

FAMOUS DAVES OF AMERICA INC

Form 10-Q

November 09, 2007

Table of Contents

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

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2007

**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
(State or other jurisdiction of
incorporation or organization)

41-1782300
(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 Act 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
As of November 2, 2007, 9,819,356 shares of the Registrant's Common Stock were outstanding.

**FAMOUS DAVE S OF AMERICA, INC.
TABLE OF CONTENTS**

	Page
PART I FINANCIAL INFORMATION	
Item 1 Consolidated Financial Statements	
<u>Consolidated Balance Sheets As of September 30, 2007 and December 31, 2006</u>	3
<u>Consolidated Statements of Operations For the three and nine months ended September 30, 2007 and October 1, 2006</u>	4
<u>Consolidated Statements of Cash Flows For the nine months ended September 30, 2007 and October 1, 2006</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4 Controls and Procedures</u>	27
<u>PART II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	28
<u>Item 2 Purchases of Equity Securities by the Issuer</u>	28
<u>Item 5 Other Events</u>	28
<u>Item 6 Exhibits</u>	29
<u>SIGNATURES</u>	
<u>CERTIFICATIONS</u>	
<u>Amendment to 1995 Stock Option and Compensation Plan</u>	
<u>302 Certification of Chief Executive Officer</u>	
<u>302 Certification of Chief Financial Officer</u>	
<u>906 Certification of CEO and CFO</u>	

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2007 and December 31, 2006
(in thousands, except share and per-share data)
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,316	\$ 1,049
Restricted cash	1,415	1,425
Accounts receivable, net	3,471	3,337
Inventories	1,787	1,765
Deferred tax asset	1,460	3,234
Prepaid expenses and other current assets	1,618	1,576
Notes receivable	201	544
Total current assets	13,268	12,930
Property, equipment and leasehold improvements, net	53,521	50,037
Other assets:		
Notes receivable, less current portion	1,112	1,183
Deferred tax asset, less current portion	889	889
Other assets	627	603
	\$ 69,417	\$ 65,642
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Line of credit	\$ 4,000	
Current portion of long-term debt	264	302
Accounts payable	5,764	5,248
Accrued compensation and benefits	3,775	3,399
Other current liabilities	4,146	3,858
Total current liabilities	17,949	12,807
Long-term liabilities:		
Long-term debt, less current portion	6,969	8,119
Financing leases	4,500	4,500
Other liabilities	4,920	4,381
Total liabilities	34,338	29,807

Shareholders equity:

Common stock, \$.01 par value, 100,000,000 shares authorized 9,819,000 and 10,130,000 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively

	98	101
Additional paid-in capital	27,064	32,863
Retained earnings	7,917	2,871
Total shareholders equity	35,079	35,835
	\$ 69,417	65,642

See accompanying notes to consolidated financial statements.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
September 30, 2007 and October 1, 2006
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September		September	
	30,	October 1,	30,	October 1,
	2007	2006	2007	2006
Revenue:				
Restaurant sales, net	\$ 27,168	\$ 26,476	\$ 80,835	\$ 76,164
Franchise royalty revenue	4,113	3,613	11,894	10,323
Franchise fee revenue	437	524	993	1,490
Licensing and other revenue	184	199	718	663
Total revenue	31,902	30,812	94,440	88,640
Costs and expenses:				
Food and beverage costs	8,231	8,034	24,503	23,070
Labor and benefits	8,270	8,003	24,073	22,567
Operating expenses	6,782	6,382	20,236	19,011
Depreciation and amortization	1,093	1,099	3,348	3,289
General and administrative	4,247	3,967	12,943	11,662
Asset impairment and estimated lease termination and other closing costs		332		1,116
Pre-opening expenses	349	49	391	448
Net loss on disposal of property and sale of restaurant	10	50	110	64
Total costs and expenses	28,982	27,916	85,604	81,227
Income from operations	2,920	2,896	8,836	7,413
Other income (expense):				
Loss on early extinguishment of debt			(12)	(148)
Interest expense	(399)	(417)	(1,202)	(1,349)
Interest income	70	83	223	278
Other (expense) income, net	(6)	5	36	(41)
Total other expense	(335)	(329)	(955)	(1,260)
Income before income taxes	2,585	2,567	7,881	6,153
Income tax provision	(940)	(970)	(2,835)	(2,290)

