York, Kings County, in May 2004 against Nathan's Famous, Inc. seeking damages of $1,000,000 for claims of age discrimination in connection with the termination of Mr. Rodriguez's employment. Mr. Rodriguez was terminated from his position in connection with his repeated violation of company policies and failure to follow company-mandated procedures. Initial discoveries and depositions have commenced. Nathan's has denied any liability and intends to continue to defend this action vigorously. Nathan's has submitted this claim to its insurance carrier and expects that it will not incur any material liability that is not covered by its employment practices liability insurance policy.

An employee of a Miami Subs franchised restaurant commenced an action for unspecified damages in the United States District Court, Southern District of Florida in September 2004 against Miami Subs Corporation, Miami Subs USA, Inc., and three Miami Subs franchisees, FMJ Subs Corporation, NEESA Subs Corp. and Muhammad Amin, (the "franchisees"), claiming that she was not paid overtime when she worked in excess of 40 hours per week, in violation of the Fair Labor Standards Act. The action also seeks damages for any other employees of the defendants who would be similarly entitled to overtime. Pursuant to the terms of the Miami Subs Franchise Agreement, the franchisees are obligated to operate their Miami Subs franchises in compliance with the law, including all labor laws. Miami Subs intends to assert that it is not an appropriate party to this litigation, to deny any liability to plaintiff and defend against this action vigorously.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(e) The Company has not repurchased any equity securities during the quarter ended December 26, 2004.

ITEM 6: EXHIBITS

10.1 Employment Agreement between the Company and Howard Lorber dated as of January 1, 2005.

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Operating Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Howard M. Lorber, CEO, 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, CFO, 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.

SIGNATURES

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

NATHAN'S FAMOUS, INC.

Date: February 8, 2005 By: /s/Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer
(Principal Executive Officer)

Date: February 8, 2005 By /s/ Ronald G. DeVos

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

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), made and entered into as of January 1, 2005 (the "Effective Date"), by and between Nathan's Famous, Inc., a Delaware corporation, with its principal office located at 1400 Old Country Road, Westbury, New York 11590 (together with its successors and assigns permitted under this Agreement, "Nathan's") and Howard M. Lorber, who resides at 8061 Fisher Island, Miami, Florida 33109 ("Lorber").

WITNESSETH:

WHEREAS, Nathans' has determined that it is in the best interests of Nathan's and its stockholders to continue to employ Lorber and to set forth in this Agreement the obligations and duties of both Nathan's and Lorber; and

WHEREAS, Nathan's wishes to assure itself of the services of Lorber for the period hereinafter provided, and Lorber is willing to be employed by Nathan's for said period, upon the terms and conditions provided in this Agreement;

WHEREAS, this Agreement supercedes any and all prior employment agreements between Nathan's and Lorber (the "Prior Agreements");

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, Nathan's and Lorber (individually a "Party" and together the "Parties") agree as follows:

1. DEFINITIONS.

(a) "BENEFICIARY" shall mean the person or persons named by Lorber pursuant to Section 19 below or, in the event that no such person is named who survives Lorber, his estate.

(b) "BOARD" shall mean the Board of Directors of Nathan's.

(c) "CAUSE" shall mean:

(i) Lorber's conviction of a felony involving an act or acts of dishonesty on his part and resulting or intended to result directly or indirectly in gain or personal enrichment at the expense of Nathan's;

(ii) willful and continued failure of Lorber to perform his obligations under this Agreement, resulting in demonstrable material economic harm to Nathan's; or

(iii) a material breach by Lorber of the provisions of Sections 16 or 17 below to the demonstrable and material detriment of Nathan's.

Notwithstanding the foregoing, in no event shall Lorber's failure to perform the duties associated with his position caused by his mental or physical disability constitute Cause for his termination.

For purposes of this Section 1(c), no act or failure to act on the part of Lorber shall be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that his action or omission was in the best interests of Nathan's. Any act or failure to act based upon authority given pursuant to a resolution adopted by the Board or based upon the advice of counsel for Nathan's shall be conclusively presumed to be done, or omitted to be done, by Lorber in good faith and in the best interests of Nathan's.

