

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: December 15, 2006
(Date of earliest event reported)

NATHAN'S FAMOUS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

1-3189

11-3166443

(State of Incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

1400 Old Country Road, Westbury, New York

11590

(Address of Principal Executive Offices)

(Zip Code)

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

N/A

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

Item 1.01 Entry Into Material Definitive Agreement.

As previously reported in the Nathan's Famous, Inc. (the "Company") Form 8-K dated November 1, 2006, Howard M. Lorber was appointed as Executive Chairman of the Board of the Company, effective January 1, 2007 and Eric Gatoff was appointed as Chief Executive Officer of the Company effective January 1, 2007.

In connection with the foregoing, on December 15, 2006, the Company entered into an employment agreement with Mr. Howard Lorber (the "Lorber Employment Agreement") pursuant to which Mr. Lorber will be appointed as Executive Chairman of the Board of the Company effective January 1, 2007 and an employment agreement with Mr. Eric Gatoff (the "Gatoff Employment Agreement") pursuant to which Mr. Gatoff will be appointed as Chief Executive Officer effective January 1, 2007. The Lorber Employment Agreement supercedes Mr. Lorber's existing employment agreement.

Under the terms of the Lorber Employment Agreement, Mr. Lorber will serve as Executive Chairman of the Board from January 1, 2007 until December 31, 2012, unless his employment is terminated in accordance with the terms of the Lorber Employment Agreement. Pursuant to the Lorber Employment Agreement, Mr. Lorber will receive a base salary of \$400,000, and will not receive a contractual bonus; provided that, for the fiscal year ending March 25, 2007, Mr. Lorber will be entitled to receive a pro rata portion of the bonus payable to him under his existing agreement. The Lorber Employment Agreement will further provide for a three-year consulting period after the termination of employment during which Mr. Lorber will receive a consulting fee of \$200,000 per year in exchange for his agreement to provide no less than 30 days of consulting services. The Lorber Employment Agreement will also provide Mr. Lorber the right to participate in employment benefits offered to other Nathan's executives. During and after the contract term, Mr. Lorber is subject to certain confidentiality, non-solicitation and non-competition provisions in favor of the Company.

In the event that Mr. Lorber's employment is terminated without cause, he will be entitled to receive his salary and bonus for the remainder of the contract term. The Lorber Employment Agreement will further provide that in the event there is a change in control, as defined in the agreement, Mr. Lorber will have the option, exercisable within one year after such event, to terminate his employment agreement. Upon such termination, will have 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, the Company will provide Mr. Lorber with a tax gross-up payment to cover any excise tax due. In the event of termination due to Mr. Lorber's death or disability, he is entitled to receive an amount equal to his salary and annual bonuses for a three-year period, which bonus shall be equal to the average of the annual bonuses awarded to him during the three fiscal years preceding the fiscal year of termination.

Under the terms of the Gatoff Employment Agreement, Mr. Gatoff has agreed to serve as Chief Executive Officer effective from January 1, 2007 until December 31, 2008, which period shall extend for additional one-year periods unless either party delivers notice of non-renewal no less than 180 days prior to the end of the term then in effect. Pursuant to the agreement, Mr. Gatoff will receive a base salary of \$225,000 and an annual bonus equal in an amount of up to 100% of his base salary, depending upon the Company's achievement of performance goals established and agreed to by the Compensation Committee and Mr. Gatoff for each fiscal year during the employment term, provided that the bonus payable to Mr. Gatoff for the fiscal year ending March 25, 2007 is to be determined by the Compensation Committee in its discretion, based on Mr. Gatoff's status as Vice President and Corporate Counsel through December 31, 2006 and provided, further, that Mr. Gatoff will be entitled to a minimum bonus of 50% of his base salary for the first two years of the Gatoff Employment Agreement. The agreement will further provide for an automobile allowance in the amount provided to other executive officers, currently \$1,250 per month, and the right of Mr. Gatoff to participate in employment benefits offered to other Nathan's executives. During and after the contract term, Mr. Gatoff is subject to certain confidentiality, non-solicitation and non-competition provisions in favor of the Company.

