

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended JUNE 24, 2001.

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

(State or other jurisdiction of
incorporation or organization)

11-3166443

(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 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 No

At June 24, 2001, an aggregate of 7,065,202 shares of the registrant's common stock, par value of \$.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	June 24, 2001 ----- (Unaudited)	March 25, 2001 -----
Current assets:		
Cash and cash equivalents including unexpended marketing fund contributions of \$792 and \$2,104 and restricted cash of \$83 and \$83, respectively	\$ 2,882	\$ 4,325
Marketable securities and investment in limited partnership	6,002	4,648
Notes and accounts receivables, net	4,941	4,178
Inventories	590	523
Assets held for sale	--	1,510
Prepaid expenses and other current assets	641	974
Deferred income taxes	1,731	1,714
	-----	-----
Total current assets	16,787	17,872
Notes receivable, net	1,688	1,729
Property and equipment, net	10,911	11,279
Assets held for sale	450	450
Intangible assets, net	17,789	18,011
Deferred income taxes	2,081	2,081
Other assets, net	380	404
	-----	-----
	\$ 50,086	\$ 51,826
	=====	=====
Current liabilities:		
Current maturities of notes payable and capital lease obligations	\$ 541	\$ 1,343
Accounts payable	2,171	1,978
Accrued expenses and other current liabilities	6,811	8,731
Deferred franchise fees	622	610
	-----	-----
Total current liabilities	10,145	12,662
Notes payable and capital lease obligations, less current maturities	1,739	1,789
Other liabilities	2,209	2,344
	-----	-----
Total liabilities	14,093	16,795
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value - 30,000,000 shares authorized, 7,065,202 issued and outstanding, respectively	71	71
Additional paid-in capital	40,746	40,746
Accumulated deficit	(4,824)	(5,786)
	-----	-----
Total stockholders' equity	35,993	35,031
	-----	-----
	\$ 50,086	\$ 51,826
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
Thirteen weeks ended June 24, 2001 and June 25, 2000
(In thousands, except per share amounts)
(Unaudited)

	2001	2000
	----	----
Sales	\$ 8,588	\$ 9,632
Franchise fees and royalties	2,189	2,289
License royalties	707	641
Investment and other income	392	337
	-----	-----
Total revenues	11,876	12,899
	-----	-----
Costs and expenses:		
Cost of sales	5,600	6,209
Restaurant operating expenses	1,953	2,457
Depreciation and amortization	420	432
Amortization of intangible assets	222	237
General and administrative expenses	2,119	2,241
Interest expense	59	72
Other (income)	(210)	--
	-----	-----
Total costs and expenses	10,163	11,648
	-----	-----
Income before income taxes	1,713	1,251
Provision for income taxes	751	506
	-----	-----
Net income	\$ 962	\$ 745
	=====	=====
PER SHARE INFORMATION		
Net income per share		
Basic	\$ 0.14	\$ 0.11
	=====	=====
Diluted	\$ 0.14	\$ 0.11
	=====	=====
Shares used in computing net income		
Basic	7,065	7,040
	=====	=====
Diluted	7,084	7,044
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 Thirteen weeks ended June 24, 2001
 (In thousands, except share amounts)
 (Unaudited)

	Common Shares -----	Common Stock -----	Additional Paid-in Capital -----	Accum- ulated Deficit -----	Total Stock- holders' Equity -----
Balance, March 25, 2001	7,065,202	\$ 71	\$40,746	\$(5,786)	\$35,031
Net income	-- -----	-- -----	-- -----	962 -----	962 -----
Balance, June 24, 2001	7,065,202 =====	\$ 71 =====	\$40,746 =====	\$(4,824) =====	\$35,993 =====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Thirteen weeks ended June 24, 2001 and June 25, 2000
(In thousands)
(Unaudited)