(d) "CHANGE IN CONTROL" shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of Nathan's when such acquisition causes such Person to own 15 percent or more of the combined voting power of the then outstanding voting securities of Nathan's entitled to vote generally in the election of directors (the "Outstanding Nathan's Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change in Control: (A) any acquisition directly from Nathan's, (B) any acquisition by Nathan's, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Nathan's or any corporation controlled by Nathan's or (D) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) below; and provided, further, that if any Person's beneficial ownership of the Outstanding Nathan's Voting Securities reaches or exceeds 15 percent as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of Nathan's, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 15 percent or more of the Outstanding Nathan's Voting Securities; or

(ii) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the

Effective Date whose election, or nomination for election by Nathan's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Nathan's or the acquisition of assets of another entity ("Business Combination"); excluding, however, such a Business Combination pursuant to which (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Nathan's Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60 percent of, respectively, the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns Nathan's or all or substantially all of Nathan's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Nathan's Voting Securities, (B) no Person (excluding any employee benefit plan (or related trust) of Nathan's or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the stockholders of Nathan's of a complete liquidation or dissolution of the Company.

(e) "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "COMMITTEE" shall mean the Compensation Committee of the Board.

(g) "CONSOLIDATED PRETAX EARNINGS" of the Company shall mean, with respect to any fiscal year, the net consolidated income, if any, of Nathan's for such fiscal year as set forth in the audited, consolidated financial statements of Nathan's and its subsidiaries included in its Annual Report to Stockholders, increased by the sum of the following: (w) the provision for income taxes in respect of such fiscal year as shown on such financial statements; and (x) all amounts paid or accrued during such fiscal year as incentive compensation to Lorber under this Agreement.

(h) "CONSULTING FEE" shall mean the compensation paid to Lorber pursuant to Section 13.

(i) "CONSULTING PERIOD" shall mean the period specified in Section 13 during which Lorber serves as a consultant to Nathan's.

(j) "DISABILITY" shall mean the illness or other mental or physical disability of Lorber, as determined by a physician acceptable to Nathan's and Lorber, resulting in his failure during the Employment Term, (i) to perform substantially his applicable material duties under this Agreement for a period of nine consecutive months and (ii) to return to the performance of his duties within 30 days after receiving written notice of termination.

(k) "EMPLOYMENT TERM" shall mean the period specified in Section 2(b) below.

(l) "FISCAL YEAR" shall mean the 12-month period ending on the last Sunday in March, or such other 12-month period as may constitute Nathan's fiscal year at any time hereafter.

(m) "GOOD REASON" shall mean, at any time during the Employment Term, without Lorber's prior written consent or his acquiescence:

(i) diminution, reduction or other adverse change in the bonus or incentive compensation opportunities available to Lorber (with respect to the level of bonus or incentive compensation opportunities, the applicable performance criteria and otherwise the manner in which bonuses and incentive compensation are determined) in the aggregate from those available as of the Effective Date in accordance with Section 4(a) below;

(ii) Nathan's failure to pay Lorber any amounts otherwise vested and due him hereunder or under any plan or policy of Nathan's;

(iii) diminution of Lorber's titles, position, authorities or responsibilities, including not serving on the Board;

(iv) assignment to Lorber of duties incompatible with his position of Chief Executive Officer;

(v) imposition of a requirement that Lorber report other than directly to the full Board;

(vi) a material breach of the Agreement by Nathan's that is not cured within 10 business days after written notification by Lorber of such breach; or

(vii) relocation of Nathan's corporate headquarters to a location more than 35 miles from the location first above described, other than to its office at 6300 N.W. 31st Avenue, Fort Lauderdale, Florida, or more than 35 miles from such Florida office.

(n) "RETIREMENT" shall mean termination of Lorber's employment, other than due to death, with eligibility to receive a benefit under the terms of Nathan's Supplemental Executive Retirement Plan as then in effect.

(o) "SALARY" shall mean the annual Salary provided for in Section 3 below, as adjusted from time to time.

(p) "SUBSIDIARY" shall mean any corporation of which Nathan's owns, directly or indirectly, more than 50 percent of its voting stock.

2. EMPLOYMENT TERM, POSITIONS AND DUTIES.

(a) Employment of Lorber. Nathan's hereby continues to employ Lorber, and Lorber hereby accepts continued employment with Nathan's, in the positions and with the duties and responsibilities set forth below and upon such other terms and conditions as are hereinafter stated. Lorber shall render services to Nathan's principally at Nathan's's corporate headquarters, but he shall do such traveling on behalf of Nathan's as shall be reasonably required in the course of the performance of his duties hereunder.

(b) Employment Term. The Employment Term shall commence on the Effective Date and shall terminate on December 31, 2009.

