

FAMOUS DAVES OF AMERICA INC

Form 10-Q

May 18, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended April 3, 2016

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

Commission File No. 0-21625

FAMOUS DAVE S of AMERICA, INC.

(Exact name of registrant as specified in its charter)

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Minnesota
(State or other jurisdiction of

41-1782300
(I.R.S. Employer

incorporation or organization)

Identification No.)

12701 Whitewater Drive, Suite 200

Minnetonka, MN 55343

(Address of principal executive offices) (Zip code)

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

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

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

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

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)

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 16, 2016, 6,957,628 shares of the registrant's Common Stock were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****APRIL 3, 2016 AND JANUARY 3, 2016***(in thousands, except per share data)*

	April 3, 2016 (Unaudited)	January 3, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,600	\$ 5,300
Restricted cash	1,202	1,087
Accounts receivable, net	5,028	4,677
Inventories	1,860	2,070
Deferred tax assets	181	181
Prepaid expenses and other current assets	1,776	1,671
Assets held for sale		2,211
Total current assets	17,647	17,197
Property, equipment and leasehold improvements, net	31,895	32,491
Other assets:		
Intangible assets, net	2,890	2,902
Deferred tax assets	4,411	4,411
Other assets	891	824
	\$ 57,734	\$ 57,825
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and financing lease obligation	\$ 10,352	\$ 2,193
Line of credit	1,855	
Accounts payable	6,097	5,685
Accrued compensation and benefits	1,586	1,390
Deferred tax liabilities	101	101
Other current liabilities	4,024	3,406
Liabilities held for sale		1,747
Total current liabilities	24,015	14,522
Long-term liabilities:		
Long-term debt, less current portion		10,200
Financing lease obligation, less current portion	2,653	2,757
Other liabilities	8,228	8,285

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Total liabilities	34,896	35,764
Shareholders' equity:		
Common stock, \$0.01 par value, 100,000 shares authorized, 6,958 shares issued and outstanding at April 3, 2016 and January 3, 2016, respectively	66	66
Retained earnings	22,772	21,995
Total shareholders' equity	22,838	22,061
	\$ 57,734	\$ 57,825

See accompanying notes to consolidated financial statements.

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Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****APRIL 3, 2016 AND MARCH 29, 2015***(in thousands, except per share data)**(Unaudited)*

	Three Months Ended	
	April 3, 2016	March 29, 2015
Revenue:		
Restaurant sales, net	\$ 18,992	\$ 23,743
Franchise royalty revenue	4,165	4,331
Franchise fee revenue	135	5
Licensing and other revenue	248	185
Total revenue	23,540	28,264
Costs and expenses:		
Food and beverage costs	6,023	7,174
Labor and benefits costs	6,853	7,986
Operating expenses	5,709	6,701
Depreciation and amortization	981	1,179
General and administrative expenses	3,775	4,849
Asset impairment and estimated lease termination and other closing costs	8	95
Pre-opening expenses		1
Net gain on disposal of property	(204)	(23)
Total costs and expenses	23,145	27,962
Income from operations	395	302
Other expense:		
Interest expense	(178)	(201)
Interest income	1	5
Other expense, net		(2)
Total other expense	(177)	(198)
Income before income taxes	218	104
Income tax (expense) benefit	(69)	4
Net income from continuing operations	149	108
Net income from discontinued operations, net of tax	681	89
Net income	\$ 830	\$ 197
Basic net income per common share from continuing operations	\$ 0.02	\$ 0.02

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Basic net income per common share from discontinued operations	\$ 0.10	\$ 0.01
Basic net income per common share	\$ 0.12	\$ 0.03
Diluted net income per common share from continuing operations	\$ 0.02	\$ 0.02
Diluted net income per common share from discontinued operations	\$ 0.10	\$ 0.01
Diluted net income per common share	\$ 0.12	\$ 0.03
Weighted average common shares outstanding basic	6,948	7,107
Weighted average common shares outstanding diluted	6,958	7,131

See accompanying notes to consolidated financial statements.