	2001 ----	2000 ----
Cash flows from operating activities:		
Net income	\$ 962	\$ 745
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	420	432
Amortization of intangible assets	222	237
Provision for doubtful accounts	30	21
Gain on sale of restaurant	(96)	--
Deferred income taxes	(17)	--
Changes in operating assets and liabilities:		
Marketable securities and investment in limited partnership	(1,354)	728
Notes and accounts receivables, net	(839)	(2,042)
Inventories	(67)	(55)
Prepaid expenses and other current assets	333	(24)
Accounts payable and accrued expenses	(1,727)	3,648
Deferred franchise and area development fees	12	(134)
Other assets, net	24	43
Other non current liabilities	(135)	1,714
Net cash (used in) provided by operating activities	(2,232)	5,313
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(321)	(672)
Proceeds from sale of restaurants, net	1,875	--
Payments received on notes receivable	87	79
Net cash provided by (used in) investing activities	1,641	(593)
	-----	-----
Cash flows from financing activities:		
Principal repayment of borrowings and obligations under capital leases	(852)	(70)
Net cash used in financing activities	(852)	(70)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,443)	4,650
Cash and cash equivalents, beginning of period	4,325	2,397
Cash and cash equivalents, end of period	\$ 2,882	\$ 7,047
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	\$ 15	\$ 209
	=====	=====
Cash paid during the period for interest	\$ 63	\$ 75
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 24, 2001
(unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (collectively "Nathan's") for the thirteen week periods ended June 24, 2001 and June 25, 2000 have been prepared in accordance with generally accepted accounting principles. 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 generally accepted accounting principles 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 25, 2001.

NOTE B - MIAMI SUBS ACQUISITION RESERVE

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. To date, we have terminated leases on 15 of those properties. We are continuing to market two of the remaining properties for sale and will terminate the lease for the last unit upon the lease expiration in May 2002. Since acquiring Miami Subs, we have accrued approximately \$1,461,000 for lease reserves and termination costs, as part of the acquisition, for units having total future minimum lease obligations of \$7,680,000 with remaining lease terms of one year up to approximately 17 years. We may incur future cash payments, consisting primarily of future lease payments including costs and expenses associated with terminating additional leases that were not part of our divestiture plan.

NOTE C - EARNINGS PER SHARE

The following chart provides a reconciliation of information used in calculating the per share amounts for the thirteen week periods ended June 24, 2001 and June 25, 2000, respectively.

THIRTEEN WEEKS

	Net Income		Number of Shares		Net Income Per Share	
	2001	2000	2001	2000	2001	2000
Basic EPS						
Basic calculation	\$962	\$745	7,065	7,040	\$.14	\$.11
Effect of dilutive employee stock options and warrants	--	--	19	4	--	--
Diluted EPS						
Diluted calculation	\$962	\$745	7,084	7,044	\$.14	\$.11

NOTE D - CONTINGENCIES

Nathan's Famous, Inc. and Nathan's Famous Operating Corp. were named as two of three defendants in an action commenced in July 2001, in the Supreme Court of New York, Westchester County. According to the complaint, the plaintiffs, a minor and her mother, are seeking damages in the amount of \$17 million against Nathan's Famous and Nathan's Famous Operating Corp. and one of Nathan's former employees claiming that the Nathan's entities failed to properly supervise the former employee, failed to comply with applicable labor laws, failed to appropriately supervise minor employees and failed to institute systems to report incidents of sexual harassment, all of which enabled the former employee to sexually harass and molest the minor plaintiff, who was also an employee. The Nathan's entities intend to defend the action vigorously.

Teamspirit Enterprises, Inc. and Ross Kyriacethys ("Plaintiffs") commenced an action in the Circuit Court of the Seventeenth Judicial Circuit, Broward County, Florida in March 2001 against the Estate of Konstantinos "Gus" Boulis and Miami Subs USA, Inc ("Miami Subs") claiming fraud, conspiracy to defraud, breach of contract and breach of the covenant of good faith and fair dealing in connection with Plaintiff's purchase of a Miami Subs franchise from Gus Boulis for \$40,000. Plaintiffs claim that Miami Subs induced Plaintiffs to purchase the franchise by making warranties and representations that: (a) Boulis was a franchisee of Baskin-Robbins USA, Inc. ("Baskin-Robbins") and had the authority to grant and transfer that franchise to Plaintiffs; and (b) that the franchise location purchased by Plaintiffs was in full compliance with the requirements of the Americans With Disabilities Act. Plaintiffs also claim that Miami Subs failed to pay royalty revenues to Baskin-Robbins that were collected from Plaintiffs and were allegedly supposed to be remitted to Baskin-Robbins. Plaintiffs have not specified the amount of damages which they are seeking. Miami Subs intends to vigorously defend against these claims.

