FAMOUS DAVES OF AMERICA INC
Form 10-Q
May 08, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 29, 2015

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 0-21625

FAMOUS DAVE S of AMERICA, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-1782300**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12701 Whitewater Drive, Suite 200

Minnetonka, MN 55343

(Address of principal executive offices) (Zip code)

Registrant s telephone number, including area code (952) 294-1300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

Large Accelerated Filer ¨	Accelerated Filer þ
Non-Accelerated Filer ¨	Smaller reporting company ¨
(Do not check if a smaller reporting company)	

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

As of May 5, 2015, 7,003,475 shares of the registrant s Common Stock were outstanding.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 29, 2015 AND DECEMBER 28, 2014

(in thousands, except per share data)

	March 29, 2015 (Unaudited)	December 28, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,007	$ 2,133
Restricted cash	518	648
Accounts receivable, net	4,677	3,558
Inventories	2,744	2,742
Deferred tax assets	1	1
Prepaid expenses and other current assets	2,873	1,993
Assets held for sale	2,500	2,500
Total current assets	15,320	13,575
Property, equipment and leasehold improvements, net	48,475	49,495
Other assets:		
Intangible assets, net	2,937	2,949
Deferred tax assets	336	336
Other assets	334	322
	$ 67,402	$ 66,677
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and financing lease obligation	$ 1,046	$ 1,031
Accounts payable	5,789	5,653
Accrued compensation and benefits	1,519	3,457
Deferred tax liabilities	131	131
Other current liabilities	3,837	3,939
Total current liabilities	12,322	14,211
Long-term liabilities:		
Line of credit	11,000	5,000
Long-term debt, less current portion	3,173	3,343
Financing lease obligation, less current portion	3,055	3,150
Other liabilities	9,337	9,171
Total liabilities	38,887	34,875
Shareholders equity:		
	66	68

Common stock, $0.01 par value, 100,000 shares authorized, 7,035 and 7,137 shares issued and outstanding at March 29, 2015 and December 28, 2014, respectively		
Retained earnings	28,449	31,734
Total shareholders equity	28,515	31,802
	$ 67,402	$ 66,677

See accompanying notes to consolidated financial statements.

- 3 -

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

MARCH 29, 2015 AND MARCH 30, 2014

(in thousands, except per share data)

(Unaudited)

	Three Months Ended March 29, 2015	Three Months Ended March 30, 2014
Revenue:		
Restaurant sales, net	$ 28,106	$ 31,248
Franchise royalty revenue	4,331	4,203
Franchise fee revenue	5	35
Licensing and other revenue	185	176
Total revenue	32,627	35,662
Costs and expenses:		
Food and beverage costs	8,524	9,126
Labor and benefits costs	9,381	10,420
Operating expenses	7,855	8,401
Depreciation and amortization	1,391	1,546
General and administrative expenses	4,892	4,227
Asset impairment and estimated lease termination and other closing costs	95	460
Pre-opening expenses	1	7
Net (gain) loss on disposal of property	(23)	434
Total costs and expenses	32,116	34,621
Income from operations	511	1,041
Other expense:		
Interest expense	(208)	(263)
Interest income	5	1
Other expense, net	(2)	(1)
Total other expense	(205)	(263)
Income before income taxes	306	778
Income tax expense	(109)	(262)
Net income	$ 197	$ 516
Basic net income per common share	$ 0.03	$ 0.07
Diluted net income per common share	$ 0.03	$ 0.07
Weighted average common shares outstanding basic	7,107	7,312

Weighted average common shares outstanding diluted	7,131	7,345

See accompanying notes to consolidated financial statements.