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Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****APRIL 3, 2016 AND MARCH 29, 2015***(in thousands)**(Unaudited)*

	Three Months Ended	
	April 3, 2016	March 29, 2015
Cash flows from operating activities:		
Net income	\$ 149	\$ 108
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	981	1,179
Asset impairment and estimated lease termination and other closing costs	8	95
Net gain on disposal of property	(204)	(23)
Amortization of deferred financing costs	9	23
Deferred rent	192	224
Stock-based compensation	(54)	208
Tax benefit for equity awards issued		(153)
Changes in operating assets and liabilities:		
Restricted cash	(115)	130
Accounts receivable, net	(428)	(1,155)
Inventories	210	96
Prepaid expenses and other current assets	(105)	(827)
Accounts payable	240	46
Accrued compensation and benefits	107	(1,973)
Other current liabilities	329	(132)
Other liabilities	(18)	
Long-term deferred compensation		(74)
Cash flows provided by (used for) continuing operating activities	1,301	(2,228)
Cash flows (used for) provided by discontinued operating activities	(785)	107
Cash flows provided by (used for) operating activities	516	(2,121)
Cash flows used for investing activities:		
Proceeds from the sale of assets	1,053	
Purchases of property, equipment and leasehold improvements	(129)	(361)
Cash flows provided by (used for) continuing investing activities	924	(361)
Cash flows provided by (used for) discontinued investing activities	1,150	(67)
Cash flows provided by (used for) investing activities	2,074	(428)
Cash flows used for financing activities:		
Proceeds from line of credit	1,855	9,200
Payments on line of credit		(3,200)
Payments on long-term debt and financing lease obligation	(2,145)	(250)
Tax benefit for equity awards issued		153
Repurchase of common stock		(3,480)

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Cash flows (used for) provided by financing activities	(290)	2,423
Increase (decrease) in cash and cash equivalents	2,300	(126)
Cash and cash equivalents, beginning of period	5,300	2,133
Cash and cash equivalents, end of period	\$ 7,600	\$ 2,007

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

We, Famous Dave s of America, Inc. (Famous Dave s or the Company), were incorporated in Minnesota on March 14, 1994. We develop, own, operate and franchise restaurants under the name Famous Dave s . As of April 3, 2016, there were 178 Famous Dave s restaurants operating in 33 states, the Commonwealth of Puerto Rico, Canada, and United Arab Emirates, including 37 company-owned restaurants and 141 franchise-operated restaurants. An additional 64 franchise restaurants were committed to be developed through signed Area Development Agreements as of April 3, 2016.

We prepared these consolidated financial statements in accordance with Securities and Exchange Commission (SEC) Rules and Regulations. These unaudited financial statements represent the consolidated financial statements of Famous Dave s and its subsidiaries as of April 3, 2016 and January 3, 2016 and for the three month periods ended April 3, 2016 and March 29, 2015, respectively. The information furnished in these financial statements includes normal recurring adjustments and reflects all adjustments, which are, in our opinion, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended January 3, 2016 as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three months ended April 3, 2016 are not necessarily indicative of the results to be expected for the full year.

(2) Net Income Per Common Share

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

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

	Three Months Ended	
	April 3, 2016	March 29, 2015
<i>(in thousands, except per share data)</i>		
Net income per common share basic:		
Net income from continuing operations, net of taxes	\$ 149	\$ 108
Net income from discontinued operations, net of taxes	681	89
Net income	830	197
Weighted average shares outstanding	6,948	7,107
Net income from continuing operations per common share basic	\$ 0.02	\$ 0.02
Net income from discontinued operations per common share basic	\$ 0.10	\$ 0.01
Net income per common share basic	\$ 0.12	\$ 0.03
Net income per common share diluted:		
Net income from continuing operations, net of taxes	\$ 149	\$ 108
Net income from discontinued operations, net of taxes	681	89
Net income	830	197
Weighted average shares outstanding	6,948	7,107
Dilutive impact of common stock equivalents outstanding	10	24
Adjusted weighted average shares outstanding	6,958	7,131
Net income from continuing operations per common share diluted	\$ 0.02	\$ 0.02
Net income from discontinued operations per common share diluted	\$ 0.10	\$ 0.01
Net income per common share diluted	\$ 0.12	\$ 0.03

There were 439,000 options outstanding as of April 3, 2016 that were not included in the computation of diluted EPS because they were anti-dilutive. All options outstanding as of March 29, 2015 were included in the computation of diluted earnings per share.

(3) Restricted Cash and Marketing Fund

We have a system-wide Public Relations and Marketing Development Fund, to which Company-owned restaurants, in addition to the majority of franchise-operated restaurants, contribute a percentage of net sales, currently 1.0%, for use in public relations and marketing development efforts throughout the system. The assets held by this fund are considered restricted. Accordingly, we reflect the cash related to this fund in restricted cash and reflect the liability in accounts payable on our consolidated balance sheets as of April 3, 2016 and January 3, 2016. We had approximately \$1.2 million and \$1.1 million in this fund as of April 3, 2016 and January 3, 2016, respectively.