NOTE - E - MIAMI SUBS TAX AUDIT

As of the date of acquisition, Miami Subs' tax returns reflected net operating loss carry-forwards of approximately \$5.9 million which are available to reduce future taxable income through 2019 (subject to limitations imposed under the Internal Revenue Code regarding changes in ownership which limits utilization of \$2.8 million of the carry-forwards on an annual basis to approximately \$340,000). Miami Subs also has general business credit carry-forwards of approximately \$274,000 which can be used to offset tax liabilities through 2010. Miami Subs' federal income tax returns for fiscal years 1991 through 1996, inclusive, have been examined by the Internal Revenue Service. The reports of the examining agent issued in connection with these examinations indicate that additional taxes and penalties totaling approximately \$2.4 million are due for such years. The Company appealed substantially all of the proposed adjustments. In January 2001, the Miami Subs tax audit was tentatively settled with the IRS Appeals Office. If approved on review, the settlement will result in (a) an aggregate tax liability for the taxable years 1991 through 1996 of \$101,520 and (b) the Company retaining net operating loss carry-forwards of approximately \$3,200,000 (subject to limitations imposed under the Internal Revenue Code). In addition to the tax, interest will be due; the total amount of tax and interest will be less than \$300,000. Nathan's has accrued \$345,000 for this matter in the accompanying consolidated balance sheet. Due to the uncertain outcome of the IRS examination and Section 382 limitation, Nathan's has recorded a valuation allowance for the deferred tax asset related to Miami Subs carry-forwards. Pursuant to SFAS No. 109 "Accounting for Income Taxes", any future reduction in the acquired Miami Subs valuation allowance will reduce goodwill.

NOTE F - SALES OF RESTAURANTS

On May 1, 2001, pursuant to an order of condemnation, we sold a company-owned restaurant to the State of Florida for \$1,475,000, net, and repaid the outstanding mortgage of approximately \$793,000 plus accrued interest. Additionally, on June 22, 2001, we sold our restaurant in the Paramus Park Mall to a franchisee for \$400,000 in cash and concurrently entered into a sub-lease for the property.

NOTE G - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the June 24, 2001 presentation.

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations ("FAS 141") and No. 142 Goodwill and Other Intangible Assets ("FAS 142"). FAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful life (but with no maximum life). The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, Nathan's is required to adopt FAS 142 effective in our next fiscal year, commencing April 1, 2002. We are currently evaluating the effect that adoption of the provisions of FAS 142 will have on our results of operations and financial position.

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

INTRODUCTION

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

In addition to plans for expansion, Nathan's has continued to capitalize on the co-branding opportunities within its existing restaurant system. To date, the Arthur Treacher's brand has been introduced within 136 Nathan's, Kenny Rogers Roasters and Miami Subs restaurants, the Nathan's brand has been added to the menu of 81 Miami Subs and Kenny Rogers restaurants, while the Kenny Rogers Roasters brand has been introduced into 73 Miami Subs and Nathan's restaurants. We have begun testing the Miami Subs brand in two company-owned Nathan's restaurants.

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. To date, we have terminated leases on 15 of those properties. We continue to market two of those properties for sale and will terminate the lease for the last unit upon the lease expiration in May 2002. We also terminated 10 additional leases for properties outside of the divestiture plan.

At June 24, 2001, our combined systems consisted of 24 company-owned units, 384 franchised or licensed units and over 1,200 Nathan's Branded Product points of distribution that feature Nathan's world famous all-beef hot dogs, located in 42 states, the District of Columbia and 17 foreign countries. At June 24, 2001, our company-owned restaurant system included 16 Nathan's units, six Miami Subs units and two Kenny Rogers Roasters units, as compared to 18 Nathan's units, 10 Miami Subs units and two Kenny Rogers Roasters units at June 25, 2000.

RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED JUNE 24, 2001 COMPARED TO JUNE 25, 2000

The following results include the operations of Nathan's, Miami Subs Corp. and NF Roaster's Corp. throughout each of the thirteen week periods ended June 24, 2001 and June 25, 2000.

