
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 4, 2015

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 001-32320

BUILD-A-BEAR WORKSHOP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-1883836
(IRS Employer
Identification No.)

1954 Innerbelt Business Center Drive
St. Louis, Missouri
(Address of Principal Executive Offices)

63114
(Zip Code)

(314) 423-8000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

As of May 7, 2015, there were 17,199,310 issued and outstanding shares of the registrant's common stock.

BUILD-A-BEAR WORKSHOP, INC.
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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

| | April 4, 2015 <u>(Unaudited)</u> | January 3, 2015 | March 29, 2014 <u>(Unaudited)</u> |
|--|--|--------------------|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 54,679 | \$ 65,389 | \$ 41,903 |
| Inventories | 51,170 | 51,939 | 44,059 |
| Receivables | 8,182 | 11,461 | 10,761 |
| Prepaid expenses and other current assets | 13,891 | 15,611 | 9,639 |
| Deferred tax assets | 1,817 | 1,378 | 81 |
| Total current assets | <u>129,739</u> | <u>145,778</u> | <u>106,443</u> |
| Property and equipment, net of accumulated depreciation of \$187,958; \$185,044 and \$179,350, respectively | 59,223 | 62,766 | 65,596 |
| Other intangible assets, net | 252 | 304 | 472 |
| Other assets, net | 2,823 | 3,206 | 3,641 |
| Total Assets | <u>\$ 192,037</u> | <u>\$ 212,054</u> | <u>\$ 176,152</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 23,504 | \$ 38,107 | \$ 20,384 |
| Accrued expenses | 18,666 | 24,058 | 11,446 |
| Gift cards and customer deposits | 31,982 | 34,268 | 29,070 |
| Deferred revenue | 2,739 | 2,654 | 4,677 |
| Deferred tax liability | - | - | 774 |
| Total current liabilities | <u>76,891</u> | <u>99,087</u> | <u>66,351</u> |
| Deferred franchise revenue | 890 | 945 | 1,124 |
| Deferred rent | 12,660 | 13,353 | 18,402 |
| Other liabilities | 1,155 | 1,044 | 318 |
| Stockholders' equity: | | | |
| Preferred stock, par value \$0.01, Shares authorized: 15,000,000; No shares issued or outstanding at April 4, 2015, January 3, 2015 and March 29, 2014 | - | - | - |
| Common stock, par value \$0.01, Shares authorized: 50,000,000; Issued and outstanding: 17,310,853; 17,360,635 and 17,547,477 shares, respectively | 173 | 174 | 175 |
| Additional paid-in capital | 66,356 | 69,362 | 69,595 |
| Accumulated other comprehensive loss | (9,697) | (8,698) | (7,263) |
| Retained earnings | 43,609 | 36,787 | 27,450 |
| Total stockholders' equity | <u>100,441</u> | <u>97,625</u> | <u>89,957</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 192,037</u> | <u>\$ 212,054</u> | <u>\$ 176,152</u> |

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(Dollars in thousands, except share and per share data)

| | Thirteen weeks ended | |
|---|----------------------|----------------|
| | April 4, 2015 | March 29, 2014 |
| Revenues: | | |
| Net retail sales | \$ 91,664 | \$ 96,840 |
| Franchise fees | 551 | 670 |
| Commercial revenue | 1,178 | 432 |
| Total revenues | 93,393 | 97,942 |
| Costs and expenses: | | |
| Cost of merchandise sold - retail | 48,792 | 54,700 |
| Cost of merchandise sold - commercial | 360 | 198 |
| Selling, general and administrative | 37,240 | 37,800 |
| Interest (income) expense, net | (51) | (62) |
| Total costs and expenses | 86,341 | 92,636 |
| Income before income taxes | 7,052 | 5,306 |
| Income tax expense | 230 | 281 |
| Net income | \$ 6,822 | \$ 5,025 |
| Foreign currency translation adjustment | (999) | 40 |
| Comprehensive income | \$ 5,823 | \$ 5,065 |
| Income per common share: | | |
| Basic | \$ 0.41 | \$ 0.29 |
| Diluted | \$ 0.40 | \$ 0.29 |
| Shares used in computing common per share amounts: | | |
| Basic | 16,399,397 | 16,701,723 |
| Diluted | 16,671,340 | 16,910,071 |

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(dollars in thousands)

| | Thirteen weeks ended | |
|---|-----------------------------|-----------------------|
| | April 4, 2015 | March 29, 2014 |
| Cash flows from operating activities: | | |
| Net income | \$ 6,822 | \$ 5,025 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 4,218 | 4,508 |
| Stock-based compensation | 450 | 604 |
| Deferred taxes | 14 | - |
| Store asset impairment | 165 | 120 |
| Provision for doubtful accounts | 14 | 440 |
| Trade credit utilization | 72 | 148 |
| Loss on disposal of property and equipment | 3 | 37 |
| Change in assets and liabilities: | | |
| Inventories | 405 | 6,275 |
| Receivables | 3,116 | 3,374 |
| Prepaid expenses and other assets | 1,456 | 1,853 |
| Accounts payable and accrued expenses | (18,049) | (18,329) |
| Lease related liabilities | (675) | (969) |
| Gift cards and customer deposits | (1,824) | (4,748) |
| Deferred revenue | 48 | 202 |
| Net cash used in operating activities | <u>(3,765)</u> | <u>(1,460)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (2,846) | (1,094) |
| Purchases of other assets and other intangible assets | (32) | (12) |
| Net cash used in investing activities | <u>(2,878)</u> | <u>(1,106)</u> |
| Cash flows from financing activities: | | |
| Purchases of Company's common stock | (2,998) | (723) |
| Proceeds from the exercise of employee stock options, net of withholding tax payments | (458) | 622 |
| Net cash used in financing activities | <u>(3,456)</u> | <u>(101)</u> |
| Effect of exchange rates on cash | (611) | (95) |
| Net decrease in cash and cash equivalents | (10,710) | (2,762) |
| Cash and cash equivalents, beginning of period | 65,389 | 44,665 |
| Cash and cash equivalents, end of period | <u>\$ 54,679</u> | <u>\$ 41,903</u> |

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by Build-A-Bear Workshop, Inc. and its subsidiaries (collectively, the Company) pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet of the Company as of January 3, 2015 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments which are, in the opinion of management, necessary to summarize fairly the financial position of the Company and the results of the Company's operations and cash flows for the periods presented. All of these adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Because of the seasonal nature of the Company's operations, results of operations of any single reporting period should not be considered as indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended January 3, 2015, which were included in the Company's annual report on Form 10-K filed with the SEC on March 19, 2015.

Prior year amounts related to cost of merchandise sold have been reclassified to conform to current year presentation, with no impact to net income in any period.

2. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets consist of the following (in thousands):

| | April 4, 2015 | January 3, 2015 | March 29, 2014 |
|-----------------------|------------------|--------------------|-------------------|
| Prepaid rent | \$ 8,283 | \$ 7,848 | \$ 4,059 |
| Short-term investment | 984 | 1,121 | - |
| Other | 4,624 | 6,642 | 5,580 |
| | <u>\$ 13,891</u> | <u>\$ 15,611</u> | <u>\$ 9,639</u> |

3. Accrued Expenses

Accrued expenses consist of the following (in thousands):

| | April 4, 2015 | January 3, 2015 | March 29, 2014 |
|---|------------------|--------------------|-------------------|
| Accrued wages, bonuses and related expenses | \$ 12,276 | \$ 11,858 | \$ 7,994 |
| Sales tax payable | 2,571 | 7,694 | 246 |
| Accrued rent and related expenses | 2,603 | 3,365 | 3,098 |
| Current income taxes payable | 1,216 | 1,141 | 108 |
| | <u>\$ 18,666</u> | <u>\$ 24,058</u> | <u>\$ 11,446</u> |

4. Stock-based Compensation

The following table is a summary of the balances and activity for the plans related to restricted stock and stock options for the thirteen weeks ended April 4, 2015:

| | Restricted Stock | Options |
|------------------------------|-----------------------------|----------------|
| Outstanding, January 3, 2015 | 419,674 | 714,451 |
| Granted | 68,751 | 60,537 |
| Vested | 145,079 | — |
| Exercised | — | 115,574 |
| Forfeited | 23,517 | 12,394 |
| Canceled or expired | — | 39,200 |
| Outstanding, April 4, 2015 | <u>319,829</u> | <u>607,820</u> |

For the thirteen weeks ended April 4, 2015 and March 29, 2014, selling, general and administrative expenses include \$0.5 million and \$0.6 million of stock-based compensation expense, respectively. As of April 4, 2015, there was \$4.3 million of total unrecognized compensation expense related to nonvested restricted stock and option awards which is expected to be recognized over a weighted-average period of 1.9 years.

The total fair value of shares vested during the thirteen weeks ended April 4, 2015 and March 29, 2014 was \$3.0 million and \$2.1 million, respectively.

5. Income Taxes

In prior years, the Company recorded a valuation allowance on substantially all of its deferred tax assets. The effective tax rate was 3.3% for the thirteen weeks ended April 4, 2015 compared to 5.3% for the thirteen weeks ended March 29, 2014. While the components of income tax expense were consistent between periods, the change in the effective rate was driven by the increase in pre-tax income. The effective rate was substantially below the statutory rate in both periods primarily due to the reversal of valuation allowances.

6. Income per Share

The Company uses the two-class method to compute basic and diluted income per common share. The following table sets forth the computation of basic and diluted income per share (in thousands, except share and per share data):

| | Thirteen weeks ended | |
|--|-----------------------------|-----------------------|
| | April 4, 2015 | March 29, 2014 |
| NUMERATOR: | | |
| Net income before allocation of earnings to participating securities | \$ 6,822 | \$ 5,025 |
| Less: Earnings allocated to participating securities | 161 | 205 |
| Net income after allocation of earnings to participating securities | <u>\$ 6,661</u> | <u>\$ 4,820</u> |
| DENOMINATOR: | | |
| Weighted average number of common shares outstanding - basic | 16,399,397 | 16,701,723 |
| Dilutive effect of share-based awards | 271,943 | 208,348 |
| Weighted average number of common shares outstanding - dilutive | <u>16,671,340</u> | <u>16,910,071</u> |
| Basic income per common share attributable to Build-A-Bear Workshop, Inc. stockholders: | <u>\$ 0.41</u> | <u>\$ 0.29</u> |
| Diluted income per common share attributable to Build-A-Bear Workshop, Inc. stockholders | <u>\$ 0.40</u> | <u>\$ 0.29</u> |

In calculating diluted earnings per share for the thirteen week periods ended April 4, 2015 and March 29, 2014, options to purchase 60,825 shares and 372,584 shares, respectively, of common stock that were outstanding at the end of the period were not included in the computation of diluted income per share due to their anti-dilutive effect.

7. Comprehensive Income

The difference between comprehensive income and net income results from foreign currency translation adjustments on the balance sheets of subsidiaries whose functional currency is not the US Dollar. The accumulated other comprehensive loss balance at April 4, 2015, January 3, 2015 and March 29, 2014 is comprised entirely of foreign currency translation. For the thirteen weeks ended April 4, 2015 and March 29, 2014, there were no reclassifications out of accumulated other comprehensive loss.

8. Segment Information

The Company's operations are conducted through three operating segments consisting of retail, international franchising and commercial. The retail segment includes the operating activities of company-owned stores in the United States, Canada, Puerto Rico, the United Kingdom, Ireland and Denmark and other retail delivery operations, including the Company's web stores. The international franchising segment includes the licensing activities of the Company's franchise agreements with store locations in Europe, (outside of the United Kingdom, Ireland and Denmark), Asia, Australia, the Middle East, Africa and Mexico. The commercial segment includes the Company's transactions with other businesses, mainly comprised of licensing the Company's intellectual properties for third party use and wholesale activities. The operating segments have discrete sources of revenue, different capital structures and different cost structures. These operating segments represent the basis on which the Company's chief operating decision maker regularly evaluates the business in assessing performance, determining the allocation of resources and the pursuit of future growth opportunities. Accordingly, the Company has determined that each of its operating segments represent a reportable segment. The three reportable segments follow the same accounting policies used for the Company's consolidated financial statements.