- 4 -

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

MARCH 29, 2015 AND MARCH 30, 2014

(in thousands)

(Unaudited)

	Three Months Ended	
	March 29, 2015	**March 30, 2014**
Cash flows from operating activities:		
Net income	$ 197	$ 516
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	1,391	1,546
Asset impairment and estimated lease termination and other closing costs	95	460
Net (gain) loss on disposal of property	(23)	434
Amortization of deferred financing costs	23	18
Deferred rent	224	256
Stock-based compensation	208	(609)
Tax benefit for equity awards issued	(153)	(680)
Changes in operating assets and liabilities:		
Restricted cash	130	322
Accounts receivable, net	(1,154)	86
Inventories	88	133
Prepaid expenses and other current assets	(879)	(640)
Accounts payable	39	(323)
Accrued compensation and benefits	(2,128)	(1,395)
Other current liabilities	(105)	668
Other liabilities		(5)
Long-term deferred compensation	(74)	(35)
Cash flows (used for) provided by operating activities	(2,121)	752
Cash flows used for investing activities:		
Proceeds from the sale of décor		75
Purchases of property, equipment and leasehold improvements	(428)	(450)
Cash flows used for investing activities	(428)	(375)
Cash flows used for financing activities:		
Proceeds from line of credit	9,200	5,700
Payments on line of credit	(3,200)	(4,800)
Payments on long-term debt and financing lease obligation	(250)	(244)
Payments from exercise of stock options		(114)
Tax benefit for equity awards issued	153	680
Repurchase of common stock	(3,480)	(950)
Cash flows provided by financing activities	2,423	272
(Decrease) increase in cash and cash equivalents	(126)	649
Cash and cash equivalents, beginning of period	2,133	1,293

Cash and cash equivalents, end of period	$ 2,007	$ 1,942

See accompanying notes to consolidated financial statements.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

We, Famous Dave s of America, Inc. (Famous Dave s or the Company), were incorporated in Minnesota on March 14, 1994. We develop, own, operate and franchise restaurants under the name Famous Dave s . As of March 29, 2015, there were 184 Famous Dave s restaurants operating in 34 states, the Commonwealth of Puerto Rico and one Canadian province, including 50 company-owned restaurants and 134 franchise-operated restaurants. An additional 56 franchise restaurants were committed to be developed through signed Area Development Agreements as of March 29, 2015.

We prepared these consolidated financial statements in accordance with Securities and Exchange Commission (SEC) Rules and Regulations. These unaudited financial statements represent the consolidated financial statements of Famous Dave s and its subsidiaries as of March 29, 2015 and December 28, 2014 and for the three month periods ended March 29, 2015 and March 30, 2014, respectively. The information furnished in these financial statements includes normal recurring adjustments and reflects all adjustments, which are, in our opinion, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended December 28, 2014 as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three months ended March 29, 2015 are not necessarily indicative of the results to be expected for the full year.

(2) Net Income Per Common Share

Basic net income per common share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted EPS equals net income divided by the sum of the weighted average number of shares of common stock outstanding plus all additional common stock equivalents, such as stock options, when dilutive.

Following is a reconciliation of basic and diluted net income per common share:

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)	Three Months Ended March 29, 2015	Three Months Ended March 30, 2014
Net income per common share basic:		
Net income	$ 197	$ 516
Weighted average shares outstanding	7,107	7,312
Net income per common share basic	$ 0.03	$ 0.07
Net income per common share diluted:		
Net income	$ 197	$ 516
Weighted average shares outstanding	7,107	7,312
Dilutive impact of common stock equivalents outstanding	24	33
Adjusted weighted average shares outstanding	7,131	7,345
Net income per common share diluted	$ 0.03	$ 0.07

All options outstanding as of March 29, 2015 and March 30, 2014 were included in the computation of diluted earnings per share.

(3) Restricted Cash and Marketing Fund

We have a system-wide Public Relations and Marketing Development Fund, to which Company-owned restaurants, in addition to the majority of franchise-operated restaurants, contribute a percentage of net sales, currently 1.0%, for use in public relations and marketing development efforts throughout the system. The assets held by this fund are considered restricted. Accordingly, we reflect the cash related to this fund in restricted cash and reflect the liability in accounts payable on our consolidated balance sheets as of March 29, 2015 and December 28, 2014. We had approximately $518,000 and $648,000 in this fund as of March 29, 2015 and December 28, 2014, respectively.