In the event that Mr. Gatoff's employment is terminated without cause, he will be entitled to receive his salary for the remainder of the contract term. The Gatoff Employment Agreement will further provide that in the event there is a change in control, as defined in the agreement, Mr. Gatoff will have the option, exercisable within one year after such event, to terminate his employment agreement. Upon such termination, he will have the right to receive a lump sum cash payment equal to his salary and annual bonus for a one-year period in an amount equal to the bonus paid or payable to Mr. Gatoff for the most recently completed fiscal year. In the event of termination due to Mr. Gatoff's death or disability, he will be entitled to receive an amount equal to his salary and annual bonus for the balance of the contract term, which bonus shall be equal to the minimum bonus of 50% of his base compensation in the event of such a termination during the initial two-year term and the amount of the bonus paid or payable to the Executive for the preceding fiscal year in the event of such termination during any renewal term.

Item 9.01 Financial Statements and Exhibits.

- (c) 10.1 Employment Agreement between Nathan's Famous, Inc. and Howard M. Lorber dated as of December 15, 2006
 - 10.2 Employment Agreement between Nathan's Famous, Inc. and Eric Gatoff dated as of December 15, 2006
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SIGNATURE

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

NATHAN'S FAMOUS, INC.

By: /s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer

Dated: December 18, 2006

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated as of December 15, 2006 and effective as of January 1, 2007 (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, Nathan's 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) "**Consulting Fee**" shall mean the compensation paid to Lorber pursuant to Section 13.

(h) "**Consulting Period**" shall mean the period specified in Section 13 during which Lorber serves as a consultant to Nathan's.

(i) "**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.

(j) **“Employment Term”** shall mean the period specified in Section 2(b) below.

(k) **“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.

(l) **“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 incentive compensation opportunities available to Lorber (with respect to the level of incentive compensation opportunities, the applicable performance criteria and otherwise the manner in which incentive compensation is 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 Executive Chairman of the Board of Directors;

(v) i 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.

(m) **“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.

(n) **“Salary”** shall mean the annual Salary provided for in Section 3 below, as adjusted from time to time.

(o) "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 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, 2012.

3. Titles And Duties.

Until the date of termination of his employment hereunder, Lorber shall be employed as Executive Chairman of the Board of Directors, reporting to the full Board. In such capacity, Lorber shall have the customary powers, responsibilities and authorities of the chairman of the board of corporations of the size, type and nature of Nathan's.

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 Executive Officer of and a director of Vector Group Ltd., Chairman of the Board of Ladenburg Thalmann Financial Services, Inc., and Chairman 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 \$400,000 per annum.

6. Bonuses.

Lorber shall be eligible to receive 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 awards 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.

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 \$200,000 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 an 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.

By: /s/ Eric Gatoff

Eric Gatoff

/s/ Howard M. Lorber

Howard M. Lorber

EMPLOYMENT AGREEMENT

This Employment Agreement dated as of December 15, 2006 (the "Agreement Date") and effective as of January 1, 2007 (the "Effective Date") between Nathan's Famous, Inc., a Delaware corporation having an address at 1400 Old Country Road, Westbury, New York 11590 (the "Company"), and Eric Gatoff, an individual having an address at 254 East 68th Street, Apt 24B, New York, NY 10021 (the "Executive").

WITNESSETH:

WHEREAS, the Company desires to employ the Executive and to receive certain services from him, and the Executive is willing to continue to be employed and to render such services to the Company, all upon the terms and subject to the conditions contained herein.

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

1. Employment. Subject to and upon the terms and conditions contained in this Agreement, the Company hereby agrees to employ Executive and Executive agrees to be employed by the Company, for the period set forth in Paragraph 2 hereof, to render the services to the Company, its affiliates and/or subsidiaries described in Paragraph 3 hereof.

