FAMOUS DAVES OF AMERICA INC
Form 10-Q
May 13, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended April 3, 2011

o **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 o

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 o No o

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

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

As of May 9, 2011, 8,039,942 shares of the registrant s Common Stock were outstanding.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
APRIL 3, 2011 AND JANUARY 2, 2011
(in thousands, except share and per share data)

	April 3, 2011 (Unaudited)	January 2, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,671	$ 2,654
Restricted cash	222	94
Accounts receivable, net	3,156	3,097
Inventories	2,570	2,444
Deferred tax asset	205	205
Prepaid expenses and other current assets	2,511	2,369
Current portion of notes receivable	265	384
Total current assets	11,600	11,247
Property, equipment and leasehold improvements, net	60,595	61,550
Other assets:		
Notes receivable, less current portion	40	54
Other assets	3,251	3,278
	$ 75,486	$ 76,129
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and financing lease obligation	$ 549	$ 538
Accounts payable	4,403	3,935
Accrued compensation and benefits	2,577	4,409
Other current liabilities	4,238	4,972
Total current liabilities	11,767	13,854
Long-term liabilities:		
Line of credit	15,400	13,000
Long-term debt, less current portion	6,092	6,205
Financing lease obligation, less current portion	4,238	4,292
Deferred tax liability	446	446
Other liabilities	5,517	5,428
Total liabilities	43,460	43,225

Shareholders equity:		
Common stock, $.01 par value, 100,000,000 shares authorized, 8,054,000 and 8,245,000 shares issued and outstanding at April 3, 2011 and January 2, 2011, respectively	80	82
Additional paid-in capital	8,180	10,238
Retained earnings	23,766	22,584
Total shareholders equity	32,026	32,904
	$ 75,486	$ 76,129

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 3, 2011 AND APRIL 4, 2010
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended April 3, 2011	Three Months Ended April 4, 2010
Revenue:		
Restaurant sales, net	$ 32,741	$ 28,393
Franchise royalty revenue	4,029	3,982
Franchise fee revenue	40	40
Licensing and other revenue	280	184
Total revenue	37,090	32,599
Costs and expenses:		
Food and beverage costs	9,653	8,327
Labor and benefits costs	10,437	9,249
Operating expenses	9,074	7,628
Depreciation and amortization	1,375	1,292
General and administrative expenses	4,324	3,811
Asset impairment and estimated lease termination and other closing costs	171	(74)
Pre-opening expenses		27
Gain on acquisition, net of acquisition costs		(2,036)
Net loss on disposal of property	1	
Total costs and expenses	35,035	28,224
Income from operations	2,055	4,375
Other expense:		
Interest expense	(279)	(300)
Interest income	6	39
Other income, net	8	7
Total other expense	(265)	(254)
Income before income taxes	1,790	4,121
Income tax expense	(608)	(1,414)
Net income	$ 1,182	$ 2,707

Basic net income per common share	$	0.15	$	0.30
Diluted net income per common share	$	0.14	$	0.30
Weighted average common shares outstanding basic		8,118,000		8,999,000
Weighted average common shares outstanding diluted		8,302,000		9,162,000

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
APRIL 3, 2011 AND APRIL 4, 2010
(in thousands)
(Unaudited)

	Three Months Ended	
	April 3, 2011	**April 4, 2010**
Cash flows from operating activities:		
Net income	$ 1,182	$ 2,707
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	1,375	1,292
Gain on acquisition of restaurants		(2,343)
Asset impairment and estimated lease termination and other closing costs	171	(74)
Net loss on disposal of property	1	
Amortization of deferred financing costs	14	13
Deferred income taxes		764
Deferred rent	184	104
Stock-based compensation	326	355
Tax benefit for equity awards issued	118	
Changes in operating assets and liabilities, net of acquisition:		
Restricted cash	(128)	114
Accounts receivable, net	(59)	164
Inventories	(126)	(72)
Prepaid expenses and other current assets	(142)	(447)
Deposits		(28)
Accounts payable	445	314
Accrued compensation and benefits	(1,913)	(2,181)
Other current liabilities	(840)	(337)
Long-term deferred compensation	(83)	19
Cash flows provided by operating activities	525	364
Cash flows from investing activities:		
Purchases of property, equipment and leasehold improvements	(580)	(703)
Acquisition of restaurants		(6,822)
Payments received on notes receivable	133	64
Cash flows used for investing activities	(447)	(7,461)
Cash flows from financing activities:		
Proceeds from long-term debt		6,800
Proceeds from draws on line of credit	11,000	6,500
Payments on line of credit	(8,600)	(4,500)
Payments for debt issuance costs	(1)	
Payments on long-term debt and financing lease obligation	(156)	(76)
Proceeds from exercise of stock options	110	
Tax benefit for equity awards issued	118	

Repurchase of common stock	(2,532)	(2,982)
Cash flows (used for) provided by financing activities	(61)	5,742
Increase (decrease) in cash and cash equivalents	17	(1,355)
Cash and cash equivalents, beginning of period	2,654	2,996
Cash and cash equivalents, end of period	$ 2,671	$ 1,641

See accompanying notes to consolidated financial statements.