Total sales decreased by 10.8% or \$1,044,000 to \$8,588,000 for the thirteen weeks ended June 24, 2001 ("first quarter fiscal 2002") as compared to \$9,632,000 for the thirteen weeks ended June 25, 2000 ("first quarter fiscal 2001"). Sales from the Branded Product Program increased by 35.3% to \$1,238,000 for the first quarter fiscal 2002 as compared to sales of \$915,000 in the first quarter fiscal 2001. Company-owned restaurant sales decreased 15.7% or \$1,367,000 to \$7,350,000 from \$8,717,000 primarily due to the operation of seven fewer company-owned stores as compared to the prior fiscal year and lower sales at both our comparable restaurants and at two new restaurants that began operating during the first quarter fiscal 2001. These reductions were partially offset by sales from a restaurant that was closed for renovation during the first quarter fiscal 2001. The unit reduction is the result of our franchising one company-owned restaurant, transferring one company-owned restaurant to a franchisee pursuant to a management agreement, closing four unprofitable company-owned units (including three Miami Subs restaurants pursuant to our divestiture plan) and closing one unit due to its lease expiration. The financial impact associated with these seven restaurants lowered restaurant sales by \$1,195,000 and improved restaurant operating profits by \$97,000 versus the fiscal 2001 period. Comparable restaurant sales (consisting of 15 Nathan's and six Miami Subs restaurants) also declined by 2.3% versus the first quarter fiscal 2001.

Franchise fees and royalties decreased by 4.4% or \$100,000 to \$2,189,000 in the first quarter fiscal 2002 compared to \$2,289,000 in the first quarter fiscal 2001. Franchise royalties decreased by \$248,000 or 12.2% to \$1,789,000 in the first quarter fiscal 2002 as compared to \$2,037,000 in the first quarter fiscal 2001. Domestic franchise restaurant sales decreased by 4.0% to \$50,942,000 in the first quarter fiscal 2002 as compared to \$53,041,000 in the first quarter fiscal 2001. The majority of this decline is due to the operation of fewer franchised restaurants during the first quarter fiscal 2002 as compared to the first quarter fiscal 2001. At June 24, 2001, 384 franchised or licensed restaurants were operating as compared to 412 franchised or licensed restaurants at June 25, 2000. Franchise fee income derived from new openings and our co-branding activities was \$340,000 in the first quarter fiscal 2002 as compared to \$160,000 in the first quarter fiscal 2001. This increase was primarily attributable to the difference between the number of franchised units open between the two periods and the initial fees earned from existing restaurants within our system that have co-branded. During the first quarter fiscal 2002, nine new franchised or licensed units opened.

License royalties were \$707,000 in the first quarter fiscal 2002 as compared to \$641,000 in the first quarter fiscal 2001. The majority of this increase is attributable to increased sales by SMG, Inc., Nathans' licensee for the sale of Nathan's frankfurters within supermarkets and club stores.

Investment and other income increased by \$55,000 to \$392,000 in the first quarter fiscal 2002 versus \$337,000 in the first quarter fiscal 2001. During the first quarter fiscal 2002, Nathan's recognized a net gain of \$96,000 in connection with the sale of a company-owned restaurant. During the first quarter fiscal 2002, Nathans' investment income was approximately \$144,000 higher than in the first quarter fiscal 2001 due primarily to differences in performance of the financial markets between the two periods and higher interest income. In the first quarter fiscal 2001, Nathan's recognized income of approximately \$221,000 in connection with the first year's introduction of a consolidated food distribution agreement.

Costs and Expenses

Cost of sales decreased by \$609,000 from \$6,209,000 in the first quarter fiscal 2001 to \$5,600,000 in the first quarter fiscal 2002. During the first quarter fiscal 2002, restaurant cost of sales were lower than the first quarter fiscal 2001 by approximately \$949,000. Lower cost of sales attributable to operating fewer company-owned restaurants of approximately \$778,000, coupled with the lower cost of sales at the two Kenny Rogers Roasters restaurants opened last year more than offset higher costs at our comparable restaurants. The cost of restaurant sales at our comparable units as a percentage of restaurant sales was 60.8% in the first quarter fiscal 2002 as compared to 60.2% in the first quarter fiscal 2001 due primarily to higher food and labor costs. Higher costs of approximately \$340,000 were incurred in connection with the growth of our Branded Product Program. In the beginning of the first quarter fiscal 2002, commodity prices of our primary meat products rose to their highest levels in recent years and remained at that level throughout the quarter. To date, we have raised our retail prices in select situations in an attempt to partially offset these increases, however, should costs remain at these levels for an extended period, we may have to further examine our pricing structure to reduce the impact on our margins.

Restaurant operating expenses decreased by \$504,000 from \$2,457,000 in the first quarter fiscal 2001 to \$1,953,000 in the first quarter fiscal 2002. Restaurant operating costs were lower in the first quarter fiscal 2002 by approximately \$460,000, as compared

to the first quarter fiscal 2001 as a result of operating fewer restaurants. Restaurant operating expenses of the two restaurants opened last year, which included higher costs attributable to their openings, were \$71,000 lower during the first quarter of fiscal 2002. These reductions in restaurant operating expenses were partially offset by higher energy and insurance costs during the first quarter fiscal 2002.