(4) Allowance for Doubtful Accounts

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Accounts Receivable, Net We provide an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. We provide for a general bad debt reserve for franchise receivables due to increases in days sales outstanding and deterioration in general economic market conditions. This general reserve is based on the aging of receivables meeting specified criteria and is adjusted each quarter based on past due receivable balances. Additionally, we have periodically established a specific reserve on certain receivables as necessary. Any changes to the reserve are recorded in general and administrative expenses. The allowance for uncollectible accounts was approximately \$319,000 and \$246,000, at

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Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

April 3, 2016 and January 3, 2016, respectively. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to allowance for doubtful accounts. Accounts receivable balances written off have not exceeded allowances provided. We believe all accounts receivable in excess of the allowance are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. Outstanding past due accounts receivable are subject to a monthly interest charge on unpaid balances which is recorded as interest income in our consolidated statements of operations. In assessing recoverability of these receivables, we make judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which the franchisees are required to submit to us, as well as other variables.

(5) Intangible Assets, net

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

A reconciliation of beginning and ending amounts of intangible assets at April 3, 2016 and January 3, 2016, respectively, are presented in the table below:

	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion ⁽¹⁾	Non- Current Portion
<i>(in thousands)</i>						
Balance at April 3, 2016						
Lease interest assets	23.8	\$ 1,417	\$ (289)	\$ 1,128	\$ (48)	\$ 1,080
Liquor licenses		1,810		1,810		1,810
Total		\$ 3,227	\$ (289)	\$ 2,938	\$ (48)	\$ 2,890

	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion ⁽¹⁾	Non- Current Portion
<i>(in thousands)</i>						
Balance at January 3, 2016						
Lease interest assets	24.1	\$ 1,417	\$ (277)	\$ 1,140	\$ (48)	\$ 1,092
Liquor licenses		1,810		1,810		1,810
Total		\$ 3,227	\$ (277)	\$ 2,950	\$ (48)	\$ 2,902

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

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

On December 11, 2015, the Company and certain of its subsidiaries (collectively known as the Borrower) entered into a First Amendment to the Third Amended and Restated Credit Agreement dated May 8, 2015 (as amended by the First Amendment, the Credit Agreement) with Wells Fargo Bank, National Association as administrative agent and lender (the Lender). The Credit Agreement will mature on December 31, 2018 and contains a \$3.0 million revolving credit facility (the Facility) with a \$2.0 million letter of credit sublimit, and a term loan with a maximum of \$12.0 million (the Term Loan). At April 3, 2016, the principal amount outstanding under the Facility and the Term Loan was \$1.9 million and \$9.9 million, respectively, along with approximately \$1.1 million in letters of credit for real estate locations. The Credit Agreement allows for termination by the Borrower without penalty at any time. Under the Credit Agreement, the Borrowers have granted the Lender a security interest in all current and future personal property of the Borrower.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate or Base Rate plus an applicable margin. The applicable margin depends on the Company's Adjusted Leverage Ratio at the end of the previous quarter. For the three months ended April 3, 2016 and March 29, 2015, our weighted average interest rate for the Facility was 3.68% and 2.76%, respectively. Unused portions of the Facility are subject to a fee, which was 0.375% of the unused amount at April 3, 2016.

Principal amounts outstanding under the Term Loan bear interest at the same rate as the Facility. The weighted average interest rate of the Term Loan for the three months ended April 3, 2016 and March 29, 2015 was 3.67% and 2.18%, respectively.

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type. For more information regarding the details of the customary affirmative and negative covenants, please refer to the full text of the Third Amended and Restated Credit Agreement dated May 8, 2015 filed as Exhibit 10.2 to our Form 10-Q for the quarter ended March 29, 2015, which was filed on May 8, 2015 and the First Amendment to the Credit Agreement filed as Exhibit 10.1 to our Current Report on Form 8-K, which was filed on December 11, 2015.

We were in compliance with all covenants of the Credit Agreement for the quarter ended April 3, 2016 except for two financial covenants: Consolidated Cash Flow Ratio and minimum Adjusted EBITDA.

For the quarter ended April 3, 2016 the Consolidated Cash Flow Ratio was 1.02:1.00, which is less than the minimum Consolidated Cash Flow Ratio permitted by the Credit Agreement of 1.15:1.00. For the quarter ended April 3, 2016, our Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.8 million for this quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Consolidated Cash Flow Ratio or minimum Adjusted EBITDA covenant or any other covenant. Upon an Event of Default, the Lender has the right to declare the unpaid principal amount of all outstanding loans; all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other loan document to be immediately due and payable, as well as to exercise its other rights as a secured creditor. In addition, we are prohibited under the Credit Agreement from making dividends or distributions from one Borrower to another Borrower and purchasing common stock pursuant to a board-approved stock purchase program.