Following is a summary of the financial information for the Company's reportable segments (in thousands):

| | Retail | International Franchising | Commercial | Total |
|--|------------|------------------------------|------------|------------|
| Thirteen weeks ended April 4, 2015 | | | | |
| Net sales to external customers | \$ 91,664 | \$ 551 | \$ 1,178 | \$ 93,393 |
| Income before income taxes | 6,104 | 130 | 818 | 7,052 |
| Capital expenditures, net | 2,858 | 20 | - | 2,878 |
| Depreciation and amortization | 4,181 | 37 | - | 4,218 |
| Thirteen weeks ended March 29, 2014 | | | | |
| Net sales to external customers | \$ 96,840 | \$ 670 | \$ 432 | \$ 97,942 |
| Income (loss) before income taxes | 5,215 | (137) | 228 | 5,306 |
| Capital expenditures, net | 1,097 | 9 | - | 1,106 |
| Depreciation and amortization | 4,470 | 38 | - | 4,508 |
| Total Assets as of: | | | | |
| April 4, 2015 | \$ 184,615 | \$ 2,510 | \$ 4,912 | \$ 192,037 |
| March 29, 2014 | \$ 166,337 | \$ 3,949 | \$ 5,866 | \$ 176,152 |

The Company's reportable segments are primarily determined by the types of products and services that they offer. Each reportable segment may operate in many geographic areas. The Company allocates revenues to geographic areas based on the location of the customer or franchisee. The following schedule is a summary of the Company's sales to external customers and long-lived assets by geographic area (in thousands):

| | North America (1) | Europe (2) | Other (3) | Total |
|--|----------------------|------------|-----------|-----------|
| Thirteen weeks ended April 4, 2015 | | | | |
| Net sales to external customers | \$ 76,646 | \$ 16,416 | \$ 331 | \$ 93,393 |
| Property and equipment, net | 53,346 | 5,877 | - | 59,223 |
| Thirteen weeks ended March 29, 2014 | | | | |
| Net sales to external customers | \$ 79,830 | \$ 17,751 | \$ 361 | \$ 97,942 |
| Property and equipment, net | 58,011 | 7,585 | - | 65,596 |

For purposes of this table only:

(1) North America includes the United States, Canada, Puerto Rico and franchise business in Mexico

(2) Europe includes the United Kingdom, Ireland, Denmark and franchise businesses in Europe

(3) Other includes franchise businesses outside of North America and Europe

9. Contingencies

In the normal course of business, the Company is subject to regular examination by various taxing authorities for years not closed by the statute of limitations, including an ongoing customs audit in the United Kingdom in which the Company is contesting audit findings. The Company accrues a liability for this type of contingency when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. In 2012, the Company received notification from the customs authority that it intended to make an assessment for unpaid duty, penalties and interest. The assessment was made in 2013. The Company has appealed this determination and continues to believe that the ultimate outcome of these matters will not have a material adverse impact on the results of operations, liquidity or financial position of the Company. However, if one or more of these examinations has an unfavorable resolution, it is possible that the results of operation, liquidity or financial position of the Company could be materially affected in any particular period. Since the date of the notification in the third quarter of fiscal 2012, the Company has been required to pay the disputed duty, pending resolution of the appeal. As of April 4, 2015, \$3.3 million had been paid in respect of the disputed duty and is included in receivables in the Retail segment.

10. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for the Company beginning January 1, 2017, and allows for both retrospective and modified retrospective methods of adoption. The Company is in the process of determining the method of adoption and assessing the impact of this ASU on its consolidated financial statements. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard. As a result of this proposal, ASU 2014-09 would be effective for the Company beginning on January 1, 2018.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate for each annual and interim reporting period whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements and requires specific disclosures regarding the conditions or events leading to substantial doubt. The ASU will be effective for the Company beginning January 1, 2017, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's financial position or results of operations.

11. Subsequent Event

In the period from April 5, 2015 through May 7, 2015, the Company repurchased approximately 114,000 shares of its common stock for an aggregate amount of \$2.0 million, leaving \$5.0 million of availability under the Board approved share repurchase program.

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

Cautionary Notice Regarding Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties, and we undertake no obligation to update these statements except as required by federal securities laws. Our actual results may differ materially from the results discussed in the forward-looking statements. These risks and uncertainties include, without limitation, those detailed under the caption "Risk Factors" in the Company's annual report on Form 10-K for the year ended January 3, 2015, as filed with the SEC, and the following:

- general global economic conditions may deteriorate, which could lead to disproportionately reduced consumer demand for our products, which represent relatively discretionary spending;
- customer traffic may decrease in the shopping malls where we are located, on which we depend to attract guests to our stores;
- we may be unable to generate interest in and demand for our interactive retail experience, or to identify and respond to consumer preferences in a timely fashion;
- our marketing and on-line initiatives may not be effective in generating sufficient levels of brand awareness and guest traffic;
- we may improperly obtain or be unable to adequately protect customer information in violation of privacy or security laws or customer expectations;
- we may be unable to generate comparable store sales growth;
- we may be unable to effectively operate or manage the overall portfolio of our company-owned stores;
- we may be unable to renew or replace our store leases, or enter into leases for new stores on favorable terms or in favorable locations, or may violate the terms of our current leases;
- we may not be able to operate our international company-owned stores profitably;
- the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade, including foreign currency fluctuation;
- our products could become subject to recalls or product liability claims that could adversely impact our financial performance and harm our reputation among consumers;
- we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team;
- we are susceptible to disruption in our inventory flow due to our reliance on a few vendors;
- we may be unable to effectively manage our international franchises or laws relating to those franchises may change;
- we may fail to renew, register or otherwise protect our trademarks or other intellectual property;
- we are subject to risks associated with technology and digital operations;
- we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise;
- we may be unable to operate our company-owned distribution center efficiently or our third-party distribution center providers may perform poorly;
- high petroleum products prices could increase our inventory transportation costs and adversely affect our profitability;
- our plans to leverage the Build-A-Bear brand to drive strategic expansion may not be successful;
- our market share could be adversely affected by a significant, or increased, number of competitors;
- we may suffer negative publicity or negative sales if the non-proprietary toy products we sell in our stores do not meet our quality or sales expectations;
- poor global economic conditions could have a material adverse effect on our liquidity and capital resources;
- fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; and
- we may be unable to repurchase shares of our common stock at the times or in the amounts we currently anticipate or the results of the share repurchase program may not be as beneficial as we currently anticipate.

Overview

We are the only global company that offers an interactive "make your own stuffed animal" retail entertainment experience under the Build-A-Bear Workshop brand, in which our guests stuff, fluff, dress, accessorize and name their own teddy bears and other stuffed animals. As of April 4, 2015, we operated 257 stores in the United States, Canada and Puerto Rico (collectively, North America), 60 stores in the United Kingdom, Ireland and Denmark (collectively, Europe) and had 69 franchised stores operating internationally under the Build-A-Bear Workshop brand.

We operate in three segments that share the same infrastructure, including management, systems, merchandising and marketing, and generate revenues as follows:

- Retail - Company-owned retail stores located in North America and Europe and two web stores;
- International Franchising – Other international stores operated under franchise agreements; and
- Commercial - Transactions with other business partners, mainly comprised of wholesale product sales and licensing our intellectual property, including entertainment properties, for third-party use.

Our financial results in fiscal 2014 demonstrated the impact of the successful and consistent implementation of our key strategies of optimizing real estate, resetting the consumer value equation and rationalizing our expense structure. Our 2015 plan builds on the progress we made in 2014 and 2013 in implementing these key strategies, with a combination of continuous improvement of these initiatives and strategic expansion into additive opportunities. Specifically, we plan to expand into more places as we continue to improve our real estate model through selective new high-potential openings, a systematic refresh of our store base and strategic international expansion. We plan to reach more people as we continue to drive core consumer business and strategically expand our business with the over 12 year-old consumer segment. Additionally, we intend to sell more products by developing proprietary product stories along with re-launching an out-bound licensing program. We expect to do this more profitably as we continue to improve the value engineering of products and implement new systems that facilitate sales growth and increase efficiency.

Selected financial data attributable to each segment for the thirteen weeks ended April 4, 2015 and March 29, 2014 are set forth in the notes to our condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

We use comparable store sales as one of the performance measures for our business. Comparable store sales percentage changes are based on net retail sales, excluding our webstores, and the impact of foreign exchange. Stores are considered comparable beginning in their thirteenth consecutive full month of operation. Comparable store sales percentage changes for the first quarter of 2015 are based on net retail sales as compared to the thirteen weeks ended April 5, 2015. The percentage change in comparable store sales for the periods presented below is as follows:

| | Thirteen Weeks Ended | |
|---------------|-----------------------------|-----------------------|
| | April 4, 2015 | March 29, 2014 |
| North America | (0.2)% | (1.9)% |
| Europe | 13.3% | (3.2)% |
| Consolidated | <u>2.0%</u> | <u>(2.2)%</u> |

We believe our positive consolidated comparable store sales were led by the performance in areas that were less affected by weather, particularly Europe, as well as our continuing improvement in the overall disciplined management of our business and the elevation of our product and marketing campaigns. In North America, the positive performance prior to Valentine’s Day was more than offset with the impact of adverse weather during the post Valentine’s period and lead-in to Easter. We rebounded in the key Easter week resulting in flat comparable store sales in North America for the quarter.

We expect to improve comparable store sales through the following key initiatives:

- **Expanding into more places:** We intend to continuously improve our real estate model by strategically evolving our store portfolio to align with market trends while selectively opening new locations and systematically refreshing our store base. To this end, we plan to open additional stores in high potential destinations such as tourist locations, outlet malls and shop-in-shops, which have proven more productive than traditional mall stores. We expect to strategically expand our international presence by leveraging the improving strength in our company-owned stores to restructure and extend our international footprint. We expect to develop new market expansion through both franchise and company-owned store models.
- **Targeting more people:** We intend to continuously grow our business with our core three to twelve year-old consumer segment which represents a majority of current revenue. We will focus on initiatives that drive trial and increase repeat visits with an evolved segmentation, product development and marketing strategy. We expect to strategically grow sales to the over twelve year-old consumers with a focus on key categories including gift-giving, affinity and collectibles. The over-twelve consumer segment currently represents approximately 20% of sales and has a tendency to over-index on less price-sensitive gift-able purchases.
- **Developing more products:** We intend to continuously improve and extend our efforts to successfully develop high impact product stories coupled with integrated marketing programs that tend to garner higher price points, drive add-on purchases and create play beyond the plush.

- **Driving more profitability:** We intend to continuously improve our value engineering initiatives to further optimize product margins while implementing new systems that facilitate sales growth, increase efficiency and improve long term profitability. We expect to strategically expand our profitability by prioritizing incremental growth initiatives, like those discussed above, that leverage existing infrastructure, are primarily royalty-based, and/or allow for discrete pricing and are therefore comparatively margin-accretive.

Stores

Company-owned Stores

The table below sets forth the number of Build-A-Bear Workshop company-owned stores in North America and Europe for the periods presented:

| | Thirteen Weeks Ended | | | | | |
|---------------------|----------------------|--------|-------|----------------|--------|-------|
| | April 4, 2015 | | | March 29, 2014 | | |
| | North America | Europe | Total | North America | Europe | Total |
| Beginning of period | 265 | 59 | 324 | 263 | 60 | 323 |
| Opened | - | 1 | 1 | - | - | - |
| Closed | (8) | - | (8) | (7) | - | (7) |
| End of period | 257 | 60 | 317 | 256 | 60 | 316 |

During 2015, we expect to open stores in high potential destinations such as tourist locations, outlet malls and shop-in-shops. In the second half of 2015, we also expect to begin to systematically refresh our store base with a new design developed to improve productivity and update our brand look. We plan to update stores primarily in conjunction with natural lease events including new store openings, relocations and lease required remodels. We also expect to close select stores in accordance with natural lease events as an ongoing part of our real estate management and day-to-day operational plans.