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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 April 3, 2011, there were 182 Famous Dave s restaurants operating in 37 states, including 52 company-owned restaurants and 130 franchise-operated restaurants. An additional 71 franchise restaurants were committed to be developed through signed area development agreements as of April 3, 2011.

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 April 3, 2011 and January 2, 2011 and for the three month periods ended April 3, 2011 and April 4, 2010. 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 January 2, 2011 as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three months ended April 3, 2011 are not necessarily indicative of the results to be expected for the full year.

Reclassifications Certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

(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.

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

	Three Months Ended	
(in thousands, except per share data)	**April 3, 2011**	**April 4, 2010**
Net income per common share basic:		
Net income	$ 1,182	$ 2,707
Weighted average shares outstanding	8,118	8,999
Net income per common share basic	$ 0.15	$ 0.30
Net income per common share diluted:		
Net income	$ 1,182	$ 2,707
Weighted average shares outstanding	8,118	8,999
Dilutive impact of common stock equivalents outstanding	184	163
Adjusted weighted average shares outstanding	8,302	9,162
Net income per common share diluted	$ 0.14	$ 0.30

There were 25,500 options outstanding as of April 3, 2011 and April 4, 2010 that were not available to be included in the computation of diluted EPS because they were anti-dilutive.

(3) 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 $33,000 and $80,000 at April 3, 2011 and January 2, 2011, 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 variances.

(4) Public Relations and Marketing Development Fund and Restricted Cash

We have a system-wide Public Relations and Marketing Development Fund, to which Company-owned restaurants, in addition to franchise-operated restaurants on which franchise agreements were signed after December 17, 2003, are required to contribute a percentage of net sales, currently 0.75%, 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

accounts payable on our consolidated balance sheets as of April 3, 2011 and January 2, 2011. As of April 3, 2011 and January 2, 2011, we had approximately $222,000 and $94,000 in this fund, respectively.

(5) 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, as administrative agent and lender (the Lender). The Credit Agreement, contains a $30.0 million revolving credit facility (the Facility) with an opportunity, subject to the Company meeting identified covenants and elections, to increase the commitment to $50.0 million.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate plus an applicable margin or at a Base Rate plus an applicable margin. The Base Rate is defined in the agreement as the greater of the Federal Funds Rate (0.25% at April 3, 2011) plus 1.5% or Wells Fargo s prime rate (3.25% at April 3, 2011). The applicable margin will depend on the Company s Adjusted Leverage Ratio, as defined, at the end of the previous quarter and will range from 1.00% to 2.00% for Eurodollar Rate Loans and from -0.50% to +0.50% for Base Rate Loans. Unused portions of the Facility will be subject to an unused Facility fee which will be equal to either 0.25% or 0.375% of the unused portion, depending on the Company s Adjusted Leverage Ratio. Our rate for the unused portion of the Facility as of April 3, 2011, was 0.375%. An increase option exercise fee will apply to increased amounts between $30.0 and $50.0 million. Our current weighted average interest rate for the first quarter of fiscal 2011 was 2.76%.

The Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Borrower with respect to indebtedness, liens, investments, distributions, mergers and acquisitions, dispositions of assets and transactions with affiliates of the Borrower, among others. The Facility also includes various financial covenants that have maximum target capital expenditures, cash flow ratios, and adjusted leverage ratios. If the Company s Adjusted Leverage Ratio is greater than 3.00 to 1.00, an additional covenant applies that limits the maximum royalty receivable aged past 30 days. In addition, capital expenditure limits include permitted stock repurchase limits (limited to $10.0 million in aggregate during any 12 month period, and $20.0 million in aggregate during the term of the agreement).

The Company amended the Credit Agreement on March 4, 2010 in connection with the acquisition of seven New York and New Jersey restaurants (see Note 12 to our Consolidated Financial Statements). This amendment provided for an additional $6.8 million of long-term debt in the form of a term loan with a maturity date of March 4, 2017. Principal amounts outstanding under this term loan bear interest at an adjusted Eurodollar rate plus 225 basis points for an interest rate period of one, two, three, or six months. Our current weighted average interest rate for the first quarter was 2.69%. There is a required minimum annual amortization of 5.0% of the principal balance.