(4) Allowance for Doubtful Accounts

Accounts Receivable, Net We provide an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. We provide for a general bad debt reserve for franchise receivables due to increases in days sales outstanding and deterioration in general economic market conditions. This general reserve is based on the aging of receivables meeting specified criteria and is adjusted each quarter based on past due receivable balances. Additionally, we have periodically established a specific reserve on certain receivables as necessary. Any changes to the reserve are recorded in general and administrative expenses. The allowance for uncollectible accounts was approximately $201,000 and $214,000, at March 29, 2015 and December 28, 2014, respectively. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to allowance for doubtful accounts. Accounts receivable balances written off have not exceeded allowances provided. We believe all accounts receivable in excess of the allowance are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. Outstanding past due accounts receivable are subject to a monthly interest charge on unpaid balances which is recorded as interest income in our consolidated statements of operations. In assessing recoverability of these receivables, we make judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which the franchisees are required to submit to us, as well as other variables.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Intangible Assets, net

The Company has intangible assets that consist of liquor licenses and lease interest assets. The liquor licenses are indefinite lived assets and are not subject to amortization. The lease interest assets are amortized to occupancy costs on a straight-line basis over the remaining term of each respective lease. Amortization of the lease interest assets is expected to be approximately $47,500 per year, for the remaining useful life.

A reconciliation of beginning and ending amounts of intangible assets at March 29, 2015 and December 28, 2014, respectively, are presented in the table below:

(in thousands)	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion[1]	Non-Current Portion
Balance at December 28, 2014						
Lease interest assets	25.1	$ 1,417	$ (230)	$ 1,187	$ (48)	$ 1,139
Liquor licenses		1,810		1,810		1,810
Total		$ 3,227	$ (230)	$ 2,997	$ (48)	$ 2,949

(in thousands)	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion[1]	Non-Current Portion
Balance at March 29, 2015						
Lease interest assets	24.8	$ 1,417	$ (242)	$ 1,175	$ (48)	$ 1,127
Liquor licenses		1,810		1,810		1,810
Total		$ 3,227	$ (242)	$ 2,985	$ (48)	$ 2,937

(1) The current portion is included in prepaid expenses and other current assets on the consolidated balance sheets.

(6) Credit Facility, Long-Term Debt and Debt Covenants

The Company and certain of its subsidiaries (collectively known as the Borrower) currently have a Credit Agreement with Wells Fargo Bank, National Association. The Credit Agreement will expire on July 5, 2016. It contains a $30.0 million revolving credit facility (the Facility) with an opportunity to increase this to $50.0 million, a term loan (the Term Loan) and up to $3.0 million of letters of credit, which reduce the availability of the Facility. At March 29, 2015, the principal amount outstanding under the Facility and the Term Loan was $11.0 million and $3.9 million, respectively, along with approximately $455,000 in letters of credit for real estate locations. The Credit Agreement allows for the termination of the Facility by the Borrower without penalty at any time. We expect to use any borrowings under the Credit Agreement for general working capital purposes as needed. Under the Credit Agreement, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

- 8 -

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate or Base Rate plus an applicable margin. The applicable margin depends on the Company s Adjusted Leverage Ratio at the end of the previous quarter. For the three months ended March 29, 2015 and March 30, 2014, our weighted average interest rate for the Facility was 2.76% and 2.85%, respectively. Unused portions of the Facility are subject to a fee, which was 0.375% of the unused amount at March 29, 2015. An option exercise fee would also apply to increased outstanding amounts between $30.0 and $50.0 million.

Principal amounts outstanding under the Term Loan bear interest at the same rate as the Facility. The weighted average interest rate of the Term Loan for the three months ended March 29, 2015 and March 30, 2014 was 2.18% and 2.33%, respectively. The Company is required to make minimum annual amortization payments of 10.0% of the principal balance of the Term Loan.

The Facility contains various financial covenants as well as customary affirmative and negative covenants for credit facilities of this type. For more information regarding the details of the various financial covenants and customary affirmative and negative covenants, please read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended December 28, 2014. We were in compliance with all covenants as of March 29, 2015.