International Franchise Revenue

Our first franchisee location was opened in November 2003. All franchised stores have similar signage, store layout and merchandise characteristics as our company-owned stores. As of April 4, 2015, we had 11 master franchise agreements, which typically grant franchise rights for a particular country or group of countries, covering an aggregate of 17 countries. The number of traditional international franchised stores opened and closed for the periods presented below are summarized as follows:

| | Thirteen Weeks Ended | |
|---------------------|----------------------|----------------|
| | April 4, 2015 | March 29, 2014 |
| Beginning of period | 71 | 86 |
| Opened | - | - |
| Closed | (2) | (3) |
| End of period | 69 | 83 |

In the ordinary course of business, we anticipate signing additional master franchise agreements in the future and terminating other such agreements. We believe there is a market potential for approximately 300 international stores outside of North America and Europe. In 2015, we expect to begin to leverage the strength in our company-owned stores to expand our international presence with new and existing franchisees as well as company-owned stores.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operations data expressed as a percentage of total revenues, except where otherwise indicated. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and commercial revenue and immaterial rounding:

| | Thirteen weeks ended | |
|--|----------------------|-------------------|
| | April 4, 2015 | March 29, 2014 |
| Revenues: | | |
| Net retail sales | 98.1% | 98.9% |
| Franchise fees | 0.6 | 0.7 |
| Commercial revenue | 1.3 | 0.4 |
| Total revenues | 100.0 | 100.0 |
| Costs and expenses: | | |
| Cost of merchandise sold - retail ⁽¹⁾ | 53.2 | 56.5 |
| Cost of merchandise sold - commercial ⁽¹⁾ | 30.6 | 45.8 |
| Selling, general and administrative | 39.9 | 38.6 |
| Interest expense (income), net | (0.1) | (0.1) |
| Total costs and expenses | 92.4 | 94.6 |
| Income before income taxes | 7.6 | 5.4 |
| Income tax expense | 0.2 | 0.3 |
| Net income | 7.3 | 5.1 |
| Retail gross margin % | 46.8% | 43.5% |

(1) Cost of merchandise sold – retail is expressed as a percentage of net retail sales. Cost of merchandise sold – commercial is expressed as a percentage of commercial revenue.

Thirteen weeks ended April 4, 2015 compared to thirteen weeks ended March 29, 2014

Total revenues. Total revenues were \$93.4 million for the thirteen weeks ended April 4, 2015 as compared to \$97.9 million for the thirteen weeks ended March 29, 2014, a decrease of \$4.5 million, or 4.6%. Net retail sales were \$91.7 million for the thirteen weeks ended April 4, 2015 as compared to \$96.8 million for the thirteen weeks ended March 29, 2014, a decrease of \$5.2 million, or 5.3%. The components of this decrease are as follows (dollars in millions):

| | |
|--|-----------------|
| Change from other retail, including impact of calendar shift and web sales | \$ (2.9) |
| Impact of foreign currency translation | (1.9) |
| Increase in comparable store sales | 1.7 |
| Decrease in non-comparable stores, primarily remodels and relocations | (1.3) |
| Impact from new stores | (0.6) |
| Impact of store closures | (0.1) |
| Change in deferred revenue estimate | (0.1) |
| | <u>\$ (5.2)</u> |

We believe our positive consolidated comparable store sales were led by the performance in areas that were less affected by weather, particularly Europe, as well as our continuing improvement in the overall disciplined management of our business and the elevation of our product and marketing campaigns. In North America, the positive performance prior to Valentine's Day was more than offset with the impact of adverse weather during the post Valentine's period and lead-in to Easter. We rebounded in the key Easter week resulting in flat comparable store sales in North America for the quarter.

Revenue from international franchise fees was \$0.6 million and \$0.7 million for the thirteen weeks ended April 4, 2015 and March 29, 2014, respectively, the decrease resulting from fewer franchised stores in operation in 2015. Commercial revenue was \$1.2 million for the thirteen weeks ended April 4, 2015 compared to \$0.4 million for the thirteen weeks ended March 29, 2014, an increase of \$0.7 million, resulting from the timing of wholesale sales and reduced licensing activity in 2015.

Retail gross margin. Retail gross margin was \$42.9 million for the thirteen weeks ended April 4, 2015 as compared to \$42.1 million for the thirteen weeks ended March 29, 2014, an increase of \$0.7 million, or 1.7%. As a percentage of net retail sales, retail gross margin was 46.8% for the thirteen weeks ended April 4, 2015 as compared to 43.5% for the thirteen weeks ended March 29, 2014, an increase of 330 basis points as a percentage of net retail sales. Our retail gross margin improvement was primarily driven by improved merchandise margin, supply chain and reduced discounts, partially offset by deleverage of fixed occupancy expenses during the quarter.

Selling, general and administrative. Selling, general and administrative expenses were \$37.2 million for the thirteen weeks ended April 4, 2015 as compared to \$37.8 million for the thirteen weeks ended March 29, 2014, a decrease of \$0.6 million, or 1.5%. As a percentage of total revenues, selling, general and administrative expenses were 39.9% for the thirteen weeks ended April 4, 2015 as compared to 38.6% for the thirteen weeks ended March 29, 2014, an increase of 130 bps. This increase as a percent of total revenue was driven by the impact of currency on the re-measurement of certain balance sheet items, partially offset by the timing of marketing spend between quarters.

Interest expense (income), net. Interest income, net of interest expense, was \$51,000 for the thirteen weeks ended April 4, 2015 as compared to \$62,000 for the thirteen weeks ended March 29, 2014.

Income tax expense. Income tax expense was \$0.2 million for the thirteen weeks ended April 4, 2015 as compared to \$0.3 million for the thirteen weeks ended March 29, 2014. The effective tax rate was 3.3% for the thirteen weeks ended April 4, 2015 compared to 5.3% for the thirteen weeks ended March 29, 2014. While the components of income tax expense remain consistent between periods, the change in the effective rate was driven by the increase in pre-tax income. The effective rate was substantially below the statutory rate in both periods primarily due to the reversal of valuation allowances.

Seasonality and Quarterly Results

Our operating results for one period may not be indicative of results for other periods, and may fluctuate significantly because of a variety of factors, including: (1) changes in general economic conditions and consumer spending patterns; (2) increases or decreases in our comparable store sales; (3) fluctuations in the profitability of our stores; (4) changes in foreign currency exchange rates; (5) the timing and frequency of our marketing initiatives, including national media and other public relations events; (6) the timing of our store closings and openings and related expenses; (7) changes in consumer preferences; (8) the effectiveness of our inventory management; (9) the actions of our competitors or mall anchors and co-tenants; (10) seasonal shopping patterns and holiday and vacation schedules; and (11) weather conditions.

The timing of store closures, remodels and openings may result in fluctuations in quarterly results based on the revenues and expenses associated with each store location. Expenses related to store closings are typically incurred in stages: when the decision is made to close the store, when the closure is communicated to store associates and at the time of closure. We typically incur most preopening costs for a new store in the three months immediately preceding the store's opening.

As a retailer whose primary business is in the toy category, our sales are highest in our fourth quarter, followed by the first quarter. The timing of holidays and school vacations can impact our quarterly results. Our European-based stores have historically been more heavily weighted in the fourth quarter as compared to our North American stores. We cannot assure you that this will continue to be the case. In addition, for accounting purposes, the quarters of each fiscal year consist of 13 weeks, although we will have a 14-week quarter approximately once every six years. The 2014 fiscal fourth quarter had 14 weeks.

Liquidity and Capital Resources

Our cash requirements are primarily for the relocation and remodeling of existing stores, opening of new stores, information systems and working capital. Over the past several years, we have met these requirements through capital generated from cash flow provided by operations. We have access to additional cash through our revolving line of credit that has been in place since 2000.

Operating Activities. Cash used in operating activities was \$3.8 million for the thirteen weeks ended April 4, 2015 compared with \$1.5 million for the thirteen weeks ended March 29, 2014, an increase of \$2.3 million. This increase in cash used in operating activities over the year ago period was primarily due to the increase in inventory partially offset by a decrease in gift card redemptions due to the calendar shift and increased store contribution.

Investing Activities. Cash used in investing activities was \$2.9 million for the thirteen weeks ended April 4, 2015 as compared to \$1.1 million for the thirteen weeks ended March 29, 2014. Cash used in investing activities during the thirteen weeks ended April 4, 2015 and March 29, 2014 primarily relates to upgrades and purchases of central office information technology systems and equipment and store construction and maintenance.

Financing Activities. Cash used in financing activities in the thirteen weeks ended April 4, 2015 was \$3.5 million as purchases of our stock used cash of \$3.0 million and exercises of employee stock options, net of shares used for withholding tax payments used \$0.5 million. In the thirteen weeks ended March 29, 2014, financing activities used cash of \$0.1 million, as purchases of our stock used cash of \$0.7 million, partially offset by \$0.6 million provided by exercises of employee stock options, net of shares used for withholding tax payments. No borrowings were made under our line of credit in either the thirteen weeks ended April 4, 2015 or March 29, 2014.

Capital Resources. As of April 4, 2015, we had a consolidated cash balance of \$54.7 million, more than half of which was domiciled outside of the United States. We also have a line of credit, which we can use to finance capital expenditures and working capital needs throughout the year. The bank line provides availability of \$35 million. Borrowings under the credit agreement are secured by our assets and a pledge of 65% of our ownership interest in our foreign subsidiaries. The credit agreement expires on December 31, 2016 and contains various restrictions on indebtedness, liens, guarantees, redemptions, mergers, acquisitions or sale of assets, loans, transactions with affiliates and investments. It also prohibits us from declaring dividends without the bank's prior consent, unless such payment of dividends would not violate any terms of the credit agreement. We are also prohibited from repurchasing shares of our common stock unless such repurchase of shares would not violate any terms of the credit agreement; we may not use the proceeds of the line of credit to repurchase shares. Borrowings bear interest at LIBOR plus 1.8%. Financial covenants include maintaining a minimum tangible net worth, maintaining a minimum fixed charge coverage ratio (as defined in the credit agreement) and not exceeding a maximum funded debt to earnings before interest, depreciation and amortization ratio. As of April 4, 2015: (i) we were in compliance with these covenants; (ii) there were no borrowings under our line of credit; (iii) there was a standby letter of credit of approximately \$1.1 million outstanding under the credit agreement; and (iv) there was approximately \$33.9 million available for borrowing under the line of credit.

Most of our retail stores are located within shopping malls and all are operated under leases classified as operating leases. Our leases in North America typically have a ten-year term and contain provisions for base rent plus percentage rent based on defined sales levels. Many of the leases contain a provision whereby either we or the landlord may terminate the lease after a certain time, typically in the third to fourth year of the lease, if a certain minimum sales volume is not achieved. In addition, some of these leases contain various restrictions relating to change of control of our company. Our leases also subject us to risks relating to compliance with changing mall rules and the exercise of discretion by our landlords on various matters, including rights of termination in some cases.

Our leases in the U.K. and Ireland typically have terms of 10 to 15 years and generally contain a provision whereby every fifth year the rental rate can be adjusted upwards to reflect the current market rates. The leases typically provide the lessee with the first right for renewal at the end of the lease. We may also be required to make deposits and rent guarantees to secure new leases as we expand. Real estate taxes also change according to government time schedules to reflect current market rental rates for the locations we lease. Rents are charged quarterly and paid in advance.

In fiscal 2015, we expect to spend a total of \$20 million to \$25 million on capital expenditures. Capital spending through the thirteen weeks ended April 4, 2015 totaled \$2.9 million, on track with our full year plans. Capital spending in fiscal 2015 is primarily to support the refresh and repositioning of stores and investment in infrastructure.

We believe that cash generated from operations and borrowings under our credit agreement will be sufficient to fund our working capital and other cash flow requirements for the near future. Our credit agreement expires on December 31, 2016.

On February 20, 2007, we announced that our board of directors had authorized a \$25 million share repurchase program of our outstanding common stock. On March 10, 2008, we announced an expansion of our share repurchase program to \$50 million (the "2008 Share Repurchase Program"). Following a series of annual extensions, on February 25, 2015, we announced the termination of the 2008 Share Repurchase Program and adopted a new repurchase program (the "2015 Share Repurchase Program") which authorizes us to repurchase up to \$10 million of our common stock until March 31, 2016, subject to further extension by the Board. As of February 25, 2015, under the 2008 Share Repurchase Program, we had repurchased approximately 6,245,000 shares at an average price of \$7.40 per share for an aggregate amount of \$46.2 million, leaving \$3.8 million of availability under the program unused. Under the 2015 Share Repurchase Program, we currently intend to purchase up to \$10 million of our common stock in the open market (including through 10b5-1 trading plans), through privately negotiated transactions, or through an accelerated repurchase transaction. The primary source of funding has been, and is expected to be, cash on hand. The timing and amount of share repurchases, if any, will depend on price, market conditions, applicable regulatory requirements, and other factors. The 2015 Share Repurchase Program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Shares repurchased under the 2015 Share Repurchase Program will be subsequently retired. As of May 7, 2015, we had repurchased approximately 269,000 shares at an average price of \$18.59 per share for an aggregate amount of \$5.0 million, leaving \$5.0 million of availability under the 2015 Share Repurchase program.