3. TITLES AND DUTIES.

(a) Until the date of termination of his employment hereunder, Lorber shall be employed as Chief Executive Officer, reporting to the full Board. In his capacity as Chief Executive Officer, Lorber shall have the customary powers, responsibilities and authorities of chief executive officers of corporations of the size, type and nature of Nathan's including, without limitation, authority, in conjunction with the Board as appropriate, to hire and terminate other employees of Nathan's.

(b) During the Employment Term, Nathan's shall uses its best efforts to secure the election of Lorber to the Board and to the chairmanship thereof. During the Employment Term, if the Board forms an executive or similar committee, Lorber shall serve thereon.

4. TIME AND EFFORT.

(a) Lorber agrees to devote his best efforts and abilities, and such of his business time and attention as he determines is reasonably necessary, to the affairs of Nathan's in order to carry out his duties and responsibilities under this Agreement. The Parties hereby acknowledge that Lorber is President and Chief Operating Officer of New Valley Corporation, President, Chief Operating Officer and a director of Vector Group Ltd., Chairman of the Board of Ladenberg Thalman Financial Services, Inc., and Chairman and Chief Executive Officer of Hallman & Lorber and that during the Employment Term he will be devoting time and attention to those and other business activities.

(b) Notwithstanding the foregoing, nothing shall preclude Lorber from (A) serving on the boards of a reasonable number of trade associations, charitable organizations and/or businesses not in competition with Nathan's, (B) engaging in charitable activities and community affairs and (C) managing his personal investments and affairs; provided, however, that, such activities do not materially interfere with the proper performance of his duties and responsibilities specified in Section 3(a) above.

5. SALARY.

Lorber shall receive from Nathan's a Salary, at the rate of $250,000 per annum.

6. BONUSES.

(a) Annual Bonus. Commencing with Fiscal Year 2005, and for each succeeding Fiscal Year during the Employment Term, Lorber shall be eligible to receive an annual bonus equal to 5 percent of Nathan's Consolidated Pretax Earnings in excess of $5,000,000 for such Fiscal Year. Any such bonus payable with respect to a portion of a Fiscal Year shall be prorated accordingly.

(b) Special Bonus. Lorber shall be eligible to receive additional bonuses during the Employment Term. The Committee shall determine, in its discretion, the occasion for payment, and the amount, of any such bonus.

7. LONG-TERM INCENTIVE.

During the Employment Term, Lorber shall be eligible for an award under any long-term incentive compensation plan established by Nathan's for the benefit of Lorber or, in the absence thereof, under any such plan established for the benefit of members of the senior management of Nathan's.

8. EQUITY OPPORTUNITY.

(a) Simultaneously with the execution and delivery of this Agreement, Nathan's shall issue to Lorber 50,000 shares of restricted stock under the Nathan's 2002 Stock Incentive Plan. Lorber's rights to such restricted stock will vest ratably over the term of this Agreement and will otherwise be subject to the terms of the Nathan's 2002 Stock Incentive Plan. Any dividends on such shares of restricted stock shall be deferred and paid to Lorber upon the vesting of the shares on which the dividend was paid.

(b) During the Employment Term and, to the extent permitted by the terms of any applicable Nathan's plan during any Consulting Period, Lorber shall be eligible to receive grants of options to purchase shares of Nathans' stock and awards of shares of Nathans' stock, either or both as determined by the Committee, under and in accordance with the terms of applicable plans of Nathan's and related option and award agreements.

9. EXPENSE REIMBURSEMENT; CERTAIN OTHER COSTS.

During the Employment Term and any Consulting Period, Lorber shall be entitled to prompt reimbursement by Nathan's for all reasonable out-of-pocket expenses incurred by him in performing services under this Agreement, upon his submission of such accounts and records as may be reasonably required by Nathan's. In addition, Lorber shall be entitled to payment by Nathan's of all reasonable costs and expenses, including attorneys' and consultants' fees and disbursements, incurred by him in connection with adoption of this Agreement and any related compensatory arrangements that Nathan's adopts solely for his benefit.

10. PERQUISITES.

During the Employment Term and, to the extent required in connection with his performance of consulting services pursuant to Section 13 during any Consulting Period, Nathan's shall provide Lorber with the use of an automobile and payment of related expenses on the same terms as are in effect on the Effective Date or, if more favorable to Lorber, as are made available generally to other executive officers of Nathan's at any time thereafter.