(7) Other Current Liabilities

Other current liabilities consisted of the following at:

(in thousands)	**March 29, 2015**	**December 28, 2014**
Gift cards payable	$ 1,668	$ 1,960
Other liabilities	1,165	844
Sales tax payable	699	824
Deferred franchise fees	225	225
Accrued property and equipment purchases	57	50
Income tax payable	23	36
	$ 3,837	$ 3,939

(8) Other Liabilities

Other liabilities consisted of the following at:

(in thousands)	**March 29, 2015**	**December 28, 2014**
Deferred rent	$ 8,650	$ 8,435
Long term deferred compensation	437	411
Asset retirement obligations	115	115
Other liabilities	83	159
Income taxes payable	52	51
	$ 9,337	$ 9,171

- 9 -

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Performance Shares, Stock Options, Other Forms of Compensation, and Common Share Repurchases

Stock-based Compensation

We have adopted a 2005 Stock Incentive Plan, pursuant to which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other stock and cash awards to eligible participants. We have also adopted a 1998 Director Stock Option Plan. Together, the 2005 Stock Incentive Plan and the 1998 Director Stock Option Plan are referred to herein as the Plans. Under the 2005 Plan, an aggregate of 254,762 shares of our Company s common stock remained unreserved and available for issuance at March 29, 2015. The 2005 Stock Incentive Plan and the Director Plan prohibit the granting of incentives after June 10, 2008 and May 12, 2015, respectively, the tenth anniversary of the date such Plans were approved by the Company s shareholders. Nonetheless, the 2005 Stock Incentive Plan and the Director Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated.

We recognized stock-based compensation expense in our consolidated statements of operations for the three months ended March 29, 2015 and March 30, 2014, respectively, as follows:

	Three Months Ended	
	March 29, 2015	March 30, 2014
2011 Program[1][3]	$	$ (55)
2012 Program[1][4]		(370)
2013 Program[2][5]	28	(266)
Performance Shares and Performance Stock Units	$ 28	$ (691)
Stock Options	172	118
Restricted Stock and Restricted Stock Units[6]	15	(73)
Director Shares[7]		2
	$ 215	$ (644)

(1) The, 2011 and 2012 Program s consisted entirely of performance shares.
(2) The 2013 Program s stock-based compensation consists of both performance shares and performance stock units.
(3) The three months ended March 30, 2014 includes the recapture of previously recorded stock-based compensation of approximately $401,000 due to employee departures.
(4) The three months ended March 30, 2014 includes the recapture of previously recorded stock-based compensation related to performance shares of approximately $280,000 and performance stock units of approximately $49,000 due to employee departures.
(5) The three months ended March 30, 2014 includes the recapture of previously recorded stock-based compensation of approximately $128,000 due to the departure of our CEO.
(6) The three months ended March 30, 2014 includes the recapture of previously recorded stock-based compensation of approximately $20,000 due to the departure of our CEO.
(7) The three months ended March 30, 2014 includes the recapture of previously recorded stock-based compensation of approximately $55,000.

Performance Shares and Performance Stock Units

Upon the conclusion of the 2012 performance share program, no shares were issued as the performance conditions were not satisfied.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the 2013 performance share program, performance was measured by using Adjusted EBITDA. For these purposes, Adjusted EBITDA is defined as income from operations of the Company, plus depreciation and amortization, non-cash adjustments (such as asset impairment, lease termination and other closing costs) and other non-cash items as approved by the Company s Compensation Committee. Adjusted EBITDA is subject to adjustment by the Compensation Committee in its sole discretion for non-cash items. The Compensation Committee did not implement a formal equity incentive program for fiscal 2014 or 2015.

We recognize compensation cost for performance share awards over the requisite service period (i.e. fixed treatment) based on their fair value, which is the closing stock price at the date of grant. Participants in each performance share program are entitled to receive a number of shares of our common stock (Performance Shares) based upon the extent to which we achieve Adjusted EBITDA goals established by our Compensation Committee for each fiscal year within a three-year performance period (Cumulative Adjusted EBITDA Goal). Receipt of any performance shares is contingent upon our achieving a specified minimum percentage of the Cumulative EBITDA Goal.