Depreciation and amortization decreased by \$12,000 from \$432,000 in the first quarter fiscal 2001 to \$420,000 in the first quarter fiscal 2002. Lower depreciation expense of operating fewer company-owned restaurants versus the first quarter fiscal 2001 was partially offset by additional depreciation expense attributable to last year's capital spending.

Amortization of intangibles decreased by \$15,000 from \$237,000 in the first quarter fiscal 2001 to \$222,000 in the first quarter fiscal 2002. Amortization of intangibles decreased as a result of the final purchase price allocation of the Miami Subs acquisition.

General and administrative expenses decreased by \$122,000 to \$2,119,000 in the first quarter fiscal 2002 as compared to \$2,241,000 in the first quarter fiscal 2001. The decrease in general and administrative expenses was due primarily to lower personnel and incentive compensation expense of approximately \$146,000.

Interest expense was \$59,000 during the first quarter fiscal 2002 as compared to \$72,000 during the first quarter fiscal 2001. The reduction in interest expense relates primarily to the repayment of outstanding debt between the two periods.

Other income of \$210,000 in the first quarter fiscal 2002 represents the reversal of a previously recorded litigation provision for an award that was settled, upon appeal, in our favor.

Income Tax Expense

In the first quarter fiscal 2002, the income tax provision was \$751,000 or 43.8% of income before income taxes as compared to \$506,000 or 40.4% of income before income taxes in the first quarter fiscal 2001. In January 2001, we reached a tentative agreement to settle the Miami Subs' Internal Revenue Service audit. Based upon this agreement, we determined that certain amortization expense, originally expected to be tax deductible, would be disallowed. Accordingly, our fiscal 2002 income tax expense rate is higher than the first quarter fiscal 2001 to reflect the non-deductibility of such amortization expense. The impact of this non-deductible amortization on the prior fiscal year was recorded during the third quarter fiscal 2001.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 24, 2001 aggregated \$2,882,000, decreasing by \$1,443,000 during the first quarter fiscal 2002. At June 24, 2001, marketable securities and investment in limited partnership increased by \$1,354,000 to \$6,002,000 and net working capital increased to \$6,642,000 from \$5,210,000 at March 25, 2001. Cash and cash equivalents at June 24, 2001 included \$792,000 held on behalf of the Miami Subs Advertising Funds. A corresponding accrual has been recorded within accrued expenses and other current liabilities.

Cash used in operations of \$2,232,000 in the first quarter fiscal 2002 is primarily attributable to net income of \$962,000, non-cash charges of \$672,000, including depreciation and amortization of \$642,000 and provision for doubtful accounts of \$30,000 in addition to a decrease in prepaid and other current assets of \$333,000, which were more than offset by decreases in accounts payable and accrued expenses of \$1,727,000, an increase in marketable securities and investment in limited partnership of \$1,354,000, increases in notes and accounts receivable of \$839,000, a decrease in other non current liabilities of \$135,000 and an increase in inventories of \$67,000.

Cash provided by investing activities of \$1,641,000 is comprised primarily of proceeds from the sale of two company-owned restaurants totaling \$1,875,000. On May 1, 2001, pursuant to an order of condemnation, we sold a company-owned restaurant to the State of Florida for \$1,475,000, net, and repaid the outstanding mortgage of approximately \$793,000 plus accrued interest. Additionally, on June 22, 2001, we sold our restaurant in the Paramus Park Mall to a franchisee for \$400,000 in cash and concurrently entered into a sub-lease for the property. Additionally, \$321,000 was expended relating to capital improvements of the company-owned restaurants and other fixed asset additions and was partially offset by cash received on notes receivable of \$87,000.

Cash used in financing activities of \$852,000 represents repayments of notes payable and obligations under capital leases. The majority of the repayments arose from the repayment of an outstanding mortgage of approximately \$793,000 plus accrued interest in connection with the condemnation of a company-owned restaurant by the State of Florida.

In connection with our acquisition of Miami Subs, we determined that up to 18 underperforming restaurants would be closed pursuant to our divestiture plan. To date, we have terminated leases on 15 of those properties. We are continuing to market two of the remaining properties for sale and will terminate the lease for the last unit upon the lease expiration in May 2002. As of June 24, 2001, we have accrued approximately \$1,461,000 for lease reserves and termination costs, as part of the acquisition, for units with total future minimum lease obligations of \$7,680,000 with remaining lease terms of one year up to approximately 17 years. We may incur future cash payments, consisting primarily of future lease payments including costs and expenses associated with terminating additional leases that were not part of our divestiture plan.