Net income	\$	1,645	\$	1,597	\$	5,046	\$	3,863
Basic net income per common share	\$	0.17	\$	0.15	\$	0.50	\$	0.37
Diluted net income per common share	\$	0.16	\$	0.15	\$	0.49	\$	0.35
Weighted average common shares outstanding basic		9,932,000		10,438,000		10,043,000		10,539,000
Weighted average common shares outstanding diluted		10,285,000		10,778,000		10,396,000		10,888,000

See accompanying notes to consolidated financial statements.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
September 30, 2007 and October 1, 2006
(in thousands)
(Unaudited)

	Nine Months Ended	
	September	October 1,
	30,	2006
	2007	2006
Cash flows from operating activities:		
Net income	\$ 5,046	\$ 3,863
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	3,348	3,289
Amortization of deferred financing costs	42	43
Loss on early extinguishment of debt	12	148
Loss on disposal of property and sale of restaurant, net	110	64
Gain on reduction of liability	(49)	
Asset impairment and estimated lease termination and other closing costs		1,116
Deferred income taxes	1,774	1,501
Deferred rent	431	388
Stock-based compensation	1,470	1,096
Changes in operating assets and liabilities:		
Restricted cash	10	607
Accounts receivable, net	(134)	64
Inventories	(60)	(104)
Prepaid expenses and other current assets	(120)	126
Accounts payable	516	(58)
Accrued compensation and benefits	223	1,017
Other current liabilities	(133)	(28)
Long-term deferred compensation	108	
Cash flows provided by operations	12,594	13,132
Cash flows from investing activities:		
Purchases of property, equipment and leasehold improvements	(8,184)	(5,808)
Sale of restaurant to franchise partner	1,753	
Payments received on notes receivable	124	171
Cash flows used for investing activities	(6,307)	(5,637)
Cash flows from financing activities:		
Proceeds from draws on line of credit	9,500	
Payments on line of credit	(5,500)	
Payment for debt issuance costs		(34)
Payments on long-term debt	(1,188)	(3,381)
Proceeds from exercise of stock options	215	395
Tax benefit of stock options exercised	164	258
Repurchase of common stock	(7,211)	(5,265)

Cash flows used for financing activities	(4,020)	(8,027)
Increase (decrease) in cash and cash equivalents	2,267	(532)
Cash and cash equivalents, beginning of period	1,049	4,410
Cash and cash equivalents, end of period	\$ 3,316	\$ 3,878

See accompanying notes to consolidated financial statements.

5

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANACIAL 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 September 30, 2007, there were 155 restaurants operating in 35 states, including 41 company-owned restaurants and 114 franchise-operated restaurants. An additional 163 franchise restaurants were committed to be developed through signed area development agreements at September 30, 2007.

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 September 30, 2007 and December 31, 2006 and for the three and nine month periods ended September 30, 2007 and October 1, 2006. 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 fiscal 2006 Form 10-K as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three and nine months ended September 30, 2007 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:

	Three Months		Nine Months	
	Ended		Ended	
	September	October	September	October
	30,	1,	30,	1,
	2007	2006	2007	2006
<i>(in thousands, except per-share data)</i>				
Net income per common share basic:				
Net income	\$ 1,645	\$ 1,597	\$ 5,046	\$ 3,863
Weighted average shares outstanding	9,932	10,438	10,043	10,539
Net income per common share basic	\$ 0.17	\$ 0.15	\$ 0.50	\$ 0.37
Net income per common share diluted:				
Net income	\$ 1,645	\$ 1,597	\$ 5,046	\$ 3,863
Weighted average shares outstanding	9,932	10,438	10,043	10,539
Dilutive impact of common stock equivalents outstanding	353	340	353	349
Adjusted weighted average shares outstanding	10,285	10,778	10,396	10,888
Net income per common share diluted	\$ 0.16	\$ 0.15	\$ 0.49	\$ 0.35

All options outstanding as of September 30, 2007 and October 1, 2006 were used in the computation of diluted earnings per common share.