On May 16, 2016, the Borrowers and the Lender entered into a Forbearance Agreement pursuant to which the Lender agreed to forbear from exercising its rights and remedies under the Credit Agreement relating to the existing defaults during a Forbearance Period ending June 11, 2016 or on the earlier date of any other Event of Default under the Credit Agreement or breach of the Forbearance Agreement. Under the Forbearance Agreement, we have agreed not to request and Wells Fargo is not obligated to make any further extensions of credit to us under the Credit Agreement. During the Forbearance Period, we intend to closely manage our expenses and cash balances to prevent a working capital shortfall. At May 16, 2016, the principal amount outstanding under the Facility was \$11.7 million, along with approximately \$1.1 million in letters of credit for real estate locations. As of April 3, 2016, the Company had \$7.6 million in cash and cash equivalents.

During the Forbearance Period, we intend to seek an amendment to or restructuring of the Credit Agreement. As a result of the Events of Default at April 3, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

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Other current liabilities consisted of the following at:

<i>(in thousands)</i>	April 3, 2016	January 3, 2016
Gift cards payable	\$ 1,432	\$ 1,616
Other liabilities	890	869
Accrued real estate taxes	574	33
Sales tax payable	535	674
Income tax payable	233	40
Deferred franchise fees	212	134
Accrued property and equipment purchases	148	40
	\$ 4,024	\$ 3,406

(8) Other Liabilities

Other liabilities consisted of the following at:

<i>(in thousands)</i>	April 3, 2016	January 3, 2016
Deferred rent	\$ 7,350	\$ 7,191
Other liabilities	375	455
Long term lease reserve	208	258
Long term deferred compensation	168	258
Asset retirement obligations	111	111
Income taxes payable	16	12
	\$ 8,228	\$ 8,285

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(9) Performance Shares, Stock Options, Other Forms of Compensation, and Common Share Repurchases****Stock-based Compensation**

Effective May 5, 2015, we adopted a 2015 Equity Plan (the "2015 Plan"), pursuant to which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other stock and cash awards to eligible participants. We also maintain an Amended and Restated 2005 Stock Incentive Plan (the "2005 Plan"). Together, the 2015 Plan and 2005 Plan are referred to herein as the "Plans". Under the 2015 Plan, an aggregate of 277,676 shares of our Company's common stock remained unreserved and available for issuance at April 3, 2016. The 2005 Plan prohibits the granting of incentives after May 12, 2015, the tenth anniversary of the date such Plan was approved by the Company's shareholders. Nonetheless, the 2005 Stock Incentive Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated.

We recognized stock-based compensation expense in our consolidated statements of operations for the three months ended April 3, 2016 and March 29, 2015, respectively, as follows:

	Three Months Ended	
	April 3, 2016	March 29, 2015
<i>(in thousands)</i>		
Performance Shares and Performance Stock Units-2013 Program ⁽¹⁾	\$	\$ 28
Stock Options ⁽²⁾	(69)	172
Restricted Stock and Restricted Stock Units	15	15
	\$ (54)	\$ 215

(1) The 2013 Program's stock-based compensation consists of both performance shares and performance stock units.

(2) The three months ended April 3, 2016 includes the recapture of previously recorded stock-based compensation of approximately \$126,000 due to the departure of our CFO.

Board of Directors' Compensation

We recognized board of directors' compensation expense in our consolidated statement of operations for the three months ended April 3, 2016 and March 29, 2015, respectively, as follows:

	Three Months Ended	
	April 3, 2016	March 29, 2015
<i>(in thousands)</i>		
Stock-based compensation	\$ 15	\$ 15
Stock option compensation	16	68
Cash compensation	14	77
Total board of directors' compensation	\$ 45	\$ 160

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Stock Options

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

On January 15, 2015, Edward H. Rensi was granted 75,000 stock options. These options were forfeited upon his resignation from the position of Chief Executive Officer on June 18, 2015.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On June 2, 2014, Richard A. Pawlowski was named Chief Financial Officer by the Company's board of directors. Pursuant to the agreement governing Mr. Pawlowski's employment, the Company granted 78,000 stock options. These options vested in equal annual installments over a period of three years, expiring five years from the grant date. The compensation expense for this grant was recognized under general and administrative expense in our consolidated statements of operations through the applicable service period. Upon his resignation effective April 11, 2016, any unvested options were forfeited.