The Credit Agreement currently provides for up to $3.0 million in letters of credit to be used by the Company, with any amounts outstanding reducing our availability for general corporate purchases, and also allows for the termination of the Facility by the Borrower without penalty at any time. At April 3, 2011 we had $15.4 million in borrowings under this Facility, and had approximately $779,000 in letters of credit for real estate locations. We were in compliance with all covenants as of April 3, 2011.

We expect to use any borrowings under the Credit Agreement for general working capital purchases as needed. Under the Facility, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

(6) Other Current Liabilities

Other current liabilities consisted of the following at:

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(in thousands)	**April 3, 2011**	**January 2, 2011**
Gift cards payable	$ 1,455	$ 1,960
Other liabilities	1,257	1,347
Income tax payable	515	681
Sales tax payable	823	785
Accrued property and equipment purchases	48	59
Deferred franchise fees	140	140
	$ 4,238	$ 4,972

(7) Other Liabilities

Other liabilities consisted of the following at:

(in thousands)	**April 3, 2011**	**January 2, 2011**
Deferred rent	$ 5,217	$ 5,043
Asset retirement obligations	96	96
Other liabilities	204	289
	$ 5,517	$ 5,428

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

Stock-based Compensation

We recognized stock-based compensation expense in our consolidated statements of operations for the three months ended April 3, 2011 and April 4, 2010, respectively, as follows:

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	Three Months Ended	
(in thousands)	April 3, 2011	April 4, 2010
Performance Share Programs:		
2008 Program	$	$ 26
2009 Program	61	62
2010 Program	95	96
2011 Program	120	
Performance Shares	$ 276	$ 184
Director Shares	34	137
Restricted Stock	16	34
	$ 326	$ 355

Performance Shares

As of April 3, 2011, we had three performance share programs in progress. All of these performance share awards qualify for equity-based treatment as required under the FASB Accounting Standards Codification for Stock Compensation. Accordingly, we recognize compensation cost for these share-based awards based on their fair value, which is the closing stock price at the date of grant over the requisite service period (i.e. fixed treatment). Participants in each performance share program are entitled to receive a specified number of shares of the common stock (Performance Shares) based upon our achieving a specified percentage of the cumulative total of the earnings per share goals established by our compensation committee for each fiscal year within a three-year performance period (the Cumulative EPS Goal). In the second and third year of any performance share program, the estimated attainment percentage is based on the forecasted earnings per share for that program. For the 2009 and 2010 programs, the attainment percentages were estimated at 100.0%. In the first year of any program, we estimate the attainment rate to be 100.0%. In accordance with FASB Accounting Standards Codification for Stock Compensation, we have recorded compensation net of the estimated non-attainment rates. We will continue to evaluate the need to adjust the attainment percentages in future periods.

During the first quarter of fiscal 2011, we issued 24,632 shares upon satisfaction of conditions under the 2008 performance share program, representing the achievement of approximately 91.2% of the target payout for this program. Recipients elected to forfeit 8,412 of those shares to satisfy tax withholding obligations, resulting in a net issuance of 16,220 shares.

For each of the three programs currently in progress, if the Company achieves at least 80% of the Cumulative EPS Goal, then each recipient will be entitled to receive a percentage of the Target number of Performance Shares granted that is equal to the percentage of the Cumulative EPS Goal achieved, up to 100%. The maximum share payout a recipient will be entitled to receive is 100% of the Target number of Performance Shares granted if the Cumulative EPS Goal is met.

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At April 3, 2011, the following performance share programs were in progress:

Award Date	Performance Share Program		Target No. of Performance Shares (Originally Granted)(2)	No. of Performance Shares (Outstanding at April 3, 2011)(3)
12/29/2008	2009 Program	(1)	280,300	267,100
1/4/2010	2010 Program		193,700	190,700
1/3/2011	2011 Program		129,900	129,900

(1) The aggregate target number of performance shares awarded under this program was significantly higher than previous or subsequent years as a result of one-time grants related to the hiring of several new executives and board members in late 2008 and early 2009, and a significantly lower stock price at the grant date.

(2) Assumes achievement of 100% of the applicable cumulative EPS goal.

(3) Assumes an estimated payout equal to the achievement of 100% of the applicable cumulative EPS goal, net of employee forfeitures.