11. EMPLOYEE BENEFIT PLANS.

(a) General. During the Employment Term, Lorber shall be entitled to participate in all employee benefit plans and programs that are made available to Nathan's senior executives or to its employees generally, as such plans or programs may be in effect from time to time, including, without limitation, pension and other retirement plans, profit-sharing plans, savings and similar plans, group life insurance, accidental death and dismemberment insurance, travel accident insurance, hospitalization insurance, surgical insurance, major and excess major medical insurance, dental insurance, short-term and long-term disability insurance, sick leave, holidays, vacation (not less than four weeks in any calendar year) and any other employee benefit plans or programs that may be sponsored by Nathan's from time to time, including plans that supplement the above-listed types of plans, whether funded or unfunded.

(b) Disability Benefit. In consideration of the benefit payable to Lorber in the event of termination of his employment due to Disability, as provided in Section 12(e) below, Nathan's shall not be obligated to provide Lorber with long-term disability insurance. Notwithstanding the foregoing, if Nathan's does provide Lorber with such insurance, he shall be the owner of any individual policies obtained and shall pay the premiums thereon.

12. TERMINATION OF EMPLOYMENT.

(a) Termination by Mutual Agreement. The Parties may terminate this Agreement by mutual agreement at any time. If they do so, Lorber's entitlements shall be as the Parties mutually agree.

(b) General. Notwithstanding anything to the contrary herein, in the event of termination of Lorber's employment under this Agreement, he or his Beneficiary, as the case may be, shall be entitled to receive (in addition to payments and benefits under, and except as specifically provided in, subsections (c) through (h) below, as applicable):

(i) his Salary through the date of termination;

(ii) any unused vacation from prior years;

(iii) any annual bonus for the current Fiscal Year, prorated to the date of termination;

(iv) any annual or special bonus previously awarded but not yet paid to him;

(v) any deferred compensation under any incentive compensation plan of Nathan's or any deferred compensation agreement then in effect; and

(vi) any other compensation or benefits, including without limitation long-term incentive compensation described in Section 7 above, benefits under equity grants and awards described in Section 8 above and employee benefits under plans described in Section 11 above, that have vested through the date of termination or to which he may then be entitled in accordance with the applicable terms and conditions of each grant, award or plan.

(c) Termination due to Retirement. In the event that Lorber's employment terminates due to Retirement, he shall be entitled to the compensation and benefits specified in Section 12(b).

(d) Termination due to Death. In the event that Lorber's employment terminates due to his death, his Beneficiary shall be entitled, in addition to the compensation and benefits specified in Section 12(b), to his Salary and annual bonuses payable for a three-year period. For the purposes hereof, such annual 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.

(e) Termination due to Disability. In the event of Disability, Nathan's or Lorber may terminate Lorber's employment. If Lorber's employment terminates due to Disability, he shall be entitled, in addition to the compensation and benefits specified in Section 12(b), to his Salary and annual bonuses payable for a three-year period, offset by any long-term disability insurance benefit that Nathan's has provided for him and for which it has paid the applicable group or individual insurance premiums. For the purposes hereof, such annual 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.

(f) Termination by Nathan's for Cause. Nathan's may terminate Lorber's employment hereunder for Cause only upon written notice to Lorber not less than 30 days prior to any intended termination, which notice shall specify the grounds for such termination in reasonable detail. Cause shall in no event be deemed to exist except upon a finding reflected in a resolution approved by a majority (excluding Lorber) of the members of the Board (whose findings shall not be binding upon or entitled to any deference by any court, arbitrator or other decision-maker ruling on this Agreement) at a meeting of which Lorber shall have been given proper notice and at which Lorber (and his counsel) shall have a reasonable opportunity to present his case.

In the event that Lorber's employment is terminated for Cause, he shall be entitled only to the compensation and benefits specified in Sections 12(b)(i), (ii) and (iv) .

(g) Termination Without Cause or by Lorber for Good Reason.

(i) Termination without Cause shall mean termination of Lorber's employment by Nathan's and shall exclude termination (A) due to Retirement, death, Disability or Cause or (B) by mutual agreement of Lorber and Nathan's. Nathan's shall provide Lorber 15 days prior written notice of termination by it without Cause, and Lorber shall provide Nathan's 15 days prior written notice of his termination for Good Reason.