Off-Balance Sheet Arrangements

None

Inflation

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. We cannot provide assurance, however, that our business will not be affected by inflation in the future.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the appropriate application of certain accounting policies, which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates, including those related to long-lived assets, revenue recognition and income taxes, are reevaluated on an ongoing basis, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our critical accounting policies and estimates are discussed in and should be read in conjunction with our annual report on Form 10-K, as filed with the Securities and Exchange Commission (SEC) on March 19, 2015, which includes audited consolidated financial statements for our 2014, 2013 and 2012 fiscal years. There have been no material changes to the critical accounting estimates disclosed in the 2014 Form 10-K.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, Revenue from Contracts with Customers, which will replace most existing revenue recognition guidance in U.S. GAAP. See Note 10 – Recently Issued Accounting Pronouncements to the Condensed Consolidated Financial Statements for additional information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our Qualitative and Quantitative Disclosures About Market Risk as disclosed in our Annual Report on Form 10-K for the year ended January 3, 2015 as filed with the SEC on March 19, 2015.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief President Bear and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to management, including our certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on the foregoing evaluation, our management, including the Chief Executive Officer and Chief President Bear and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of April 4, 2015, the end of the period covered by this Quarterly Report.

It should be noted that our management, including the Chief Executive Officer and Chief President Bear and the Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Officer and Chief President Bear and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

PART II – OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to our Risk Factors as disclosed in our Annual Report on Form 10-K for the year ended January 3, 2015 as filed with the SEC on March 19, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | (a) | (b) | (c) | (d) |
|------------------------------|---|--|--|---|
| | Total Number of Shares (or Units) Purchased (1) | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Program (2) | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plan or Program (2) |
| Jan. 4, 2015 – Jan. 31, 2015 | 622 | \$ 22.14 | — | \$ 3,728,779 |
| Feb. 1, 2015 – Feb. 28, 2015 | 720 | \$ 21.66 | — | \$ 10,000,000 |
| Mar. 1, 2015 – Apr. 4, 2015 | 209,248 | \$ 19.71 | 154,292 | \$ 7,002,128 |
| Total | 210,590 | \$ 19.73 | 154,292 | |

- (1) Includes shares of our common stock delivered to us in satisfaction of the tax withholding obligation of holders of restricted shares which vested during the quarter. Our equity incentive plans provide that the value of shares delivered to us to pay the withholding tax obligations is calculated at the closing trading price of our common stock on the date the relevant transaction occurs.
- (2) On February 25, 2015, we announced the termination of the share repurchase program that was adopted in 2008 and adopted a new repurchase program (the “2015 Share Repurchase Program”) which authorizes us to repurchase up to \$10 million of our common stock until March 31, 2016, subject to further extension by the Board. Under the 2015 Share Repurchase Program, we currently intend to purchase up to \$10 million of our common stock in the open market (including through 10b5-1 trading plans), through privately negotiated transactions, or through an accelerated repurchase transaction. The primary source of funding is expected to be cash on hand. The timing and amount of share repurchases, if any, will depend on price, market conditions, applicable regulatory requirements, and other factors. The program does not require the Company to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Shares repurchased under the program will be subsequently retired. As of May 7, 2015, we had approximately \$5.0 million of availability under the program.

Item 6. Exhibits.

The following is a list of exhibits filed as a part of the quarterly report on Form 10-Q:

| Exhibit No. | Description |
|-------------|---|
| 2.1 | Agreement and Plan of Merger dated April 3, 2000 between Build-A-Bear Workshop, L.L.C. and the Registrant (incorporated by reference from Exhibit 2.1 to our Registration Statement on Form S-1, filed on August 12, 2004, Registration No. 333-118142) |
| 3.1 | Third Amended and Restated Certificate of Incorporation (incorporated by reference from Exhibit 3.1 of our Current Report on Form 8-K, filed on November 11, 2004) |
| 3.2 | Amended and Restated Bylaws (incorporated by reference from Exhibit 3.4 to our Registration Statement on Form S-1, filed on August 12, 2004, Registration No. 333-118142) |
| 4.1 | Specimen Stock Certificate (incorporated by reference from Exhibit 4.1 to Amendment No. 3 to our Registration Statement on Form S-1, filed on October 1, 2004, Registration No. 333-118142) |
| 10.1* | Form of Restricted Stock and Non-Qualified Stock Option Agreement under the Registrant’s Third Amended and Restated 2004 Stock Incentive Plan (incorporated by reference from Exhibit 10.1 on our Current Report on Form 8-K, filed on March 20, 2015) |
| 10.2* | Form of Restricted Stock Agreement under the Registrant’s Third Amended and Restated 2004 Stock Incentive Plan (incorporated by reference from Exhibit 10.1 on our Current Report on Form 8-K, filed on March 20, 2015) |
| 10.3* | Amended and Restated Employment, Confidentiality and Noncompete Agreement dated as of April 14, 2015 between Eric Fencl and the Registrant |

| | |
|---------|--|
| 10.4* | Employment, Confidentiality and Noncompete Agreement dated as of April 15, 2015 between J. Christopher Hurt and the Registrant |
| 31.1 | Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer and Chief President Bear) |
| 31.2 | Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer) |
| 32.1 | Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer and Chief President Bear) |
| 32.2 | Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer) |
| 101.INS | XBRL Instance |
| 101.SCH | XBRL Extension Schema |
| 101.CAL | XBRL Extension Calculation |
| 101.DEF | XBRL Extension Definition |
| 101.LAB | XBRL Extension Label |
| 101.PRE | XBRL Extension Presentation |

* Management contract or compensatory plan or arrangement

SIGNATURES

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

Date: May 14, 2015

BUILD-A-BEAR WORKSHOP, INC.
(Registrant)

By: /s/ Sharon John
Sharon John
Chief Executive Officer and Chief President Bear
(on behalf of the registrant and as principal executive officer)

By: /s/ Voin Todorovic
Voin Todorovic
Chief Financial Officer (on behalf of the registrant
and as principal financial officer)

AMENDED AND RESTATED
EMPLOYMENT, CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Employment, Confidentiality and Noncompete Agreement (“Agreement”) is entered into effective as of the 14th day of April, 2015, by and between Build-A-Bear Workshop, Inc., a Delaware corporation (“Company”), and Eric Fencl (“Employee”).

WHEREAS, Company desires to employ and Employee desires to be employed as the Chief Administrative Officer, General Counsel and Secretary of Company.

WHEREAS, Company and Employee desire to amend and restate that certain Employment, Confidentiality and Noncompete Agreement dated as of the 1st day of July 2008.

WHEREAS, Company has pioneered the retail concept of “make your own” stuffed plush toys, including animals and dolls, and is engaged in, among other things, the business of production, marketing, promotion and distribution of plush stuff toys, clothing, accessories and similar items, including without limitation, the ownership, management, franchising, leasing and development of retail stores in which the basic operation is the selling of such items, and the promotion of the related concepts and characters through merchandising and mass media. Company is headquartered and its principal place of business is located in, and this Agreement is being signed in, St. Louis, Missouri.

WHEREAS, Company conducts business in selected locations throughout the United States and internationally directly and through franchise arrangements.

WHEREAS, Company has expended a great deal of time, money and effort to develop and maintain its proprietary Confidential Information (as defined herein) which is material to Company and which, if misused or disclosed, could be very harmful to Company’s business.

WHEREAS, the success of Company depends to a substantial extent upon the protection of its Confidential Information and goodwill by all of its employees.

WHEREAS, Company compensates its employees to, among other things, develop and preserve goodwill with its customers, landlords, suppliers and partners on Company’s behalf and business information for Company’s ownership and use.

WHEREAS, if Employee were to leave Company, Company, in all fairness, would need certain protections in order to prevent competitors of Company from gaining an unfair competitive advantage over Company or diverting goodwill from Company, or to prevent Employee from misusing or misappropriating the Confidential Information.

NOW, THEREFORE, in consideration of the compensation and other benefits of Employee’s employment by Company and the recitals, mutual covenants and agreements hereinafter set forth, Employee and Company agree as follows:

1. Employment Services.

(a) Employee is hereby employed by Company, and Employee hereby accepts such employment, upon the terms and conditions hereinafter set forth. Employee shall serve as Chief Administrative Officer, General Counsel and Secretary throughout the Employment Period, and agrees to do so on a full-time basis. Employee shall carry out such duties as are assigned to him by Company's Chief Executive Officer.

(b) Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated reasonably to Employee by Company, (ii) devote substantially all of Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of the rules, policies and procedures of Company which are applicable to its senior executives, including but not limited to working hours, sales and promotion policies, and specific Company rules.

(c) "Company" means Build-A-Bear Workshop, Inc. or one of its Subsidiaries. The term "Subsidiary" means any corporation, joint venture or other business organization in which Build-A-Bear Workshop, Inc. now or hereafter, directly or indirectly, owns or controls more than fifty percent (50%) interest.

2 . Term of Employment. The term of this Agreement shall commence on the date first set forth above, and shall end on the third anniversary hereof, unless sooner terminated as provided in Section 4 hereof (the "Initial Term"). Following the Initial Term, this Agreement shall renew for successive one-year periods (each a "Renewal Period"; collectively, the Initial Term and each Renewal Period, the "Employment Period"), unless either party notifies the other party of its decision not to renew the Agreement at least 30 days prior to the third anniversary date or the expiration of any Renewal Period, or unless the Agreement is sooner terminated as provided in Section 4 hereof. For the avoidance of doubt, if either party provides notice of non-renewal of the Agreement at least 30 days prior to the end of the Initial Term or the end of any Renewal Period, then the Agreement shall expire.

3. Compensation.

(a) Base Salary. Throughout the Employment Period, Company shall pay Employee as compensation for his services an annual base salary of not less than Three Hundred Fifteen Thousand Two Hundred Dollars (\$315,200), payable in accordance with Company's usual practices. Employee's annual base salary rate shall be reviewed by the Compensation Committee of the Board of Directors (the "Compensation Committee") at least annually and may be subject to adjustment following each fiscal year so that Employee's salary will be commensurate with similarly situated executives with firms similarly situated to Company. However, Employee's annual base salary rate shall not be subject to decrease at any time during the Employment Period.

(b) Bonus. Should Company meet or exceed the sales, profits and other objectives established by Compensation Committee for any fiscal year, Employee shall be eligible to receive a bonus for such fiscal year in the amount as determined by the Compensation Committee; provided however the potential bonus opportunity for Employee in any given fiscal year will be set by the Compensation Committee such that, if Company exceeds its objectives, Company will pay Employee not less than fifty percent (50%) of Employee's earned annual base pay for such fiscal year. Any bonus payable to Employee will be payable in cash, stock or stock options, or combination thereof, all as determined by the Board of Directors or any duly authorized committee thereof, and unless (to the extent consistent with Section 409A of the Code) a different payout schedule is applicable for all executive employees of Company, any such bonus payment will be payable in a single, lump sum payment in the calendar year that contains the April 30 immediately following such fiscal year, but no later than April 30th of such year. In the event of termination of this Agreement because of Employee's death or disability (as defined by Section 4.1(b)), termination by Company without Cause pursuant to Section 4.1(c), or pursuant to Employee's right to terminate this Agreement for Good Reason under Section 4.1(d), the bonus criteria shall not change and any bonus shall be pro-rated based on the number of full calendar weeks during the applicable fiscal year during which Employee was employed hereunder and shall be paid at the time and in the form such bonus would have been paid had Employee's employment continued. Notwithstanding anything herein to the contrary, no bonus shall be payable hereunder in the event that Employee's employment terminates for any other reason prior to the date on which any bonus is actually paid.

Such bonus, if any, shall be payable after Company's accountants have determined the sales and profits and have issued their audit report with respect thereto for the applicable fiscal year, which determination shall be binding on the parties. Any such bonus shall be paid in the calendar year that contains the April 30 immediately following such fiscal year, but no later than April 30th of such year.