2. Effective Date and Term. The Effective Date of this Agreement shall be January 1, 2007. The Executive's term of employment under this Agreement shall commence on the Effective Date hereof and shall continue for a period through and including the second anniversary of the Effective Date hereof (the "Initial Agreement Term"). At the end of the Initial Agreement Term, this Agreement shall be automatically extended for additional, successive periods of one year (each of which successive periods shall be considered an Additional Agreement Term and, together with the Initial Agreement Term, the "Term") unless terminated in writing by either party no less than 180 days prior to the end of either the Initial Agreement Term or any Additional Agreement Term pursuant to the terms and conditions set forth herein.

3. Duties. (a) The Executive shall be employed as Chief Executive Officer of the Company as of the Effective Date hereof. The Executive shall report to the Executive Chairman and Board of Directors (the "Board") of the Company. It is agreed that Executive shall perform his services in the Company's Westbury, New York offices, or at any other facilities mutually agreeable to the parties.

(b) The Executive agrees to abide by all By-laws and applicable policies of the Company promulgated from time to time by the Board of Directors of the Company, including without limitation the normal business policies of the Company.

4. Exclusive Services and Best Efforts. The Executive shall devote all of his working time, attention, best efforts and ability during regular business hours exclusively to the service of the Company, its affiliates and subsidiaries during the term of this Agreement.

5. Compensation. As compensation for his services and covenants hereunder, the Company shall pay the Executive the following:

(a) Base Salary. The Company shall pay the Executive a base salary ("Base Salary") of \$225,000 per year commencing on the Effective Date of this Agreement. The Base Salary shall be subject to review and adjustment on an annual basis beginning January 1, 2008, (if this Agreement is then in effect) or, at the Company's discretion, on such earlier date as the Company may determine; provided, however, that in no event shall the Executive's Base Salary be reduced below the Base Salary specified herein.

(b) Bonus Compensation.

(i) For each fiscal year within the Term commencing with the fiscal year ending March 30, 2008, the Company shall pay to the Executive annual bonus compensation ("Bonus Compensation") within the range of 0% to 100% of his (then) current Base Salary based on the Company's achievement of certain financial and operational performance objectives as are mutually agreed-upon by the Board and the Executive during the last quarter of the immediately prior fiscal year (such objectives being the "Performance Targets"); provided, however, that for each year within the Initial Agreement Term, such Bonus Compensation shall not be less than 50% of the Executive's (then) current Base Salary (the "Minimum Bonus"). The Executive shall be eligible to receive Bonus Compensation of 75% of his (then) current Base Salary should the Company attain the Performance Targets established for the applicable fiscal year. Should the Company significantly exceed the Performance Targets for a fiscal year, the Executive shall be eligible to receive Bonus Compensation in an amount determined by the Compensation Committee and Board in their sole discretion, not to exceed 100% of his (then) current Base Salary. The foregoing Bonus Compensation shall be paid by the Company within thirty (30) days after completion of the audited financial results of the Company for the applicable fiscal year.

(ii) For the fiscal year ending March 25, 2007, the Company shall pay to Executive a bonus in an amount determined by the Compensation Committee and Board in their sole discretion, based in part on his performance as Vice President and General Counsel during the period prior to the Effective Date.

(c) Stock Compensation. From time to time during the Term, the Company may also grant to the Executive certain other stock compensation including additional stock options and/or other form(s) of stock awards, pursuant to the terms of any of the Company's stock incentive plans and any related stock option or stock award agreement(s) required to be executed in connection therewith. The amount and terms of any such stock options and/or other stock awards shall, in every case, be determined by the Compensation Committee and Board in their sole discretion, subject to the terms of the stock incentive plan under which the award is granted.

6. Business Expenses. During the Term, the Executive shall be entitled to prompt reimbursement by the Company for all reasonable out-of-pocket expenses incurred by him in the performance of his duties under this Agreement, upon his submission of such accounts and records as may be reasonably required by the Company, in accordance with the related policies established from time to time by the Company.

7. Executive Benefits. The Company may withhold from any benefits payable to the Executive all federal, state, local and other taxes and amounts as shall be permitted or required pursuant to law, rule or regulation.