Table of Contents

**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANACIAL STATEMENTS (CONTINUED)**

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

We have established a system-wide Public Relations and Marketing Development Fund. Company-owned restaurants, in addition to franchise-operated restaurants governed by franchise agreements signed after January 1, 2004, are required to contribute a percentage of net sales, currently 1.0%, to the fund that is used for Public Relations and Marketing Development Fund efforts throughout the system. Additionally, certain payments received from various vendors are deposited into the Public Relations and Marketing Development Fund. We reflect the cash related to this fund in restricted cash, and the liability in accounts payable, on our consolidated balance sheets. The assets held by this fund were approximately \$1.4 million at both September 30, 2007 and December 31, 2006.

(4) Credit Facility

On July 31, 2006, the Company and certain of its subsidiaries (collectively known as the Borrower) entered into an amendment and restatement of an existing Credit Agreement with Wells Fargo Bank, National Association, as administrative agent and lender (the Lender). The Credit Agreement, which amended and restated an agreement previously entered into by the Company on January 28, 2005, increased the Company s existing revolving credit facility from \$10.0 million to \$20.0 million (the Facility). 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 either the Federal Funds Rate (4.75% at September 30, 2007) plus 0.5% or Wells Fargo s prime rate (7.75% at September 30, 2007). 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 1.75% to 2.50% for Eurodollar Rate Loans and from -0.25% to +0.50% for Base Rate loans. Unused portions of the Facility will be subject to an unused Facility fee which will range from 0.375% to 0.25% of the unused portion, depending on the Company s Adjusted Leverage Ratio. Our rate for the unused portion of the Facility as of September 30, 2007, was 0.25%.

We expect to use borrowings under the Credit Agreement for general working capital purposes, as well as for the repurchase of shares under our share repurchase authorization. Under the Facility, we have granted the Lender a security interest in all current and future personal property.

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. We were in compliance with all covenants under the Facility as of September 30, 2007 and December 31, 2006.

In addition to changes in the aggregate loan amount and applicable interest rates, the amended Credit Agreement provides for up to \$3.0 million in letters of credit to be used by the Company, with any amounts outstanding, reducing the availability for general corporate purposes and also allows for the termination of the Facility by the Borrower without penalty at any time after the second anniversary of the effective date. The maturity date for this Facility is July 31, 2011. We had \$4.0 million in borrowings under this Facility as of September 30, 2007, and we also had \$500,000 in Letters of Credit as required by our fiscal 2005 self-funded medical insurance policy, which reduced our borrowing capacity under the Facility as of September 30, 2007. We had no borrowings under this Facility as of December 31, 2006; however, we had \$500,000 in Letters of Credit as required by our fiscal 2005 self-funded medical insurance policy as of December 31, 2006.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANACIAL STATEMENTS (CONTINUED)

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

We have 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. We have also granted stock options outside of the Plans in limited situations, however, all of these grants have been previously exercised. Under the Plans, an aggregate of 269,300 shares of our Company's common stock remained available for issuance at September 30, 2007. In general, the stock options we have issued under the Plans vest over a period of 3 to 5 years and expire ten years from the date of grant. The 1995 Stock Option and Compensation Plan expired on December 29, 2005, but will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated. The 1997 Employee Stock Option Plan expired on June 24, 2007, but will remain in effect until all outstanding shares granted thereunder have either been satisfied or terminated.