(c) Equity Awards. Employee may have been granted in the past, and may in the future be granted, a certain number of restricted shares and/or stock options to purchase shares of Company's common stock (the "Common Stock") and/or other awards, pursuant to the terms set forth more particularly in the stock option and/or restricted stock and/or other award agreements ("Stock Agreement") used in connection with the Build-A-Bear Workshop, Inc. 2004 Stock Incentive Plan (or any successor plan) (the "Plan"). The Plan and applicable Stock Agreement(s) shall govern any grants of restricted shares and/or stock options to purchase shares of Company's Common Stock and/or such other awards.

(d) Discounts. Employee and his immediate family will be entitled to a minimum 20% discount for all merchandise purchased at Company's stores.

(e) Vacation. Employee shall be entitled to paid vacation and paid sick leave on the same basis as may from time to time apply to other Company executive employees generally. Vacations will be scheduled with the approval of Company's Chief Executive Officer. One-third of one year's vacation (or any part of it) may be carried over to the next year; provided that such carry over is used in the first calendar quarter of the next year. Unless otherwise approved by Company's Chief Executive Officer, all unused vacation shall be forfeited. No more than two weeks of vacation can be taken at one time. Employee shall also be entitled to one (1) additional day per calendar year of paid vacation to be taken in the month of his birthday.

(f) Other. Employee shall be eligible for such other perquisites as may from time to time be awarded to Employee by Company payable at such times and in such amounts as Company, in its sole discretion, may determine. All compensation under this Agreement shall be subject to customary withholding taxes and other employment taxes as required with respect thereto. Throughout the Employment Period, Employee shall also qualify for all rights and benefits for which Employee may be eligible under any benefit plans including group life, medical, health, dental and/or disability insurance or other benefits ("Welfare Benefits") which are provided for employees generally at his then current location of employment.

4. Termination Provisions.

4.1 Termination of Employment. Prior to the expiration of the Employment Period, this Agreement and Employee's employment may be terminated as follows:

(a) Upon Employee's death;

(b) By Company upon thirty (30) days' prior written notice to Employee in the event Employee, by reason of permanent physical or mental disability (which shall be determined by a physician selected by Company or its insurers and acceptable to Employee or Employee's legal representative (such agreement as to acceptability not to be withheld unreasonably)), following such time as Employee has been unable to perform the essential functions of his position, with or without reasonable accommodation, for the longer of: (i) six (6) consecutive months or (ii) the maximum health leave provided under Company's Health Leave of Absence policy for Employee's length of service with Company; provided, however, Employee shall not be terminated due to permanent physical or mental disability unless or until said disability also entitles Employee to benefits under such disability insurance policy as is provided to Employee by Company, provided however that continued entitlement to disability benefits coverage shall be not required where Employee fails to qualify for benefits coverage continuation due to an act or omission by Employee.

(c) By Company with or without Cause. For the purposes of this Agreement, "Cause" shall mean: (i) Employee's engagement in any conduct which, in Company's reasonable determination, constitutes gross misconduct, or is illegal, unethical or improper provided such conduct brings detrimental notoriety or material harm to Company; (ii) gross negligence or willful misconduct; (iii) any act which results in a conviction for a felony involving moral turpitude, fraud or misrepresentation; (iv) a material breach of a material provision of this Agreement by Employee, or (v) failure of Employee to follow a written directive of the Chief Executive Officer or the Board of Directors within thirty (30) days after receiving such notice, provided that such directive is reasonable in scope and is otherwise within the Chief Executive Officer's or the Board's reasonable business judgment, and is reasonably within Employee's control; provided Employee does not cure said conduct or breach as set forth in (i)-(v)(to the extent curable) within thirty (30) days after the Chief Executive Officer or the Board of Directors provides Employee with reasonably-detailed written notice of said conduct or breach accompanied by a clear written statement of Company's intent to terminate the Employee's employment for Cause in the absence of a cure. Cause shall not exist unless and until the Employee (and his counsel if he wishes) has been afforded an opportunity prior to the actual date of termination to discuss the matter with the Board of Directors at a duly-called Board meeting at which the matter is timely placed on the agenda and the Board subsequently votes to terminate the relationship for Cause.

(d) By the Employee with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean (i) a material breach of a material provision of this Agreement by Company, (ii) Company's issuance of a notice of non-renewal of this Agreement under Section 2, (iii) a material diminution in Employee's base compensation, (iv) a material diminution in Employee's authority, duties or responsibilities, or (v) a change in the geographic location at which Employee must perform services hereunder of more than twenty-five (25) miles; provided, that, Employee provides the Board of Directors with written notice of Good Reason within thirty (30) days of the date on which Employee becomes aware of the condition alleged to give rise to Good Reason, Company does not cure such condition within thirty (30) days after such notice (to the extent curable), and Employee terminates his employment within ninety (90) days following the onset of one or more conditions giving rise to Good Reason.

4.2 Impact of Termination.

(a) Survival of Covenants. Upon termination of this Agreement, all rights and obligations of the parties hereunder shall cease, except termination of employment pursuant to Section 4 or otherwise shall not terminate or otherwise affect the rights and obligations of the parties pursuant to Sections 5 through 13 hereof.

(b) Severance. In the event during the Employment Period (i) Company terminates Employee's employment without Cause pursuant to Section 4.1(c) or (ii) the Employee terminates his employment for Good Reason pursuant to Section 4.1(d), subject to the execution and non-revocation of a release and waiver of all claims described below, Company shall continue his base salary in accordance with its regular payroll practices for a period of (A) twelve (12) months, commencing on the date that is thirty (30) days after the termination in the case of a termination of employment either prior to a Change in Control or following a period of twelve (12) months after a Change in Control or (B) eighteen (18) months, commencing on the date that is thirty (30) days after the termination in the case of a termination of employment during the twelve (12) month period immediately following a Change in Control. Notwithstanding anything herein to the contrary, receipt of any payment in connection with a termination of employment shall be conditioned on Employee signing a release and waiver of all claims against Company and its affiliates within thirty (30) days after his termination of employment, in such form and manner as Company shall reasonably prescribe, which release shall become effective and irrevocable within thirty (30) days after Employee's termination of employment. Employee shall accept these payments in full discharge of all obligations of any kind which Company has to his except obligations, if any (i) for post-employment benefits expressly provided under this Agreement and/or at law, (ii) to repurchase any capital stock of Company owned by Employee (as may or may not be set forth in the applicable stock agreement); or (iii) for indemnification under separate agreement by virtue of Employee's status as a director/officer of Company. Employee shall also be eligible to receive a bonus with respect to the year of termination to the extent provided in Section 3(b).

Notwithstanding anything herein to the contrary, in the event that Employee is determined to be a specified employee within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of any payment on termination of employment hereunder, payment(s) shall be made or begin, as applicable, on the first payroll date which is more than six months following the date of separation from service, to the extent required to avoid any adverse tax consequences under Section 409A of the Code. Any payments that would have been made during such 6-month period shall be made in a lump sum on the first payroll date which is more than six months following the date Employee separates from service with Company. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may Employee, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. This Agreement shall be interpreted and administered in a manner consistent with Section 409A of the Code.

For purposes of this Agreement, "Change in Control" shall mean: (i) the purchase or other acquisition (other than from Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended ("Act") (excluding, for this purpose, Company or its subsidiaries or any employee benefit plan of Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either the then-outstanding shares of common stock of Company or the combined voting power of Company's then-outstanding voting securities entitled to vote generally in the election of directors; (ii) individuals who, as of the date hereof, constitute Company's Board of Directors (and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of Company's Board of Directors, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Section, considered as though such person were a member of the Incumbent Board; (iii) a reorganization, merger or consolidation involving Company, in each case with respect to which persons who were the stockholders of Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities; or (iv) a liquidation or dissolution of Company, or the sale of all or substantially all of the assets of Company.

(c) Termination due to Employee Non-Renewal of Term or Termination by Employee without Good Reason. If the Agreement expires either at the end of the Initial Term or at the end of any Renewal Period, due to the issuance of notice of non-renewal by Employee under Section 2, then no severance under Section 4.2(b) shall be paid to the Employee and his employment shall terminate upon the anniversary date. If Employee terminates his employment without Good Reason, then no severance under Section 4.2(b) shall be paid to Employee and his employment shall terminate on the effective date of such termination. For the avoidance of doubt, if Company ends the employment relationship either at the end of the Initial Term or at the end of any Renewal Period without Cause under Section 4.1(c), Company shall remit to Employee the severance specified in Section 4.2(b) provided Company has received the release and waiver referred to in Section 4.2(b).

(d) Welfare Benefits. Upon termination or expiration of this Agreement for any reason, Employee shall be provided with such Welfare Benefits continuation notices, rights and obligations as may be required under federal or state law (including COBRA). In the event that Employee becomes entitled to any severance under Section 4.2(b) above, during the period that Welfare Benefits are continued under COBRA, Company shall continue to pay Company's portion of the medical, dental, and vision plan premiums for the benefit of Employee.

5. Confidential Information.

(a) Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential Information.

(b) Employee acknowledges and confirms that certain data and other information (whether in human or machine readable form) that comes into his possession or knowledge (whether before or after the date of this Agreement) and which was obtained from Company, or obtained by Employee for or on behalf of Company, and which is identified herein (the "Confidential Information") is the secret, confidential property of Company. This Confidential Information includes, but is not limited to:

- (1) lists or other identification of customers or prospective customers of Company;
- (2) lists or other identification of sources or prospective sources of Company's products or components thereof, its landlords and prospective landlords and its current and prospective alliance, marketing and media partners (and key individuals employed or engaged by such parties);
- (3) all compilations of information, correspondence, designs, drawings, files, formulae, lists, machines, maps, methods, models, studies, surveys, scripts, screenplays, artwork, sketches, notes or other writings, plans, leases, records and reports;
- (4) financial, sales and marketing data relating to Company or to the industry or other areas pertaining to Company's activities and contemplated activities (including, without limitation, leasing, manufacturing, transportation, distribution and sales costs and non-public pricing information);
- (5) equipment, materials, designs, procedures, processes, and techniques used in, or related to, the development, manufacture, assembly, fabrication or other production and quality control of Company's products, stores and services;
- (6) Company's relations with its past, current and prospective customers, suppliers, landlords, alliance, marketing and media partners and the nature and type of products or services rendered to, received from or developed with such parties or prospective parties;
- (7) Company's relations with its employees (including, without limitation, salaries, job classifications and skill levels); and
- (8) any other information designated by Company to be confidential, secret and/or proprietary (including without limitation, information provided by customers, suppliers and alliance partners of Company).

Notwithstanding the foregoing, the term Confidential Information shall not consist of any data or other information which has been made publicly available or otherwise placed in the public domain other than by Employee in violation of this Agreement.

(c) During the Employment Period, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by Company except as expressly permitted by Company in writing or required for the proper performance of his duties on behalf of Company.

6. Post-Termination Restrictions. Employee recognizes that (i) Company has spent substantial money, time and effort over the years in developing and solidifying its relationships with its customers, suppliers, landlords and alliance, marketing and media partners and in developing its Confidential Information; (ii) long-term customer, landlord, supplier and partner relationships often can be difficult to develop and require a significant investment of time, effort and expense; (iii) Company has paid its employees to, among other things, develop and preserve business information, customer, landlord, vendor and partner goodwill, customer, landlord, vendor and partner loyalty and customer, landlord, vendor and partner contacts for and on behalf of Company; and (iv) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises not to divert goodwill of customers, landlords, suppliers or partners of Company, either individually or on a combined basis, or to put himself in a position following Employee's employment with Company in which the confidentiality of Company's Confidential Information might somehow be compromised. Accordingly, Employee agrees that during the Employment Period and for the period of time set forth below following termination of employment, provided termination is in accordance with the terms of Section 4.1(b), (c), or (d), or due to expiration of the Agreement due to non-renewal by either party, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

(a) for one (1) year, engage in, assist or have an interest in, or enter the employment of or act as an agent, advisor or consultant for, any person or entity which is engaged in, or will be engaged in, the development, manufacture, supplying or sale of a product, process, service or development which is competitive with a product, process, service or development on which Employee worked or with respect to which Employee has or had access to Confidential Information while at Company ("Restricted Activity"), and which is located within the United States or within any country where Company has established a retail presence either directly or through a franchise arrangement; or

(b) for one (1) year, induce or attempt to induce any employee, consultant, partner or advisor of Company to accept employment or an affiliation with any entity engaged in a Restricted Activity; *provided, however*, that following termination of his employment, Employee shall be entitled to be an employee of an entity that engages in Restricted Activity so long as: (i) the sale of stuffed plush toys is not a material business of the entity; (ii) Employee has no direct or personal involvement in the sale of stuffed plush toys; and (iii) neither Employee, his relatives, nor any other entities with which he is affiliated own more than 1% of the entity. As used in this Section 6, "material business" shall mean that either (A) greater than 10% of annual revenues received by such entity were derived from the sale of stuffed plush toys and related products, or (B) the annual revenues received or projected to be received by such entity from the sale of stuffed plush toys and related products exceeded \$10 million, or (C) the entity otherwise annually derives or is projected to derive annual revenues in excess of \$5 million from a retail concept that is similar in any material regard to Company.