(a) During the Term, the Executive shall be entitled to such insurance, disability and health and medical benefits and be entitled to participate in such retirement plans or programs as are generally made available to executive officers of the Company pursuant to the policies of the Company in effect from time to time during the Term; provided that the Executive shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only in accordance with the terms and conditions of such plans.

(b) Executive shall be entitled to four weeks paid vacation each year during the Term at such times as does not, in the reasonable opinion of the Board of Directors, interfere with Executive's performance of his duties hereunder.

(c) The Executive shall be entitled to receive the sum of \$1,250 per month during the Term as an automobile allowance for payment of automotive and related expenses (e.g., insurance, repairs and maintenance for any such automobile). Executive acknowledges that some or all of the foregoing may be deemed compensation to him.

8. Death and Disability.

(a) The Term shall terminate on the date of the Executive's death, in which event the Executive's estate shall be entitled to receive a lump sum equal to his (then) current Base Salary, Bonus Compensation (as determined pursuant to Paragraph 8(c)) and reimbursable expenses and benefits owing to the Executive through the end of the Term then in effect. The Executive's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 8(a).

(b) If, during the Term, in the opinion of a duly licensed physician selected by the Executive and reasonably acceptable to the Company, the Executive, because of physical or mental illness or incapacity, shall become substantially unable to perform the duties and services required of him under this Agreement for a period of six consecutive months [or a period of an aggregate six months in any twelve-month period] the Company may, upon at least twenty (20) days' prior written notice to the Executive of its intention to do so (given at any time after the expiration of such six-month period), terminate this Agreement as of the date set forth in the notice. In case of such termination, the Executive shall be entitled to receive a lump sum equal to his (then) current Base Salary and Bonus Compensation (as determined pursuant to Paragraph 8(c)). The Executive will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 8(b).

(c) For the purposes of this Paragraph 8, the amount of the Executive's Bonus Compensation shall be (i) in the event of termination during the Initial Agreement Term, the Minimum Bonus and (ii) in the event of termination during any Additional Agreement Term, the Bonus Compensation paid or payable to the Executive for the preceding fiscal year.

9. Termination for Cause. (a) The Company may terminate the employment of the Executive for Cause (as hereinafter defined) immediately upon the delivery of written notice. Upon such termination, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay the Executive his Base Salary, reimbursable expenses and benefits owing to the Executive through the date of termination. Executive will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 9(a).

(b) As used herein, the term "Cause" shall mean: (i) the willful failure of the Executive to perform his duties pursuant to Paragraph 3 hereof, which failure is not cured by the Executive within thirty days following written notice thereof from the Company; (ii) any other material breach of this Agreement by the Executive, including any of the material representations or warranties made by the Executive; (iii) any act, or failure to act, by the Executive in bad faith or intentionally to the detriment of the Company; (iv) the commission by the Executive of an act involving moral turpitude, dishonesty, theft, unethical business conduct, or any other conduct which significantly impairs the reputation of, or harms, the Company, its subsidiaries or affiliates; or (v) any misrepresentation, concealment or omission by the Executive of any material fact in seeking employment hereunder.

10. Termination without Cause. Notwithstanding anything to the contrary herein, the Company may terminate the employment of the Executive without Cause. Upon any termination without cause, the Company shall be released from any and all further obligations under this Agreement, except that in case of such termination without Cause, subject to the penultimate sentence of this Paragraph 10(a), the Company shall pay to the Executive, as severance compensation, his Base Salary through the end of the Term then in effect, which amount shall be paid in the form of salary continuation on a monthly installment basis. It is explicitly understood and agreed that non-renewal of this Agreement by the Company at the end of the Initial Agreement Term or any Additional Agreement Term shall not constitute Termination without Cause. In the event of any breach by the Executive of the covenants contained in Paragraph 12 hereof, the Company shall be released from any further obligation to pay the severance compensation specified herein. The Executive will not be entitled to any other compensation upon termination of this Agreement under this Paragraph 10.