(ii) In the event of termination by Nathan's of Lorber's employment without Cause or of termination by Lorber of his employment for Good Reason, he shall be entitled, in addition to the compensation and benefits specified in Section 12(b), to:

(A) his Salary, payable for the remainder of the Employment Term at the rate in effect immediately before such termination;

(B) annual bonuses for the remainder of the Employment Term (including a prorated bonus for any partial Fiscal Year) equal to the average of the annual bonuses awarded to him during the three Fiscal Years preceding the Fiscal Year of termination, such bonuses to be paid at the same time annual bonuses are regularly paid by Nathan's to Lorber;

(C) continued participation in all employee benefit plans or programs available to Nathan's employees generally in which Lorber was participating on the date of termination of his employment until the end of the Employment Term; provided; however, that (x) if Lorber is precluded from continuing his participation in any employee benefit plan or program as provided in this clause (E), he shall be entitled to the after-tax economic equivalent of the benefits under the plan or program in which he is unable to participate until the end of the Employment Term, and (y) the economic equivalent of any benefit foregone shall be deemed to be the lowest cost that Lorber would incur in obtaining such benefit on an individual basis;

(D) the perquisites provided to Lorber pursuant to Section 10 hereof until the end of the Employment Term;

(E) other benefits in accordance with applicable plans and programs of the Company until the end of the Employment Term.

Prior written consent by Lorber to any of the events described in Section 1(k) above shall be deemed a waiver by him of his right to terminate for Good Reason under this Section 12(g) solely by reason of the events set forth in such waiver.

(h) Change in Control. In the event of any termination of Lorber's employment within a one-year period following a Change in Control for any reason other than Cause, Retirement, death or Disability, Lorber shall be entitled, in addition to the compensation and benefits specified in Section 12(b) to:

(i) 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;

(ii) continued participation in all employee benefit plans or programs available to Nathan's employees generally in which Lorber was participating on the date of termination of his employment until the end of the Employment Term; provided; however, that (x) if Lorber is precluded from continuing his participation in any employee benefit plan or program as provided in this clause (E), he shall be entitled to the after-tax economic equivalent of the benefits under the plan or program in which he is unable to participate until the end of the Employment Term, and (y) the economic equivalent of any benefit foregone shall be deemed to be the lowest cost that Lorber would incur in obtaining such benefit on an individual basis;

(iii) the perquisites provided to Lorber pursuant to Section 10 hereof until the end of the Employment Term;

(iv) 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 Nathan's common stock and such then current market price; and

(v) other benefits in accordance with applicable plans and programs of the Company for the remainder of the Employment Term.

13. CONSULTING PERIOD.

(a) General. Effective upon the end of the Employment Term (but only if the Employment Term ends by reason of its expiration or, if earlier, upon termination of Lorber's employment (i) by mutual agreement, (ii) by Retirement or (iii) due to a Change in Control), Lorber shall become a consultant to Nathan's, in recognition of the continued value to Nathan's of his extensive knowledge and expertise. Unless earlier terminated, as provided in Section 13(e), the Consulting Period shall continue for three years.

(b) Duties and Extent of Services.

(i) During the Consulting Period, Lorber shall consult with Nathan's and its senior executive officers regarding its business and operations. Lorber shall make himself available to perform such consulting services at the request of Nathan's on reasonable notice; provided, that performance of such consulting services shall not require more than 50 days in any calendar year, nor more than one day in any week, it being understood and agreed that during the Consulting Period Lorber shall have the right, consistent with the prohibitions of Sections 16 and 17 below, to engage in full-time or part-time employment with any business enterprise that is not a competitor of Nathan's.

(ii) Lorber's service as a consultant shall only be required at such times and such places as shall not result in unreasonable inconvenience to him, recognizing his other business commitments that he may have to accord priority over the performance of services for Nathan's. In order to minimize interference with Lorber's other commitments, his consulting services may be rendered by personal consultation at his residence or office wherever maintained, or by correspondence through mail, telephone, fax or other similar mode of communication at times, including weekends and evenings, most convenient to him.

(iii) During the Consulting Period, Lorber shall not be obligated to serve as a member of the Board or to occupy any office on behalf of Nathan's or any of its Subsidiaries.

(c) Compensation. During the Consulting Period, Lorber shall receive a Consulting Fee of $225,000 per year.

(d) Disability. In the event of Disability during the Consulting Period, Nathan's or Lorber may terminate Lorber's consulting services.

(e) Termination. The Consulting Period shall terminate after three years or, if earlier, upon Lorber's death or upon his failure to perform consulting services as provided in Section 13(b), pursuant to 30 days' written notice by Nathan's to Lorber of the grounds constituting such failure and reasonable opportunity afforded Lorber to cure the alleged failure. Upon any such termination, payment of consulting fees and benefits shall cease.