7 . Acknowledgment Regarding Restrictions. Employee recognizes and agrees that the restraints contained in Section 6 (both separately and in total), including the geographic scope thereof in light of Company's marketing efforts, are reasonable and enforceable in view of Company's legitimate interests in protecting its Confidential Information and customer goodwill and the limited scope of the restrictions in Section 6.

8. Inventions.

(a) Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like (collectively, "Inventions"), which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) the current and anticipated research or development of Company, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest to such Inventions. Employee assigns, and agrees to assign to Company whenever so requested by Company, any and all right, title and interest in and to any such Invention, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests, at Company's expense.

(b) Employee acknowledges that as part of his work for Company he may be asked to create, or contribute to the creation of, computer programs, documentation and other copyrightable works. Employee hereby agrees that any and all computer programs, documentation and other copyrightable materials that he has prepared or worked on for Company, or is asked to prepare or work on by Company, shall be treated as and shall be a "work made for hire," for the exclusive ownership and benefit of Company according to the copyright laws of the United States, including, but not limited to, Sections 101 and 201 of Title 17 of the U.S. Code ("U.S.C.") as well as according to similar foreign laws. Company shall have the exclusive right to register the copyrights in all such works in its name as the owner and author of such works and shall have the exclusive rights conveyed under 17 U.S.C. §§ 106 and 106A including, but not limited to, the right to make all uses of the works in which attribution or integrity rights may be implicated. Without in any way limiting the foregoing, to the extent the works are not treated as works made for hire under any applicable law, Employee hereby irrevocably assigns, transfers, and conveys to Company and its successors and assigns any and all worldwide right, title, and interest that Employee may now or in the future have in or to the works, including, but not limited to, all ownership, U.S. and foreign copyrights, all treaty, convention, statutory, and common law rights under the law of any U.S. or foreign jurisdiction, the right to sue for past, present, and future infringement, and moral, attribution, and integrity rights. Employee hereby expressly and forever irrevocably waives any and all rights that he may have arising under 17 U.S.C. §§ 106A, rights that may arise under any federal, state, or foreign law that conveys rights that are similar in nature to those conveyed under 17 U.S.C. §§ 106A, and any other type of moral right or droit moral.

9. Company Property. Employee acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents d by or provided to Employee, or otherwise made, produced or compiled during the Employment Period, regardless of the type of medium in which they are preserved, are the sole mpany and shall be surrendered to Company upon Employee's termination of employment and on demand at any time by Company.

10. Nondisparagement. Employee agrees that he will not in any way disparage Company or its affiliated entities, officers, or directors; and the officers and directors shall not in any way disparage Employee. Further, Employee agrees that he will neither make nor solicit any comments, statements, or the like to the media or to third parties that may be considered to be derogatory or detrimental to the good name or business reputation of Company or any of its affiliated entities, officers or directors; and the officers and directors will neither make nor solicit any comments, statements, or the like to the media or to third parties that may be considered to be derogatory or detrimental to the good name or business reputation of Employee.

11. Non-Waiver of Rights. Either party's failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of the non-breaching party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

12. Company's Right to Injunctive Relief. In the event of a breach or threatened breach of any of Employee's duties and obligations under the terms and provisions of Sections 5, 6, or 8 hereof, Company shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to seek temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach, without the necessity of posting any bond. Employee hereby expressly acknowledges that the harm which might result to Company's business as a result of any noncompliance by Employee with any of the provisions of Sections 5, 6 or 8 would be largely irreparable.

13. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

14. Employee Representations. Employee represents that the execution and delivery of the Agreement and Employee's employment with Company do not violate any previous employment agreement or other contractual obligation of Employee. Employee further represents and agrees that he will not, during his employment with Company, improperly use or disclose any proprietary information or trade secrets of former employers and will not bring on to the premises of Company any unpublished documents or any property belonging to his former employers unless consented to in writing by such employers.

15. Amendments. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto. This Agreement supersedes all prior agreements and understandings between Employee and Company to the extent that any such agreements or understandings conflict with the terms of this Agreement.

16. Assignments. This Agreement shall be freely assignable by Company to and shall inure to the benefit of, and be binding upon, Company, its affiliates, successors and assigns and/or any other entity which shall succeed to the business presently being conducted by Company. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by Employee.

17. Choice of Forum and Governing Law. In light of Company's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity and enforceability of this Agreement are resolved on a uniform basis, and Company's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted in the state or federal courts in St. Louis City or County, Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without regard for any conflict of law principles.

18. Notices. Except as otherwise provided for herein, any notices to be given by either party to the other shall be affected by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed as follows:

(a) If to Company:

Sharon Price John
Chief Executive Officer and Chief President Bear
1954 Innerbelt Business Center
St. Louis, MO 63114

(b) If to Employee:

Eric Fencil

19. Arbitration. Any controversy or claim arising out of, or relating to this Agreement, the breach thereof, or Employee's employment by Company, shall, at Company's sole option, be settled by binding arbitration in the County of St. Louis in accordance with the employment rules then in force of the American Arbitration Association, and judgment upon the award rendered may be entered and enforced in any court having jurisdiction thereof. The controversies or claims subject to arbitration at Company's option under this Agreement include, without limitation, those arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Missouri Human Rights Act, local laws governing employment, and the statutory and/or common law of contract and tort. In the event Employee commences any action in court which Company has the right to submit to binding arbitration, Company shall have sixty (60) days from the date of service of a summons and complaint upon Company to direct in writing that all or any part of the dispute be arbitrated. Any remedy available in any court action shall also be available in arbitration.

20. Reduction. Any provision of this Agreement to the contrary notwithstanding, if any payments or benefits which Employee has the right to receive ("Payments"), whether provided hereunder or under a different arrangement, are subject to the excise tax imposed by Section 4999 of the Code ("Excise Tax"), then the Payments shall be reduced (but not below zero) to the greatest amount which may be paid without Employee becoming subject to the Excise Tax. The determinations as to the Payments to be reduced and the amount of reduction shall be made by Company in good faith, and such determinations shall be conclusive and binding on Employee. If a reduced payment is made and through error or otherwise that payment, when aggregated with other Payments used in determining if a "parachute payment" exists, would trigger an Excise Tax, Employee shall immediately repay such excess to Company upon notification that an overpayment has been made. In the event that Employee receives reduced payments and benefits as a result of the application of this paragraph, reduction shall be made from payments and benefits which are determined not to be nonqualified deferred compensation for purposes of Section 409A of the Code first, and then shall be made (to the extent necessary) out of payments and benefits which are subject to Section 409A of the Code and which are due at the latest future date, to the extent such reduction would not trigger adverse tax consequences under Section 409A of the Code.

21. Headings. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections.

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EMPLOYEE IS HEREBY CERTIFYING THAT EMPLOYEE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EMPLOYEE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (D) UNDERSTANDS EMPLOYEE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of April 14, 2015.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY COMPANY.

/s/ Eric Fencil
Eric Fencil

BUILD-A-BEAR WORKSHOP, INC.

By: /s/ Sharon Price John

Name: Sharon Price John

Title: Chief Executive Officer

EMPLOYMENT, CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Employment, Confidentiality and Noncompete Agreement (“Agreement”) is entered into effective as of the 15th day of April, 2015, by and between Build-A-Bear Workshop, Inc., a Delaware corporation (“Company”), and J. Christopher Hurt (“Employee”).

WHEREAS, Company desires to employ and Employee desires to be employed as the Chief Operations Officer of Company.

WHEREAS, Company has pioneered the retail concept of “make your own” stuffed plush toys, including animals and dolls, and is engaged in, among other things, the business of production, marketing, promotion and distribution of plush stuff toys, clothing, accessories and similar items, including without limitation, the ownership, management, franchising, leasing and development of retail stores in which the basic operation is the selling of such items, and the promotion of the related concepts and characters through merchandising and mass media. Company is headquartered and its principal place of business is located in, and this Agreement is being signed in, St. Louis, Missouri.

WHEREAS, Company conducts business in selected locations throughout the United States and internationally directly and through franchise arrangements.

WHEREAS, Company has expended a great deal of time, money and effort to develop and maintain its proprietary Confidential Information (as defined herein) which is material to Company and which, if misused or disclosed, could be very harmful to Company’s business.

WHEREAS, the success of Company depends to a substantial extent upon the protection of its Confidential Information and goodwill by all of its employees.

WHEREAS, Company compensates its employees to, among other things, develop and preserve goodwill with its customers, landlords, suppliers and partners on Company’s behalf and business information for Company’s ownership and use.

WHEREAS, if Employee were to leave Company, Company, in all fairness, would need certain protections in order to prevent competitors of Company from gaining an unfair competitive advantage over Company or diverting goodwill from Company, or to prevent Employee from misusing or misappropriating the Confidential Information.

NOW, THEREFORE, in consideration of the compensation and other benefits of Employee’s employment by Company and the recitals, mutual covenants and agreements hereinafter set forth, Employee and Company agree as follows:

1. Employment Services.

(a) Employee is hereby employed by Company, and Employee hereby accepts such employment, upon the terms and conditions hereinafter set forth. Employee shall serve as Chief Operations Officer throughout the Employment Period, and agrees to do so on a full-time basis. Employee shall carry out such duties as are assigned to him by Company’s Chief Executive Officer.

(b) Employee agrees that throughout Employee's employment with Company, Employee will (i) faithfully render such services as may be delegated reasonably to Employee by Company, (ii) devote substantially all of Employee's entire business time, good faith, best efforts, ability, skill and attention to Company's business, and (iii) follow and act in accordance with all of the rules, policies and procedures of Company which are applicable to its senior executives, including but not limited to working hours, sales and promotion policies, and specific Company rules.

(c) "Company" means Build-A-Bear Workshop, Inc. or one of its Subsidiaries. The term "Subsidiary" means any corporation, joint venture or other business organization in which Build-A-Bear Workshop, Inc. now or hereafter, directly or indirectly, owns or controls more than fifty percent (50%) interest.

2 . Term of Employment. The term of this Agreement shall commence on the date first set forth above, and shall end on the third anniversary hereof, unless sooner terminated as provided in Section 4 hereof (the "Initial Term"). Following the Initial Term, this Agreement shall renew for successive one-year periods (each a "Renewal Period"; collectively, the Initial Term and each Renewal Period, the "Employment Period"), unless either party notifies the other party of its decision not to renew the Agreement at least 30 days prior to the third anniversary date or the expiration of any Renewal Period, or unless the Agreement is sooner terminated as provided in Section 4 hereof. For the avoidance of doubt, if either party provides notice of non-renewal of the Agreement at least 30 days prior to the end of the Initial Term or the end of any Renewal Period, then the Agreement shall expire.

3. Compensation.

(a) Base Salary. Throughout the Employment Period, Company shall pay Employee as compensation for his services an annual base salary of not less than Three Hundred Eighty Thousand Dollars (\$380,000), payable in accordance with Company's usual practices. Employee's annual base salary rate shall be reviewed by the Compensation Committee of the Board of Directors (the "Compensation Committee") at least annually and may be subject to adjustment following each fiscal year so that Employee's salary will be commensurate with similarly situated executives with firms similarly situated to Company. However, Employee's annual base salary rate shall not be subject to decrease at any time during the Employment Period.