Board of Directors Compensation

In fiscal 2011, we are compensating our independent board members with cash, and are expensing it over the term of their board service from May 2010 to April 2011. In the first quarter of fiscal 2011, total compensation expense for our board was approximately $96,000 of cash compensation expense related to board service from January to March. Additionally, during the first quarter of fiscal 2011, there was approximately $16,000 of stock-based compensation expense for the one-time grants for Lisa A. Kro and Wallace B. Doolin.

In total, board of director cash compensation and stock-based compensation expense for the board of directors during the first quarter of fiscal 2011 was approximately $112,000.

In May 2009, we awarded our independent board members shares of common stock for their service on our board for May 2009 to April 2010. These shares were unrestricted upon issuance, but would have required repayment of the prorated portion, or equivalent value thereof in cash, in the event that a board member failed to fulfill his or her term of service. In total, 66,000 shares were issued on May 5, 2009, on which date the closing price of our common stock was $6.72. The total compensation cost of approximately $444,000 was reflected in general and administrative expenses in our consolidated statements of operations for fiscal 2009 and fiscal 2010, and was recognized over the term of the director s service from May 2009 to April 2010.

Additionally, during 2009, one-time stock grants were issued to Lisa A. Kro and Wallace B. Doolin commensurate with the additional responsibilities assigned to them upon assuming new positions on the Board of Directors committees. They were granted 25,000 restricted shares each; with a grant date fair value of $168,000 and $150,000 on May 5, 2009 and September 29, 2009, respectively. These grants vest ratably over a period of five years beginning on the date they respectively joined the board.

Stock Options

We have adopted a 1995 Stock Option and Compensation Plan, a 1997 Employee Stock Option Plan, a 1998 Director Stock Option Plan and a 2005 Stock Incentive Plan (the Plans), pursuant to which we may grant stock options, stock appreciation rights, restricted stock, performance shares, and other stock and cash awards to eligible participants. Under the Plans, an aggregate of 49,308 shares of our Company s common stock remained unreserved and available for issuance at April 3, 2011.

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In general, the stock options we have issued under the Plans vest over a period of 3 to 5 years and expire 10 years from the date of grant. The 1995 Stock Option and Compensation Plan expired on December 29, 2005, the 1997 Employee Stock Option Plan expired on June 24, 2007, and the 1998 Director Stock Option Plan expired on June 19, 2008. Although incentives are no longer eligible for grant under these plans, each such plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated.

Information regarding our Company s stock options is summarized below:

Stock Options

(number of options in thousands)	Number of Options	Weighted Average Exercise Price
Outstanding at January 2, 2011	247	$ 6.27
Exercised	(50)	4.66
Canceled or expired		
Outstanding at April 3, 2011	197	$ 6.68
Options Exercisable at April 3, 2011	197	$ 6.68

Common Share Repurchases

On November 4, 2010, our Board of Directors authorized 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. During the first three months of fiscal 2011, we repurchased 245,809 shares, under our current authorization for approximately $2.5 million at an average market price per share of $10.28, excluding commissions.

Employee Stock Purchase Plan

The Company maintains an Employee Stock Purchase Plan, which gives eligible employees the option to purchase Common Stock (total purchases in a year may not exceed 10 percent of an employee s current year compensation) at 100 percent of the fair market value of the Common Stock at the end of each calendar quarter. There were approximately 1,148 and 1,470 shares purchased with a fair value of $9.79 and $8.39 during the first quarter of 2011 and first quarter of 2010, respectively. The Company recognized no expense related to the stock purchase plan due to it being non-compensatory as defined by IRS Section 423.

(9) 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 2011, we will match 25.0%, and in fiscal 2010, we matched 25.0%, of the employee s contribution up to 4.0% of their earnings. Employee contributions were approximately $167,000 and $162,000 for the first quarter of fiscal years 2011 and 2010, respectively. The employer match was $24,000 and $25,000 for the first quarter of fiscal years 2011 and 2010, respectively. There were discretionary contributions to the Plan of $10,000 and $11,000 during the first quarter of fiscal years 2011 and 2010, respectively.

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
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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 2011, we will match 25.0%, and in fiscal 2010, we matched 25.0%, respectively, 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 April 3, 2011 and April 4, 2010, eligible participants contributed approximately $47,000 and $26,000 to the Plan, respectively, and the Company provided matching funds and interest of approximately $17,000 and $16,000, respectively.

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

In accordance with FASB Accounting Standards Codification for Property, Plant, and Equipment, 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 site exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms 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 2011 and fiscal 2010.

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