(f) Other. During the Consulting Period, Lorber shall be entitled to expense reimbursement, perquisites and benefits pursuant to the terms of Sections 9, 10 and 11, respectively.

14. NO DUTY TO MITIGATE; NO OFFSET.

Lorber shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor will any payment hereunder be subject to offset in the event Lorber does receive compensation for services from any other source.

15. PARACHUTES.

(a) Application. If all, or any portion, of the payments provided under this Agreement, and/or any other payments and benefits that Lorber receives or is entitled to receive from Nathan's or a Subsidiary, whether or not under an existing plan, arrangement or other agreement, constitutes an "excess parachute payment" within the meaning of Section 280G(b) of the Code (each such parachute payment, a "Parachute Payment") and will result in the imposition on Lorber of an excise tax under Section 4999 of the Code, then, in addition to any other benefits to which Lorber is entitled under this Agreement, Nathan's shall pay him an amount in cash equal to the sum of the excise taxes payable by him by reason of receiving Parachute Payments, plus the amount necessary to put him in the same after-tax position (taking into account any and all applicable federal, state and local excise, income or other taxes at the highest possible applicable rates on such Parachute Payments (including without limitation any payments under this Section 15) as if no excise taxes had been imposed with respect to Parachute Payments (the "Excise Tax Gross-up").

(b) Computation. The amount of any payment under this Section 15 shall be computed by a certified public accounting firm of national reputation selected by Nathan's and acceptable to Lorber. If Nathan's or Lorber disputes the computation rendered by such accounting firm, Nathan's shall select an alternative certified public accounting firm of national reputation to perform the applicable computation. If the two accounting firms cannot agree upon the computations, Lorber and Nathan's shall jointly appoint a third certified public accounting firm of national reputation within 10 calendar days after the two conflicting computations have been rendered. Such third accounting firm shall be asked to determine within 30 calendar days the computation of the Excise Tax Gross-up to be paid to Lorber, and payments shall be made accordingly.

(c) Payment. In any event, Nathan's shall pay to Lorber or pay on his behalf the Excise Tax Gross-up as computed by the accounting firm initially selected by Nathan's by the time any taxes payable by him as a result of the Parachute Payments become due, with Lorber agreeing to return the excess amount of such payment over the final computation rendered from the process described in Section 15(b). Lorber and Nathan's shall provide the accounting firms with all information that any of them reasonably deems necessary in order to compute the Excise Tax Gross-up. The cost and expenses of all the accounting firms retained to perform the computations described above shall be borne by Nathan's.

In the event that the Internal Revenue Service ("IRS") or the accounting firm computing the Excise Tax Gross-up finally determines that the amount of excise taxes thereon initially paid was insufficient to discharge Lorber's excise tax liability, Nathan's shall make additional payments to him as may be necessary to reimburse him for discharging the full liability.

Lorber shall apply to the IRS for a refund of any excise taxes paid and remit to Nathan's the amount of any such refund that he receives. Nathan's shall reimburse Lorber for his expenses in seeking a refund of excise taxes and for any interest and penalties imposed on excise taxes that he is required to pay.

16. CONFIDENTIAL INFORMATION.

(a) General.

(i) Lorber understands and hereby acknowledges that as a result of his employment with Nathan's he will necessarily become informed of and have access to certain valuable and confidential information of Nathan's and any of its Subsidiaries, joint ventures and affiliates, including, without limitation, inventions, trade secrets, technical information, computer software and programs, know-how and plans ("Confidential Information"), and that any such Confidential Information, even though it may be developed or otherwise acquired by Lorber, is the exclusive property of Nathan's to be held by him in trust solely for Nathan's benefit.

(ii) Accordingly, Lorber hereby agrees that, during the Employment Term and subsequent thereto, he shall not, and shall not cause others to, use, reveal, report, publish, transfer or otherwise disclose to any person, corporation or other entity any Confidential Information without prior written consent of the Board, except to (A) responsible officers and employees of Nathan's or (B) responsible persons who are in a contractual or fiduciary relationship with Nathan's or who need such information for purposes in the interest of Nathan's. Notwithstanding the foregoing, the prohibitions of this clause (ii) shall not apply to any Confidential Information that becomes of general public knowledge other than from Lorber or is required to be divulged by court order or administrative process.