We recognize compensation cost for performance stock unit awards over the requisite service period based on their initial fair value, which is the closing stock price at the date of grant. This award is adjusted to fair value based on the closing stock price at the end of each fiscal quarter. Recipients of performance stock unit awards are entitled to receive a cash payout based on a number of our stock units awarded (Performance Stock Unit) to the extent we achieve the Cumulative Adjusted EBITDA Goal, and the market value of our common stock.

At March 29, 2015, the following performance share programs were in progress:

Award Date	Program	Target No. of Performance Shares and Performance Stock Units (Originally Granted)(1)(2)	Estimated Payout of Performance Shares and Performance Stock Units (at March 29, 2015)	Maximum Payout (as a percent of target number)
1/8/2013	2013 Program	25,300(3)	22,477(4)	100.0%

(1) Assumes achievement of 100% of the applicable Adjusted EBITDA Goal.
(2) Net of employee forfeitures.
(3) This program consists of 23,070 performance shares and 2,230 performance stock units.
(4) Consists of 21,408 performance shares and 2,069 performance stock units, assuming an estimated payout equal to 92.8% of the applicable Cumulative Adjusted EBITDA Goal. Final payout amounts will be determined upon the Company filing its annual report on Form 10-K for the 2015 fiscal year. The participants rights to receive Performance Shares or Performance Stock Units are contingent on the Company achieving Cumulative Adjusted EBITDA for fiscal 2013-2015 that are equal to at least the sum of the amounts achieved by the Company during fiscal 2012-2014 (as adjusted by the Compensation Committee, if applicable). If the Company achieves this threshold, then participants will be entitled to receive a percentage of their Target number of Performance Shares and Performance Stock Units equal to the percentage of the Adjusted EBITDA Goal achieved by the Company, up to 100%.

Board of Directors Compensation

We recognized board of directors compensation expense in our consolidated statement of operations for the three months ended March 29, 2015 and March 30, 2014, respectively, as follows:

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)	Three Months Ended March 29, 2015	Three Months Ended March 30, 2014
Stock-based compensation(1)(2)(3)	$ 15	2(4)
Stock option compensation(5)(6)(7)	68	
Cash compensation	77	112
Total board of directors compensation	$ 160	$ 114

Stock Options

On February 10, 2014, Edward H. Rensi was named Interim Chief Executive Officer by the Company s board of directors. Pursuant to the agreement governing Mr. Rensi s employment, the Company granted him 25,000 stock options. These options vested in two equal installments of 12,500 shares on February 10, 2014 and February 10, 2015 and expire five years from the grant date. The compensation expense for this grant was recognized under general and administrative expense in our consolidated statements of operations through the applicable service period. On May 22, 2014, Edward H. Rensi was named Chief Executive Officer.

On January 15, 2015, Edward H. Rensi was granted 75,000 stock options. These options will vest in equal annual installments over a three year period and expire five years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

On June 2, 2014, Richard A. Pawlowski was named Chief Financial Officer by the Company s board of directors. Pursuant to the agreement governing Mr. Pawlowski s employment, the Company granted 78,000 stock options. These options will vest in equal annual installments over a period of three years and expire five years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other options granted to certain non-officer employees vest in equal annual installments over a period of four years and expire five years from the grant date. Compensation expense equal to the grant date fair value is generally recognized for these awards over the vesting period.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes valuation method with the assumptions noted in the table below. Due to a lack of recent historical share option exercise experience, the Company uses a simplified method for estimating the expected life, as outlined in Accounting Standards Codification 718, calculated using the following formula: (vesting term + original contract term)/2. Expected volatilities are based on the movement of the company s common stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. maturities over the expected life at the time of grant.