11. Termination Following a Change in Control. If within one year following a Change in Control (as defined below) of the Company (if this Agreement is then in effect), the employment of the Executive is terminated by the Company without Cause or by the Executive for any reason, the Company shall immediately pay to the Executive in a lump sum as severance compensation an amount equal to the sum of (a) his then annual Base Salary and (b) his annual Bonus Compensation paid or payable to him for the most recently completed fiscal year of the Company, but in no event shall such severance compensation exceed the amount which is deductible by the Company in accordance with Section 280(G) of the Internal Revenue Code of 1986, as amended. The Company hereby agrees to obtain an agreement from any successor to assume and agree to honor and perform this Agreement.

For purposes of this Agreement, a "Change in Control" shall have occurred if:

(a) 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 (c) 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

(b) 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

(c) 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

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

12. Disclosure of Information and Restrictive Covenant. The Executive acknowledges that, by his employment, he has been and will be in a confidential relationship with the Company and will have access to confidential information and trade secrets of the Company, its subsidiaries and affiliates. Confidential information and trade secrets include, but are not limited to, customer, supplier and client lists, price lists, marketing, distribution and sales strategies and procedures, operational and equipment techniques, business plans and systems, quality control procedures and systems, special projects and research, or any project, research, report or the like concerning sales or manufacturing or new technology, executive compensation plans and any other information relating thereto, and any other records, files, drawings, inventions, discoveries, applications, processes, data and information concerning the business of the Company which are not in the public domain. The Executive agrees that in consideration of the execution of this Agreement by the Company:

(a) The Executive will not, during the Term or at any time thereafter, use, or disclose to any third party, trade secrets or confidential information of the Company, including, but not limited to, confidential information or trade secrets belonging or relating to the Company, its subsidiaries, affiliates, customers and clients or proprietary processes or procedures of the Company, its subsidiaries, affiliates, customers and clients. Proprietary processes and procedures shall include, but shall not be limited to, all information which is known or intended to be known only to executives of the Company, its respective subsidiaries and affiliates or others in a confidential relationship with the Company or its respective subsidiaries and affiliates which relates to business matters.

(b) The Executive will not, during the Term, directly or indirectly, under any circumstance other than at the direction and for the benefit of the Company, engage in or participate in any business activity, including, but not limited to, acting as a director, officer, executive, agent, independent contractor, partner, consultant, licensor or licensee, franchisor or franchisee, proprietor, syndicate member, shareholder or creditor or with a person having any other relationship with any other business, company, firm occupation or business activity, in any geographic area within the United States that is, directly or indirectly, competitive with any business conducted by the Company or any of its subsidiaries or affiliates during the Term or thereafter. Should the Executive own 5% or less of the issued and outstanding shares of a class of securities of a corporation the securities of which are traded on a national securities exchange or in the over-the-counter market, such ownership shall not cause the Executive to be deemed a shareholder under this Paragraph 12(b).

(c) The Executive will not, during the Term and for a period of two (2) years thereafter, on his behalf or on behalf of any other business enterprise, directly or indirectly, under any circumstance other than at the direction and for the benefit of the Company, solicit or induce any creditor, customer, supplier, officer, executive or agent of the Company or any of its subsidiaries or affiliates to sever its relationship with or leave the employ of any of such entities.

(d) This Paragraph 12 and Paragraphs 13, 14 and 15 hereof shall survive the expiration or termination of this Agreement for any reason.

(e) It is expressly agreed by the Executive that the nature and scope of each of the provisions set forth above in this Paragraph 12 are reasonable and necessary. If, for any reason, any aspect of the above provisions as it applies to Executive is determined by a court of competent jurisdiction to be unreasonable or unenforceable, the provisions shall only be modified to the minimum extent required to make the provisions reasonable and/or enforceable, as the case may be. The Executive acknowledges and agrees that his services are of a unique character and expressly grants to the Company or any subsidiary, successor or assignee of the Company, the right to enforce the provisions above through the use of all remedies available at law or in equity, including, but not limited to, injunctive relief.