(b) Return of Documents. Upon termination of his employment with Nathan's for any reason Lorber shall promptly deliver to Nathan's all plans, drawings, manuals, letters, notes, notebooks, reports, computer programs and copies thereof and all other materials, including without limitation those of a secret or confidential nature, relating to Nathan's business that are then in his possession or control.

(c) Remedies and Sanctions. In the event that Lorber is found to be in violation of Section 16(a) or (b) above, Nathan's shall be entitled to relief as provided in Section 18 below.

17. NONCOMPETITION/NONSOLICITATION.

(a) Prohibitions. During the Employment Term and, if applicable, the Consulting Period, Lorber shall not, without prior written authorization of the Board, directly or indirectly, through any other individual or entity:

(i) become on officer or employee of, or render any service to, any direct competitor of Nathan's;

(ii) solicit or induce any customer of Nathan's to cease purchasing goods or services from Nathan's or to become a customer of any competitor of Nathan's; or

(iii) solicit or induce any employee of Nathan's to become employed by any competitor of Nathan's.

(b) Remedies and Sanctions. In the event that Lorber is found to be in violation of Section 17(a) above, Nathan's shall be entitled to relief as provided in Section 18 below.

(c) Exceptions. Notwithstanding anything to the contrary in Section 17(a) above, its provisions shall not:

(i) apply if Nathan's terminates Lorber's employment without Cause or Lorber terminates his employment for Good Reason, each as provided in Section 12(g) above; or

(ii) be construed as preventing Lorber from investing his assets in any business that is not a direct competitor of Nathan's.

18. REMEDIES/SANCTIONS.

Lorber acknowledges that the services he is to render under this Agreement are of a unique and special nature, the loss of which cannot reasonably or adequately be compensated for in monetary damages, and that irreparable injury and damage may result to Nathan's in the event of any breach of this Agreement or default by Lorber. Because of the unique nature of the Confidential Information and the importance of the prohibitions against competition and solicitation, Lorber further acknowledges and agrees that Nathan's will suffer irreparable harm if he fails to comply with his obligations under Section 16(a) or (b) above or Section 17(a) above and that monetary damages would be inadequate to compensate Nathan's for any such breach. Accordingly, Lorber agrees that, in addition to any other remedies available to either Party at law, in equity or otherwise, Nathan's will be entitled to seek injunctive relief or specific performance to enforce the terms, or prevent or remedy the violation, of any provisions of this Agreement.

19. BENEFICIARIES/REFERENCES.

Lorber shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following his death by giving Nathan's written notice thereof; provided, however, that absent any then effective contrary notice, his beneficiary shall be the [Lorber Family Trust]. In the event of Lorber's death, or of a judicial determination of his incompetence, reference in this Agreement to Lorber shall be deemed to refer, as appropriate, to his beneficiary, estate or other legal representative.

20. WITHHOLDING TAXES.

All payments to Lorber or his Beneficiary under this Agreement shall be subject to withholding on account of federal, state and local taxes as required by law.

21. INDEMNIFICATION AND LIABILITY INSURANCE.

Nothing herein is intended to limit Nathan's indemnification of Lorber, and Nathan's shall indemnify him to the fullest extent permitted by applicable law consistent with Nathan's Certificate of Incorporation and By-Laws as in effect on the Effective Date, with respect to any action or failure to act on his part while he is an officer, director or employee of Nathan's or any Subsidiary. Nathan's shall cause Lorber to be covered at all times by directors' and officers' liability insurance on terms no less favorable than the directors' and officers' liability insurance maintained by Nathan's as in effect on the Effective Date in terms of coverage and amounts. Nathan's shall continue to indemnify Lorber as provided above and maintain such liability insurance coverage for him after the Employment Term for any claims that may be made against him with respect to his service as a director or officer of Nathan's or a consultant to Nathan's.

22. EFFECT OF AGREEMENT ON OTHER BENEFITS.

The existence of this Agreement shall not prohibit or restrict Lorber's entitlement to participate fully in compensation, employee benefit and other plans of Nathan's in which senior executives are eligible to participate.

23. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of Lorber) and assigns. No rights or obligations of Nathan's under this Agreement may be assigned or transferred by Nathan's except pursuant to (a) a merger or consolidation in which Nathan's is not the continuing entity or (b) sale or liquidation of all or substantially all of the assets of Nathan's, provided that the surviving entity or assignee or transferee is the successor to all or substantially all of the assets of Nathan's and such surviving entity or assignee or transferee assumes the liabilities, obligations and duties of Nathan's under this Agreement, either contractually or as a matter of law. Nathan's further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it shall use its best efforts to have such assignee or transferee expressly agree to assume the liabilities, obligations and duties of Nathan's hereunder; provided, however, that notwithstanding such assumption, Nathan's shall remain liable and responsible for fulfillment of the terms and conditions of this Agreement; and provided, further, that in no event shall such assignment and assumption of this Agreement adversely affect Lorber's rights upon a Change in Control, as provided in Section 12(h) above. No rights or obligations of Lorber under this Agreement may be assigned or transferred by him.