Stock Options

Information regarding our Company's stock options is summarized below:

<i>(number of options in thousands)</i>	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	728	\$ 5.24
Granted		
Exercised	(15)	6.83
Canceled or expired		
Outstanding at April 1, 2007	713	\$ 5.21
Granted		\$
Exercised	(12)	4.91
Canceled or expired	(2)	6.50
Outstanding at July 1, 2007	699	\$ 5.21
Granted		\$
Exercised	(9)	6.08
Canceled or expired		
Outstanding at September 30, 2007	690	\$ 5.20
Exercisable at September 30, 2007	612	\$ 5.12

Performance Shares

We have a program under which management and certain director-level Associates may be granted performance shares under the 2005 Stock Incentive Plan, subject to certain contingencies. Issuance of the shares underlying the performance share grants is contingent upon the Company achieving a specified minimum percentage of the total of the cumulative earnings per share goals (as determined by the Compensation Committee) for each of the three fiscal years covered by the grant (the Cumulative EPS Goal). Upon achieving the minimum percentage, and provided that the recipient remains an employee during the entire three-year performance period, the Company will issue the

recipient a percentage of the performance shares granted that is based upon the percentage of the Cumulative EPS Goal achieved. No portion of the shares will be issued if the specified percentage of earnings per share goals is achieved in any one or more fiscal years but not for the cumulative three-year period.

Table of Contents

**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

No recipient will have any rights as a shareholder based on the performance share grants unless and until the conditions have been satisfied and the shares have been issued to the recipient. In accordance with this program, we recognize as compensation expense, the value of these stock grants as they are earned in our Consolidated Statements of Operations throughout the performance period.

As of September 30, 2007, we currently have three performance share programs in progress. All of these performance share awards qualify for equity-based treatment under Statement of Financial Accounting Standards (SFAS) No. 123R. Accordingly, we recognize compensation cost for these share-based awards based on their fair value at the time of grant over the requisite service period (i.e. fixed treatment). On February 18, 2004 our Board of Directors awarded 33,500 (subsequently reduced to 27,500 due to Associate departures) performance share grants to eligible Associates for the fiscal 2004-fiscal 2006 timeframe. During the first quarter of fiscal 2007, we issued 24,683 shares out of this 2004-2006 performance share program, representing the achievement of approximately 90% of the target payout for this program. Recipients elected to forfeit 8,307 of those shares to satisfy tax withholding obligations, resulting in a net issuance of 16,376 shares.

On February 25, 2005, our Board of Directors awarded 134,920 (subsequently reduced to 104,199 due to Associate departures) performance share grants to eligible Associates for the fiscal 2005-fiscal 2007 timeframe. Under this program, if the Company achieves at least 80% of the Cumulative EPS Goal, each recipient shall be entitled to receive a percentage of the Performance Shares equal to the percentage of the Cumulative EPS Goal achieved by the Company, up to a maximum of 100%. On December 29, 2005, our Board of Directors awarded 83,200 (subsequently reduced to 68,800 due to Associate departures) performance share grants to eligible Associates for the fiscal 2006-fiscal 2008 timeframe. Similar to the fiscal 2005-fiscal 2007 program, if the Company achieves at least 80% of the Cumulative EPS Goal, each recipient shall be entitled to receive a percentage of the Performance Shares equal to the percentage of the Cumulative EPS Goal achieved by the Company. However, if the Company achieves between 100% and 150% of the Cumulative EPS Goal, each recipient will be entitled to receive an additional percentage of the

Target number of performance shares granted equal to twice the incremental percentage increase in the Cumulative EPS Goal over 100% (e.g., if the Company achieves 120% of the Cumulative EPS Goal, then the recipient will be entitled to receive 140% of his or her Target performance share amount). On February 21, 2007, our Board of Directors awarded 96,100 (subsequently reduced to 92,600 due to Associate departures) performance share grants to eligible Associates for the fiscal 2007-fiscal 2009 timeframe. Similar to the fiscal 2006-fiscal 2008 program, if the Company achieves at least 80% of the Cumulative EPS Goal, each recipient shall be entitled to receive a percentage of the Performance Shares equal to the percentage of the Cumulative EPS Goal achieved by the Company, and each recipient will be entitled to receive an additional percentage of the Target number of performance shares granted equal to twice the incremental percentage increase in the Cumulative EPS Goal over 100% if the Company achieves between 100% and 150% of the Cumulative EPS Goal.