We expect that we will make additional investments in certain existing restaurants in the future and that we will fund those investments from our operating cash flow. We do not currently expect to incur significant capital expenditures to develop new company-owned restaurants.

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital to finance our operations for at least the next twelve months. We maintain a \$7,500,000 uncommitted bank line of credit and have not borrowed any funds to date under this line of credit.

FORWARD LOOKING STATEMENT

Certain statements contained in this report are forward-looking statements. Forward-looking statements represent our current judgment regarding future events. Although we would not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy and actual results may differ materially from those we anticipated due to a number of uncertainties, many of which we are not aware. These risks and uncertainties, many of which are not within our control, include, but are not limited to: economic, weather, legislative and business conditions; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; 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

Nathan's Famous, Inc. and Nathan's Famous Operating Corp. were named as two of three defendants in an action commenced in July 2001, in the Supreme Court of New York, Westchester County. According to the complaint, the plaintiffs, a minor and her mother, are seeking damages in the amount of \$17 million against Nathan's Famous and Nathan's Famous Operating Corp. and one of Nathan's former employees claiming that the Nathan's entities failed to properly supervise the former employee, failed to comply with applicable labor laws, failed to appropriately supervise minor employees and failed to institute systems to report incidents of sexual harassment, all of which enabled the former employee to sexually harass and molest the minor plaintiff, who was also an employee. The Nathan's entities intend to defend the action vigorously.

Teamspirit Enterprise, Inc. and Ross Kyriacethys ("Plaintiffs") commenced an action in the Circuit Court of the Seventeenth Judicial Circuit, Broward County, Florida in March 2001 against the Estate of Konstantinos "Gus" Boulis and Miami Subs USA, Inc ("Miami Subs") claiming fraud, conspiracy to defraud, breach of contract and breach of the covenant of good faith and fair dealing in connection with Plaintiff's purchase of a Miami Subs franchise from Gus Boulis for \$40,000. Plaintiffs claim that Miami Subs induced Plaintiffs to purchase the franchise by making warranties and representations that: (a) Boulis was a franchisee of Baskin-Robbins USA, Inc. ("Baskins-Robbins") and had the authority to grant and transfer that franchise to Plaintiffs; and (b) that the franchise location purchased by Plaintiffs was in full compliance with the requirements of the Americans With Disabilities Act. Plaintiffs also claim that Miami Subs failed to pay royalty revenues to Baskin-Robbins that were collected from Plaintiffs and were allegedly supposed to be remitted to Baskin-Robbins, Plaintiffs have not specified the amount of damages which they are seeking. Miami Subs intends to vigorously defend against these claims.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) No reports on Form 8-K were filed during the quarter ended June 24, 2001.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Nathan's has historically invested its 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 Nathan's existing investments in cash equivalents are not considered at risk with respect to changes in interest rates or markets for these instruments, Nathan's rate of return on short-term investments could be affected at the time of reinvestment as a result of intervening events.

Nathan's has invested its marketable investment securities in intermediate term, fixed rate, highly rated and highly liquid instruments and a highly liquid investment limited partnership that invests principally in equities. These investments are subject to fluctuations in interest rates and the performance of the equity markets.

The interest rates on Nathan's borrowings are generally determined based upon prime rate and may be subject to market fluctuation as the prime rate changes as determined within each specific agreement. Nathan's does not anticipate entering into interest rate swaps or other financial instruments to hedge its borrowings.

The cost of commodities are subject to market fluctuation. Nathan's has not attempted to hedge against fluctuations in the prices of the commodities it purchases using future, forward, option or other instruments. As a result, Nathan's future commodities purchases are subject to changes in the prices of such commodities.

Foreign franchisees generally conduct business with Nathan's and make payments to Nathan's in, United States dollars, reducing the risks inherent with changes in the values of foreign currencies. As a result, Nathan's has not purchased future contracts, options or other instruments to hedge against changes in values of foreign currencies.

SIGNATURES

Pursuant to the requirements of the Securities and 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: August 7, 2001

By: /s/Wayne Norbitz

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

Date: August 7, 2001

By: /s/Ronald G. DeVos

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