24. REPRESENTATIONS.

The Parties respectively represent and warrant that each is fully authorized and empowered to enter into this Agreement and that the performance of its or his obligations, as the case may be, under this Agreement will not violate any agreement between such Party and any other person, firm or organization. Nathan's represents and warrants that this Agreement has been duly authorized by all necessary corporate action and is valid, binding and enforceable in accordance with its terms.

25. ENTIRE AGREEMENT.

Except to the extent otherwise provided herein, this Agreement contains the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes any prior agreements, whether written or oral, between the Parties concerning the subject matter hereof, including without limitation the Prior Agreement. Payments and benefits provided under this

Agreement are in lieu of any payments or other benefits under any severance program or policy of Nathan's to which Lorber would otherwise be entitled.

26. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by both Lorber and an authorized officer of Nathan's. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Party to be charged with the waiver. No delay by either Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

27. SEVERABILITY.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

28. SURVIVAL.

The respective rights and obligations of the Parties under this Agreement shall survive any termination of Lorber's employment with Nathan's.

29. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York, without reference to principles of conflict of laws.

30. COSTS OF DISPUTES.

Nathan's shall pay, at least monthly, all costs and expenses, including reasonable attorneys' fees and disbursements, of Lorber in connection with any proceeding, whether or not instituted by Nathan's or Lorber, relating to any provision of this Agreement, including but not limited to the interpretation, enforcement or reasonableness thereof; provided, however, that, if Lorber institutes the proceeding and the judge or other decision-maker presiding over the proceeding affirmatively finds that his claims were frivolous or were made in bad faith, he shall pay his own costs and expenses and, if applicable, return any amounts theretofore paid to him or on his behalf under this Section 30. Pending the outcome of any proceeding, Nathan's shall pay Lorber all amounts due to him without regard to the dispute, and if Nathan's shall fail to pay Lorber such amounts and Lorber is the prevailing party in such proceeding, Nathan's shall pay to Lorber such amounts plus interest thereon at the prime rate established by Citibank NA from the date on which Nathan's ceased making such payments through the date of payment; provided, however, that if Nathan's shall be the prevailing party in such a proceeding, Lorber shall promptly repay all amounts that he received during pendency of the proceeding.

31. NOTICES.

Any notice given to either Party shall be in writing and shall be deemed to have been given when delivered either personally, by fax, by overnight delivery service (such as Federal Express) or sent by certified or registered mail postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to such changed address as the Party may subsequently give notice of.

If to Nathan's or the Board:

Nathan's Incorporated
1400 Old Country Road
Westbury, NY 11590
Attention: Wayne Norbitz
FAX: (516)

If to Lorber:

Howard M. Lorber
8061 Fisher Island
Miami, Florida 33109

32. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

33. COUNTERPARTS.

This Agreement may be executed in counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF THE PARTIES, hereto have executed this Agreement as of the day and year first written above.

NATHAN'S FAMOUS, INC.

/s/ Wayne Norbitz

President and Chief Operating Officer

/s/ Howard M. Lorber

Howard M. Lorber

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 26, 2004 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(s) 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)) 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) 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

c) 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(s) 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 registrant's board of directors (or persons performing the equivalent function):

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: February 8, 2005

/s/ Howard M. Lorber

Howard M. Lorber
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 26, 2004 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(s) 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)) 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) 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

c) 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(s) 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 registrant's board of directors (or persons performing the equivalent function):

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: February 8, 2005

/s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer

Exhibit 31.3

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 26, 2004 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(s) 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)) 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) 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

c) 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(s) 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 registrant's board of directors (or persons performing the equivalent function):

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: February 8, 2005

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

The Form 10-Q of Nathan's Famous, Inc. for the period ended December 26, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ Howard M. Lorber

Name: Howard M. Lorber
Date: February 8, 2005

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 Form 10-Q of Nathan's Famous, Inc. for the period ended December 26, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ Ronald G. DeVos

Name: Ronald G. DeVos
Date: February 8, 2005

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.