Deferred Stock Unit Plan

We have an Executive Elective Deferred Stock Unit Plan (Deferred Stock Unit Plan), in which executives can elect to defer all or part of their compensation or commissions, if applicable, for a specified period of time. The amount of compensation that is deferred is converted into a number of stock units, as determined by the share price of our common stock on the date the annual bonuses are approved by the Board of Directors. In accordance with SFAS No. 123R, this plan qualifies for liability treatment. Accordingly, we recognize compensation expense throughout the deferral period to the extent that the share price of our common stock increases, and reduce compensation expense throughout the deferral period to the extent that the share price of our common stock decreases (i.e. mark to market).

Several of our executives elected to defer a portion of their 2004 bonuses, the amount of which was determined on February 25, 2005 totaling approximately \$77,000, of which approximately \$25,000 had been subsequently paid out early, in accordance with the Deferred Stock

Table of Contents

**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANACIAL STATEMENTS (CONTINUED)**

**(5) Stock Options, Performance Shares, Other Forms of Compensation, and Common Share Repurchases
(continued)**

Unit Plan discussed above. As a result of the increase in the share price of our common stock during the third quarter of fiscal 2006, we recognized approximately \$9,000 and approximately \$18,000 of compensation expense in our Consolidated Statement of Operations for the three and nine months ended October 1, 2006 respectively, as related to this plan. These bonuses, including the original amount deferred and the amounts earned over the deferral period due to an increase in the stock price, were paid out during the first quarter of fiscal 2007.

Several of our executives elected to defer a portion of their 2005 bonuses, the amount of which was determined on February 22, 2006, totaling approximately \$56,000, in accordance with the Deferred Stock Unit Plan discussed above. We had recognized approximately \$6,000 for the three and nine months ended October 1, 2006, related to these deferrals. These bonuses, including the original amount deferred and the amounts earned over the deferral period, were paid out during the first quarter of fiscal 2007.

One of our executives elected to defer for a two-year period, a portion of their fiscal 2006 bonus, the amount of which was determined on February 21, 2007, totaling approximately \$71,000, in accordance with the Deferred Stock Unit Plan discussed above. We recognized income of approximately \$23,000 and \$9,000 for the three and nine months ended September 30, 2007, respectively, as related to this bonus deferral.

Board of Directors Compensation

In February 2007, we awarded our independent board members shares of common stock for their service on our board for fiscal 2007. These shares were fully vested upon grant and were unrestricted, but require repayment of the prorated portion or equivalent value thereof, in cash, in the event of a board member not fulfilling their term of service. In total, 25,500 shares were issued on February 21, 2007, on which date the price of our common stock at the close of market was \$18.74. The total compensation cost of approximately \$478,000 is reflected in general and administrative expenses in our Consolidated Statement of Operations for fiscal 2007, equally by quarter.

In May 2006, we awarded our independent board members shares of common stock for their service on our board for fiscal 2006. These shares were fully vested upon grant and were unrestricted, but required reimbursement of the prorated portion or equivalent value thereof in the event of a board member not fulfilling their term of service. All board members fulfilled their terms of service during fiscal 2006. In total, 19,300 shares were issued on May 11, 2006, on which date the price of our common stock at the close of market was \$15.71. Since this issuance date was subsequent to the end of the first quarter of fiscal 2006, there was no compensation cost reflected in general and administrative costs in our Consolidated Statement of Operations for the first quarter of fiscal 2006. The compensation cost of approximately \$303,000 for these shares was spread over the remainder of fiscal 2006.

Table of Contents

FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANACIAL STATEMENTS (CONTINUED)

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

We recognized stock-based compensation expense in our Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and October 1, 2006 respectively, as follows:

Stock-based Compensation

	Three Months Ended		Nine Months Ended	
	September 30, 2007	October 1, 2006	September 30, 2007	October 1, 2006
<i>(in thousands)</i>				
Performance Share Programs:				
Fiscal 2004 2006	\$	\$ 8	\$	\$ 33
Fiscal 2005 2007	52	100	236	318
Fiscal 2006 2008	58	61	193	209
Fiscal 2007 2009	139		439	