Information regarding our Company s stock options is summarized below:

(number of options in thousands)	**Number of Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life in Years**
Options outstanding at December 28, 2014	196	$ 27.67	6.5
Granted	95	30.66	
Options outstanding at March 29, 2015	291	28.66	7.4

Weighted-average values and assumptions for valuing grants made:

	Three months ended March 29, 2015	**Fiscal 2014**
Weighted average fair value of options granted	$ 7.55	$ 10.42
Expected life (in years)	3.9	4.8
Expected stock volatility	37.4%	41.9%
Risk-free interest rate	1.0%	1.4%

Common Share Repurchases

On May 1, 2012, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to 1.0 million shares of our common stock in both the open market or through privately negotiated transactions. We repurchased 118,210 shares during the first three months of fiscal 2015 for approximately $3.6 million at an average market price per share of $30.67, excluding commissions. No shares were repurchased during the first three months of fiscal 2014. Since the program was adopted May 2012, we have repurchased 922,311 shares for approximately $16.5 million at an average market price per share of $17.93, excluding commissions.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement Savings Plans

401(k) Plan

We have a pre-tax salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. In fiscal 2015, we will match 25.0%, and in fiscal 2014, we matched 25.0%, of the employee s contribution up to 4.0% of their earnings. Employee contributions were approximately $116,000 and $144,000 for the first quarter of fiscal years 2015 and 2014, respectively. The employer match was approximately $20,000 and $25,000 for the first quarter of fiscal years 2015 and 2014, respectively. There were no discretionary contributions to the Plan in the first quarter of fiscal 2015 and 2014.

Non-Qualified Deferred Compensation Plan

We have a Non-Qualified Deferred Compensation Plan effective as of February 25, 2005 (the Plan). Eligible participants are those employees who are at the director level and above and who are selected by the Company to participate in the Plan. Participants must complete a deferral election each year to indicate the level of compensation (salary, bonus and commissions) they wish to have deferred for the coming year. This deferral election is irrevocable except to the extent permitted by the Plan administrator, and the regulations promulgated by the IRS. During fiscal 2015, we will match 25.0%, and in fiscal 2014, we matched 25.0%, of the first 4.0% contributed and are paying a declared interest rate of 6.0% on balances outstanding. The Board of Directors administers the Plan and may change the rate or any other aspects of the Plan at any time.

Deferral periods are limited to the earlier of termination of employment or not less than three calendar years following the end of the applicable Plan year. Extensions of the deferral period for a minimum of five years are allowed provided an election for extension is made at least one year before the first payment affected by the change. Payments can be in a lump sum or in equal payments over a two-, five- or ten-year period, plus interest from the commencement date.

The Plan assets are kept in an unsecured account that has no trust fund. In the event of bankruptcy, any future payments would have no greater rights than that of an unsecured general creditor of the Company and they confer no legal rights for interest or claim on any assets of the Company. Benefits provided by the Plan are not insured by the Pension Benefit Guaranty Corporation (PBGC) under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA), because the pension insurance provisions of ERISA do not apply to the Plan.

For the quarter ended March 29, 2015 and March 30, 2014, eligible participants contributed approximately $18,000 and $35,000, respectively, to the Plan, and the Company provided matching funds and interest of approximately $9,000 and $19,000, respectively. Distributions for the quarters ended March 29, 2015 and March 30, 2014 were $113,000 and $115,000, respectively. The balance of the Plan for the quarters ended March 29, 2015 and December 28, 2014 was approximately $547,000 and $633,000, respectively. Of these balance approximately $109,000 and $224,000 was recorded in current liabilities and the remaining balance was recorded in other liabilities at March 29, 2015 and December 28, 2014, respectively.

(11) Asset Impairment and Estimated Lease Termination and Other Closing Costs

We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant s assets exceeds its fair value. Fair value is estimated based on the best information available including estimated

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms, discount rate and other factors. If these assumptions change in the future, we may be required to take additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates. Restaurant sites that are operating but have been previously impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Following is a summary of these events during the first quarter of fiscal 2015 and fiscal 2014.

Asset Impairment and Estimated Lease Termination and Other Closing Costs (in thousands):

Restaurants	Reason	Three Months Ended March 29, 2015	Three Months Ended March 30, 2014
Richmond, VA area	Costs for closed restaurants	$ 95	$
Various	Costs for closed restaurants[1]		342
Salisbury, MD	Costs for closed restaurant		99
Salisbury, MD	Lease termination costs		19
Total			