(b) Bonus. Should Company meet or exceed the sales, profits and other objectives established by Compensation Committee for any fiscal year, Employee shall be eligible to receive a bonus for such fiscal year in the amount as determined by the Compensation Committee; provided however the potential bonus opportunity for Employee in any given fiscal year will be set by the Compensation Committee such that, if Company exceeds its objectives, Company will pay Employee not less than fifty percent (50%) of Employee's earned annual base pay for such fiscal year. Any bonus payable to Employee will be payable in cash, stock or stock options, or combination thereof, all as determined by the Board of Directors or any duly authorized committee thereof, and unless (to the extent consistent with Section 409A of the Code) a different payout schedule is applicable for all executive employees of Company, any such bonus payment will be payable in a single, lump sum payment in the calendar year that contains the April 30 immediately following such fiscal year, but no later than April 30th of such year. In the event of termination of this Agreement because of Employee's death or disability (as defined by Section 4.1(b)), termination by Company without Cause pursuant to Section 4.1(c), or pursuant to Employee's right to terminate this Agreement for Good Reason under Section 4.1(d), the bonus criteria shall not change and any bonus shall be pro-rated based on the number of full calendar weeks during the applicable fiscal year during which Employee was employed hereunder and shall be paid at the time and in the form such bonus would have been paid had Employee's employment continued. Notwithstanding anything herein to the contrary, no bonus shall be payable hereunder in the event that Employee's employment terminates for any other reason prior to the date on which any bonus is actually paid.

Such bonus, if any, shall be payable after Company's accountants have determined the sales and profits and have issued their audit report with respect thereto for the applicable fiscal year, which determination shall be binding on the parties. Any such bonus shall be paid in the calendar year that contains the April 30 immediately following such fiscal year, but no later than April 30th of such year.

(c) Equity Awards. Employee may in the future be granted, a certain number of restricted shares and/or stock options to purchase shares of Company's common stock (the "Common Stock") and/or other awards, pursuant to the terms set forth more particularly in the stock option and/or restricted stock and/or other award agreements ("Stock Agreement") used in connection with the Build-A-Bear Workshop, Inc. 2004 Stock Incentive Plan (or any successor plan) (the "Plan"). The Plan and applicable Stock Agreement(s) shall govern any grants of restricted shares and/or stock options to purchase shares of Company's Common Stock and/or such other awards.

(d) Discounts. Employee and his immediate family will be entitled to a minimum 20% discount for all merchandise purchased at Company's stores.

(e) Vacation. Employee shall be entitled to paid vacation and paid sick leave on the same basis as may from time to time apply to other Company executive employees generally. Vacations will be scheduled with the approval of Company's Chief Executive Officer. One-third of one year's vacation (or any part of it) may be carried over to the next year; provided that such carry over is used in the first calendar quarter of the next year. Unless otherwise approved by Company's Chief Executive Officer, all unused vacation shall be forfeited. No more than two weeks of vacation can be taken at one time. Employee shall also be entitled to one (1) additional day per calendar year of paid vacation to be taken in the month of his birthday.

(f) Other. Employee shall be eligible for such other perquisites as may from time to time be awarded to Employee by Company payable at such times and in such amounts as Company, in its sole discretion, may determine. All compensation under this Agreement shall be subject to customary withholding taxes and other employment taxes as required with respect thereto. Throughout the Employment Period, Employee shall also qualify for all rights and benefits for which Employee may be eligible under any benefit plans including group life, medical, health, dental and/or disability insurance or other benefits ("Welfare Benefits") which are provided for employees generally at his then current location of employment.

(g) Signing Bonus. Employee shall receive a lump sum cash bonus in the amount of Thirty Five Thousand Dollars (\$35,000) paid on the Company's first regular pay date following execution of this Agreement (the "Signing Bonus Payment"). The Signing Bonus Payment will be (i) subject to withholding and other employment taxes as required and (ii) immediately repaid by Employee to Company should Employee's employment be terminated on or before April 15, 2016 by Employee without Good Reason (as defined in Section 4.1(d) below) or by the Company with Cause (as defined in Section 4.1(c) below). Employee agrees that should such repayment of the Signing Bonus Payment be required, the Company may withhold any salary, other compensation or any other amounts due to Employee up to such amount and that should such withholding be insufficient to repay the entire Signing Bonus Payment, Employee shall promptly remit to Company such shortfall.

4. Termination Provisions.

4.1 Termination of Employment. Prior to the expiration of the Employment Period, this Agreement and Employee's employment may be terminated as follows:

(a) Upon Employee's death;

(b) By Company upon thirty (30) days' prior written notice to Employee in the event Employee, by reason of permanent physical or mental disability (which shall be determined by a physician selected by Company or its insurers and acceptable to Employee or Employee's legal representative (such agreement as to acceptability not to be withheld unreasonably)), following such time as Employee has been unable to perform the essential functions of his position, with or without reasonable accommodation, for the longer of: (i) six (6) consecutive months or (ii) the maximum health leave provided under Company's Health Leave of Absence policy for Employee's length of service with Company; provided, however, Employee shall not be terminated due to permanent physical or mental disability unless or until said disability also entitles Employee to benefits under such disability insurance policy as is provided to Employee by Company, provided however that continued entitlement to disability benefits coverage shall be not required where Employee fails to qualify for benefits coverage continuation due to an act or omission by Employee.

(c) By Company with or without Cause. For the purposes of this Agreement, "Cause" shall mean: (i) Employee's engagement in any conduct which, in Company's reasonable determination, constitutes gross misconduct, or is illegal, unethical or improper provided such conduct brings detrimental notoriety or material harm to Company; (ii) gross negligence or willful misconduct; (iii) any act which results in a conviction for a felony involving moral turpitude, fraud or misrepresentation; (iv) a material breach of a material provision of this Agreement by Employee, or (v) failure of Employee to follow a written directive of the Chief Executive Officer or the Board of Directors within thirty (30) days after receiving such notice, provided that such directive is reasonable in scope and is otherwise within the Chief Executive Officer's or the Board's reasonable business judgment, and is reasonably within Employee's control; provided Employee does not cure said conduct or breach as set forth in (i)-(v)(to the extent curable) within thirty (30) days after the Chief Executive Officer or the Board of Directors provides Employee with reasonably-detailed written notice of said conduct or breach accompanied by a clear written statement of Company's intent to terminate the Employee's employment for Cause in the absence of a cure. Cause shall not exist unless and until the Employee (and his counsel if he wishes) has been afforded an opportunity prior to the actual date of termination to discuss the matter with the Board of Directors at a duly-called Board meeting at which the matter is timely placed on the agenda and the Board subsequently votes to terminate the relationship for Cause.

(d) By the Employee with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean (i) a material breach of a material provision of this Agreement by Company, (ii) Company's issuance of a notice of non-renewal of this Agreement under Section 2, (iii) a material diminution in Employee's base compensation, (iv) a material diminution in Employee's authority, duties or responsibilities, or (v) a change in the geographic location at which Employee must perform services hereunder of more than twenty-five (25) miles; provided, that, Employee provides the Board of Directors with written notice of Good Reason within thirty (30) days of the date on which Employee becomes aware of the condition alleged to give rise to Good Reason, Company does not cure such condition within thirty (30) days after such notice (to the extent curable), and Employee terminates his employment within ninety (90) days following the onset of one or more conditions giving rise to Good Reason.

4.2 Impact of Termination.

(a) Survival of Covenants. Upon termination of this Agreement, all rights and obligations of the parties hereunder shall cease, except termination of employment pursuant to Section 4 or otherwise shall not terminate or otherwise affect the rights and obligations of the parties pursuant to Sections 5 through 13 hereof.

(b) Severance. In the event during the Employment Period (i) Company terminates Employee's employment without Cause pursuant to Section 4.1(c) or (ii) the Employee terminates his employment for Good Reason pursuant to Section 4.1(d), subject to the execution and non-revocation of a release and waiver of all claims described below, Company shall continue his base salary in accordance with its regular payroll practices for a period of (A) twelve (12) months, commencing on the date that is thirty (30) days after the termination in the case of a termination of employment either prior to a Change in Control or following a period of twelve (12) months after a Change in Control or (B) eighteen (18) months, commencing on the date that is thirty (30) days after the termination in the case of a termination of employment during the twelve (12) month period immediately following a Change in Control. Notwithstanding anything herein to the contrary, receipt of any payment in connection with a termination of employment shall be conditioned on Employee signing a release and waiver of all claims against Company and its affiliates within thirty (30) days after his termination of employment, in such form and manner as Company shall reasonably prescribe, which release shall become effective and irrevocable within thirty (30) days after Employee's termination of employment. Employee shall accept these payments in full discharge of all obligations of any kind which Company has to his except obligations, if any (i) for post-employment benefits expressly provided under this Agreement and/or at law, (ii) to repurchase any capital stock of Company owned by Employee (as may or may not be set forth in the applicable stock agreement); or (iii) for indemnification under separate agreement by virtue of Employee's status as a director/officer of Company. Employee shall also be eligible to receive a bonus with respect to the year of termination to the extent provided in Section 3(b).

Notwithstanding anything herein to the contrary, in the event that Employee is determined to be a specified employee within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of any payment on termination of employment hereunder, payment(s) shall be made or begin, as applicable, on the first payroll date which is more than six months following the date of separation from service, to the extent required to avoid any adverse tax consequences under Section 409A of the Code. Any payments that would have been made during such 6-month period shall be made in a lump sum on the first payroll date which is more than six months following the date Employee separates from service with Company. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may Employee, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. This Agreement shall be interpreted and administered in a manner consistent with Section 409A of the Code.

For purposes of this Agreement, "Change in Control" shall mean: (i) the purchase or other acquisition (other than from Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended ("Act") (excluding, for this purpose, Company or its subsidiaries or any employee benefit plan of Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either the then-outstanding shares of common stock of Company or the combined voting power of Company's then-outstanding voting securities entitled to vote generally in the election of directors; (ii) individuals who, as of the date hereof, constitute Company's Board of Directors (and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of Company's Board of Directors, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Section, considered as though such person were a member of the Incumbent Board; (iii) a reorganization, merger or consolidation involving Company, in each case with respect to which persons who were the stockholders of Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities; or (iv) a liquidation or dissolution of Company, or the sale of all or substantially all of the assets of Company.

(c) Termination due to Employee Non-Renewal of Term or Termination by Employee without Good Reason. If the Agreement expires either at the end of the Initial Term or at the end of any Renewal Period, due to the issuance of notice of non-renewal by Employee under Section 2, then no severance under Section 4.2(b) shall be paid to the Employee and his employment shall terminate upon the anniversary date. If Employee terminates his employment without Good Reason, then no severance under Section 4.2(b) shall be paid to Employee and his employment shall terminate on the effective date of such termination. For the avoidance of doubt, if Company ends the employment relationship either at the end of the Initial Term or at the end of any Renewal Period without Cause under Section 4.1(c), Company shall remit to Employee the severance specified in Section 4.2(b) provided Company has received the release and waiver referred to in Section 4.2(b).

(d) Welfare Benefits. Upon termination or expiration of this Agreement for any reason, Employee shall be provided with such Welfare Benefits continuation notices, rights and obligations as may be required under federal or state law (including COBRA). In the event that Employee becomes entitled to any severance under Section 4.2(b) above, during the period that Welfare Benefits are continued under COBRA, Company shall continue to pay Company's portion of the medical, dental, and vision plan premiums for the benefit of Employee.

5. Confidential Information.

(a) Employee agrees to keep secret and confidential, and not to use or disclose to any third parties, except as directly required for Employee to perform Employee's employment responsibilities for Company, any of Company's proprietary Confidential Information.

(b) Employee acknowledges and confirms that certain data and other information (whether in human or machine readable form) that comes into his possession or knowledge (whether before or after the date of this Agreement) and which was obtained from Company, or obtained by Employee for or on behalf of Company, and which is identified herein (the "Confidential Information") is the secret, confidential property of Company. This Confidential Information includes, but is not limited to:

- (1) lists or other identification of customers or prospective customers of Company;
- (2) lists or other identification of sources or prospective sources of Company's products or components thereof, its landlords and prospective landlords and its current and prospective alliance, marketing and media partners (and key individuals employed or engaged by such parties);
- (3) all compilations of information, correspondence, designs, drawings, files, formulae, lists, machines, maps, methods, models, studies, surveys, scripts, screenplays, artwork, sketches, notes or other writings, plans, leases, records and reports;
- (4) financial, sales and marketing data relating to Company or to the industry or other areas pertaining to Company's activities and contemplated activities (including, without limitation, leasing, manufacturing, transportation, distribution and sales costs and non-public pricing information);
- (5) equipment, materials, designs, procedures, processes, and techniques used in, or related to, the development, manufacture, assembly, fabrication or other production and quality control of Company's products, stores and services;
- (6) Company's relations with its past, current and prospective customers, suppliers, landlords, alliance, marketing and media partners and the nature and type of products or services rendered to, received from or developed with such parties or prospective parties;
- (7) Company's relations with its employees (including, without limitation, salaries, job classifications and skill levels); and
- (8) any other information designated by Company to be confidential, secret and/or proprietary (including without limitation, information provided by customers, suppliers and alliance partners of Company).