13. Company Property. Any patents, inventions, discoveries, applications or processes, designs, devised, planned, applied, created, discovered or invented by the Executive in the course of the Executive's employment under this Agreement and which pertain to any aspect of the Company's or its subsidiaries' or affiliates' business shall be the sole and absolute property of the Company, and the Executive shall make prompt report thereof to the Company and promptly execute any and all documents reasonably requested to assure the Company the full and complete ownership thereof. All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which the Executive shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of this Agreement, the Executive shall promptly return to the Company all property of the Company in his possession.

14. Remedy. It is mutually understood and agreed that the Executive's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by the Executive, including, but not limited to, the breach of the non-disclosure, non-solicitation and non-compete clauses under Paragraph 12 hereof, the Company shall be entitled to equitable relief by way of injunction or otherwise in addition to damages the Company may be entitled to recover.

15. Representations and Warranties of the Executive. (a) In order to induce the Company to enter into this Agreement, the Executive hereby represents and warrants to the Company as follows: (i) the Executive has the legal capacity and unrestricted right to execute and deliver this Agreement and to perform all of his obligations hereunder; (ii) the execution and delivery of this Agreement by the Executive and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which the Executive is a party or by which he is or may be bound or subject; and (iii) the Executive is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than the Company) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

(b) The Executive hereby agrees to indemnify and hold harmless the Company from and against any and all losses, costs, damages and expenses (including, without limitation, its reasonable attorneys' fees) incurred or suffered by the Company resulting from any breach by the Executive of any of his representations or warranties set forth in Paragraph 15(a) hereof.

16. Notices. All notices given hereunder shall be in writing and shall be deemed effectively given when mailed, if sent by registered or certified mail, return receipt requested, addressed to the Executive at his address set forth on the first page of this Agreement and to the Company at its address set forth on the first page of this Agreement, Attention: Executive Chairman of the Board, with a copy to Farrell Fritz, P.C., 1320 Reckson Plaza, Uniondale, New York, NY 11556, Attention: Nancy Lieberman, Esq.

17. Entire Agreement. This Agreement constitutes the entire understanding of the parties with respect to its subject matter and no change, alteration or modification hereof may be made except in writing signed by the parties hereto. Any prior or other agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force or effect. In furtherance and not in limitation of the foregoing, this Agreement supersedes any prior employment relationship or arrangements to which the Executive and the Company are parties.

18. Severability. If any provision of this Agreement shall be unenforceable under any applicable law, then notwithstanding such unenforceability, the remainder of this Agreement shall continue in full force and effect.

19. Waivers, Modifications, Etc. No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by each of the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

20. Assignment. Neither this Agreement, nor any of the Executive's rights, powers, duties or obligations hereunder, may be assigned by the Executive. This Agreement shall be binding upon and inure to the benefit of the Executive and his heirs and legal representatives and the Company and its successors and assigns. Successors of the Company shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Company" for the purpose hereof.

21. Applicable Law. This Agreement shall be deemed to have been made, drafted, negotiated and the transactions contemplated hereby consummated and fully performed in the State of New York and shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and whenever there is any conflict between any provision of this Agreement and any statute, law, ordinance, order or regulation, contrary to which the parties hereto have no legal right to contract, the latter shall prevail, but in such event any provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to bring it within the legal requirements.

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Full Understanding. The Executive represents and agrees that he fully understands his right to discuss all aspects of this Agreement with his private attorney, that to the extent, if any that he desired, he availed himself of this right, that he has carefully read and fully understands all of the provisions of this Agreement, that he is competent to execute this Agreement, that his agreement to execute this Agreement has not been obtained by any duress and that he freely and voluntarily enters into it, and that he has read this document in its entirety and fully understands the meaning, intent and consequences of this document which is that it constitutes an agreement of employment.

24.

Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

FOR NATHAN'S FAMOUS, INC.

By: /s/ Wayne Norbitz

Name: Wayne Norbitz

Title: President and Chief Operating Officer

DATE: December 15, 2006

FOR THE EXECUTIVE

/s/ Eric Gatoff

Eric Gatoff

DATE: December 15, 2006