Notwithstanding the foregoing, the term Confidential Information shall not consist of any data or other information which has been made publicly available or otherwise placed in the public domain other than by Employee in violation of this Agreement.

(c) During the Employment Period, Employee will not copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use, any papers, records, reports, studies, computer printouts, equipment, tools or other property owned by Company except as expressly permitted by Company in writing or required for the proper performance of his duties on behalf of Company.

6. Post-Termination Restrictions. Employee recognizes that (i) Company has spent substantial money, time and effort over the years in developing and solidifying its relationships with its customers, suppliers, landlords and alliance, marketing and media partners and in developing its Confidential Information; (ii) long-term customer, landlord, supplier and partner relationships often can be difficult to develop and require a significant investment of time, effort and expense; (iii) Company has paid its employees to, among other things, develop and preserve business information, customer, landlord, vendor and partner goodwill, customer, landlord, vendor and partner loyalty and customer, landlord, vendor and partner contacts for and on behalf of Company; and (iv) Company is hereby agreeing to employ and pay Employee based upon Employee's assurances and promises not to divert goodwill of customers, landlords, suppliers or partners of Company, either individually or on a combined basis, or to put himself in a position following Employee's employment with Company in which the confidentiality of Company's Confidential Information might somehow be compromised. Accordingly, Employee agrees that during the Employment Period and for the period of time set forth below following termination of employment, provided termination is in accordance with the terms of Section 4.1(b), (c), or (d), or due to expiration of the Agreement due to non-renewal by either party, Employee will not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise):

(a) for one (1) year, engage in, assist or have an interest in, or enter the employment of or act as an agent, advisor or consultant for, any person or entity which is engaged in, or will be engaged in, the development, manufacture, supplying or sale of a product, process, service or development which is competitive with a product, process, service or development on which Employee worked or with respect to which Employee has or had access to Confidential Information while at Company ("Restricted Activity"), and which is located within the United States or within any country where Company has established a retail presence either directly or through a franchise arrangement; or

(b) for one (1) year, induce or attempt to induce any employee, consultant, partner or advisor of Company to accept employment or an affiliation with any entity engaged in a Restricted Activity; *provided, however*, that following termination of his employment, Employee shall be entitled to be an employee of an entity that engages in Restricted Activity so long as: (i) the sale of stuffed plush toys is not a material business of the entity; (ii) Employee has no direct or personal involvement in the sale of stuffed plush toys; and (iii) neither Employee, his relatives, nor any other entities with which he is affiliated own more than 1% of the entity. As used in this Section 6, "material business" shall mean that either (A) greater than 10% of annual revenues received by such entity were derived from the sale of stuffed plush toys and related products, or (B) the annual revenues received or projected to be received by such entity from the sale of stuffed plush toys and related products exceeded \$10 million, or (C) the entity otherwise annually derives or is projected to derive annual revenues in excess of \$5 million from a retail concept that is similar in any material regard to Company.

7 . Acknowledgment Regarding Restrictions. Employee recognizes and agrees that the restraints contained in Section 6 (both separately and in total), including the geographic scope thereof in light of Company's marketing efforts, are reasonable and enforceable in view of Company's legitimate interests in protecting its Confidential Information and customer goodwill and the limited scope of the restrictions in Section 6.

8. Inventions.

(a) Any and all ideas, inventions, discoveries, patents, patent applications, continuation-in-part patent applications, divisional patent applications, technology, copyrights, derivative works, trademarks, service marks, improvements, trade secrets and the like (collectively, "Inventions"), which are developed, conceived, created, discovered, learned, produced and/or otherwise generated by Employee, whether individually or otherwise, during the time that Employee is employed by Company, whether or not during working hours, that relate to (i) current and anticipated businesses and/or activities of Company, (ii) the current and anticipated research or development of Company, or (iii) any work performed by Employee for Company, shall be the sole and exclusive property of Company, and Company shall own any and all right, title and interest in and to such Inventions. Employee assigns, and agrees to assign to Company whenever so requested by Company, any and all right, title and interest in and to any such Invention, at Company's expense, and Employee agrees to execute any and all applications, assignments or other instruments which Company deems desirable or necessary to protect such interests, at Company's expense.

(b) Employee acknowledges that as part of his work for Company he may be asked to create, or contribute to the creation of, computer programs, documentation and other copyrightable works. Employee hereby agrees that any and all computer programs, documentation and other copyrightable materials that he has prepared or worked on for Company, or is asked to prepare or work on by Company, shall be treated as and shall be a "work made for hire," for the exclusive ownership and benefit of Company according to the copyright laws of the United States, including, but not limited to, Sections 101 and 201 of Title 17 of the U.S. Code ("U.S.C.") as well as according to similar foreign laws. Company shall have the exclusive right to register the copyrights in all such works in its name as the owner and author of such works and shall have the exclusive rights conveyed under 17 U.S.C. §§ 106 and 106A including, but not limited to, the right to make all uses of the works in which attribution or integrity rights may be implicated. Without in any way limiting the foregoing, to the extent the works are not treated as works made for hire under any applicable law, Employee hereby irrevocably assigns, transfers, and conveys to Company and its successors and assigns any and all worldwide right, title, and interest that Employee may now or in the future have in or to the works, including, but not limited to, all ownership, U.S. and foreign copyrights, all treaty, convention, statutory, and common law rights under the law of any U.S. or foreign jurisdiction, the right to sue for past, present, and future infringement, and moral, attribution, and integrity rights. Employee hereby expressly and forever irrevocably waives any and all rights that he may have arising under 17 U.S.C. §§ 106A, rights that may arise under any federal, state, or foreign law that conveys rights that are similar in nature to those conveyed under 17 U.S.C. §§ 106A, and any other type of moral right or droit moral.

9. Company Property. Employee acknowledges that any and all notes, records, sketches, computer diskettes, training materials and other documents d by or provided to Employee, or otherwise made, produced or compiled during the Employment Period, regardless of the type of medium in which they are preserved, are the sole mpany and shall be surrendered to Company upon Employee's termination of employment and on demand at any time by Company.

10. Nondisparagement. Employee agrees that he will not in any way disparage Company or its affiliated entities, officers, or directors; and the officers and directors shall not in any way disparage Employee. Further, Employee agrees that he will neither make nor solicit any comments, statements, or the like to the media or to third parties that may be considered to be derogatory or detrimental to the good name or business reputation of Company or any of its affiliated entities, officers or directors; and the officers and directors will neither make nor solicit any comments, statements, or the like to the media or to third parties that may be considered to be derogatory or detrimental to the good name or business reputation of Employee.

11. Non-Waiver of Rights. Either party's failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of the non-breaching party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

12. Company's Right to Injunctive Relief. In the event of a breach or threatened breach of any of Employee's duties and obligations under the terms and provisions of Sections 5, 6, or 8 hereof, Company shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to seek temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach, without the necessity of posting any bond. Employee hereby expressly acknowledges that the harm which might result to Company's business as a result of any noncompliance by Employee with any of the provisions of Sections 5, 6 or 8 would be largely irreparable.

13. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

14. Employee Representations. Employee represents that the execution and delivery of the Agreement and Employee's employment with Company do not violate any previous employment agreement or other contractual obligation of Employee. Employee further represents and agrees that he will not, during his employment with Company, improperly use or disclose any proprietary information or trade secrets of former employers and will not bring on to the premises of Company any unpublished documents or any property belonging to his former employers unless consented to in writing by such employers.

15. Amendments. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto. This Agreement supersedes all prior agreements and understandings between Employee and Company to the extent that any such agreements or understandings conflict with the terms of this Agreement.

16. Assignments. This Agreement shall be freely assignable by Company to and shall inure to the benefit of, and be binding upon, Company, its affiliates, successors and assigns and/or any other entity which shall succeed to the business presently being conducted by Company. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by Employee.

17. Choice of Forum and Governing Law. In light of Company's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity and enforceability of this Agreement are resolved on a uniform basis, and Company's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted in the state or federal courts in St. Louis City or County, Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without regard for any conflict of law principles.

18. Notices. Except as otherwise provided for herein, any notices to be given by either party to the other shall be affected by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed as follows:

(a) If to Company:

Sharon Price John
Chief Executive Officer and Chief President Bear
1954 Innerbelt Business Center
St. Louis, MO 63114

With copy to:

Eric Fencl
Chief Administrative Officer and General Counsel
1954 Innerbelt Business Center
St. Louis, MO 63114

(b) If to Employee:

J. Christopher Hurt
1954 Innerbelt Business Center
St. Louis, MO 63114

19. Arbitration. Any controversy or claim arising out of, or relating to this Agreement, the breach thereof, or Employee's employment by Company, shall, at Company's sole option, be settled by binding arbitration in the County of St. Louis in accordance with the employment rules then in force of the American Arbitration Association, and judgment upon the award rendered may be entered and enforced in any court having jurisdiction thereof. The controversies or claims subject to arbitration at Company's option under this Agreement include, without limitation, those arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Missouri Human Rights Act, local laws governing employment, and the statutory and/or common law of contract and tort. In the event Employee commences any action in court which Company has the right to submit to binding arbitration, Company shall have sixty (60) days from the date of service of a summons and complaint upon Company to direct in writing that all or any part of the dispute be arbitrated. Any remedy available in any court action shall also be available in arbitration.

20. Reduction. Any provision of this Agreement to the contrary notwithstanding, if any payments or benefits which Employee has the right to receive ("Payments"), whether provided hereunder or under a different arrangement, are subject to the excise tax imposed by Section 4999 of the Code ("Excise Tax"), then the Payments shall be reduced (but not below zero) to the greatest amount which may be paid without Employee becoming subject to the Excise Tax. The determinations as to the Payments to be reduced and the amount of reduction shall be made by Company in good faith, and such determinations shall be conclusive and binding on Employee. If a reduced payment is made and through error or otherwise that payment, when aggregated with other Payments used in determining if a "parachute payment" exists, would trigger an Excise Tax, Employee shall immediately repay such excess to Company upon notification that an overpayment has been made. In the event that Employee receives reduced payments and benefits as a result of the application of this paragraph, reduction shall be made from payments and benefits which are determined not to be nonqualified deferred compensation for purposes of Section 409A of the Code first, and then shall be made (to the extent necessary) out of payments and benefits which are subject to Section 409A of the Code and which are due at the latest future date, to the extent such reduction would not trigger adverse tax consequences under Section 409A of the Code.

21. Headings. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections.

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EMPLOYEE IS HEREBY CERTIFYING THAT EMPLOYEE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EMPLOYEE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (D) UNDERSTANDS EMPLOYEE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of April 15, 2015.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY COMPANY.

J. Christopher Hurt

BUILD-A-BEAR WORKSHOP, INC.

By:

Name: Sharon Price John

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

I, Sharon John, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Build-A-Bear Workshop, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sharon John

Sharon John
Chief Executive Officer and Chief President Bear
Build-A-Bear Workshop, Inc.
(Principal Executive Officer)

Date: May 14, 2015

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

I, Voin Todorovic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Build-A-Bear Workshop, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Voin Todorovic

Voin Todorovic
Chief Financial Officer
Build-A-Bear Workshop, Inc.
(Principal Financial Officer)

Date: May 14, 2015

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Build-A-Bear Workshop, Inc. (the "Company") on Form 10-Q for the period ended April 4, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon John, Chief Executive Officer and Chief President Bear of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sharon John

Sharon John

*Chief Executive Officer and Chief President Bear
Build-A-Bear Workshop, Inc.
(Principal Executive Officer)*

Date: May 14, 2015

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Build-A-Bear Workshop, Inc. (the "Company") on Form 10-Q for the period ended April 4, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Voin Todorovic, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Voin Todorovic

Voin Todorovic
Chief Financial Officer
Build-A-Bear Workshop, Inc.
(Principal Financial Officer)

Date: May 14, 2015