On January 15, 2016, the Company granted Mr. Pawlowski 6,000 stock options vesting in three equal installments dependent upon the achievement of certain Milestones and expire on April 1, 2017. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

Effective July 11, 2015, July 13, 2015, and July 15, 2015, Edward H. Rensi, Brett D. Heffes, and David J. Mastrocola, respectively, resigned as members of the Board of Directors, forfeiting any unvested options previously granted to them.

On August 31, 2015, Abelardo Ruiz became the Company's Chief Operating Officer. Pursuant to the agreement governing Mr. Ruiz's employment, the Company granted 71,324 stock options. These options will vest in equal monthly installments over a period of four years and expire five years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

Effective January 1, 2016, Adam J. Wright was appointed the Company's Chief Executive Officer, removing his prior interim title. Pursuant to the agreement governing Mr. Wright's employment, the Company granted 50,000 stock options. These options will vest in equal monthly installments over a period of two years and expire ten years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

On February 12, 2016, Alfredo Martel became the Company's Chief Marketing Officer. Pursuant to the agreement governing Mr. Martel's employment, the Company granted 35,000 stock options. These options will vest in equal monthly installments over a period of four years and expire five years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

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

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

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

<i>(number of options in thousands)</i>	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Options outstanding at January 3, 2016	507	\$ 16.66	5.3
Granted	53	17.66	
Forfeited	(53)	32.02	
Options outstanding at April 3, 2016	507	13.95	5.2
Options exercisable at April 3, 2016	154	17.66	4.2

Weighted-average values and assumptions for valuing grants made:

	Three Months Ended April 3, 2016	Fiscal 2015
Weighted average fair value of options granted	\$ 1.80	\$ 4.90
Expected life (in years)	3.6	3.3
Expected stock volatility	41.8%	51.2%
Risk-free interest rate	1.0%	1.9%

(10) Retirement Savings Plans**401(k) Plan**

We have a pre-tax salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. In fiscal 2016 and 2015, we matched 25.0%, of the employee's contribution up to 4.0% of their earnings. Employee contributions were approximately \$92,000 and \$116,000 for the first quarter of fiscal years 2016 and 2015, respectively. The employer match was approximately \$7,000 and \$20,000 for the first quarter of fiscal years 2016 and 2015, respectively. There were no discretionary contributions to the Plan in the first quarter of fiscal 2016 and 2015.

Non-Qualified Deferred Compensation Plan

We have a Non-Qualified Deferred Compensation Plan effective as of February 25, 2005 (the "Plan"). Eligible participants are those employees who are at the director level and above and who are selected by the Company to participate in the Plan. Participants must complete a deferral election each year to indicate the level of compensation (salary, bonus and commissions) they wish to have deferred for the coming year. This deferral

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

election is irrevocable except to the extent permitted by the Plan administrator, and the regulations promulgated by the IRS. During fiscal 2016 and 2015, we matched 25.0%, of the first 4.0% contributed and are paying a declared interest rate of 6.0% on balances outstanding. The Board of Directors administers the Plan and may change the rate or any other aspects of the Plan at any time.

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

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

For the quarter ended April 3, 2016 and March 29, 2015, eligible participants contributed approximately \$6,000 and \$18,000, respectively, to the Plan, and the Company provided matching funds and interest of approximately \$5,000 and \$9,000, respectively. Distributions for the quarters ended April 3, 2016 and March 29, 2015 were \$88,000 and \$113,000, respectively. The balance of the Plan for the quarters ended April 3, 2016 and January 3, 2016 was approximately \$288,000 and \$547,000, respectively. Of these balance approximately \$119,000 and \$109,000 was recorded in current liabilities and the remaining balance was recorded in other liabilities at April 3, 2016 and January 3, 2016, respectively.

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

We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant s assets exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms, discount rate and other factors. If these assumptions change in the future, we may be required to take additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates. Restaurant sites that are operating but have been previously impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Following is a summary of these events during the first quarter of fiscal 2016 and fiscal 2015.

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Asset Impairment and Estimated Lease Termination and Other Closing Costs (in thousands):**

Restaurants	Reason	Three Months Ended April 3, 2016	Three Months Ended March 29, 2015
Richmond, VA area	Costs for closed restaurants	\$ 5	\$ 95
Miscellaneous	Costs for closed restaurants	3	
Total		\$ 8	\$ 95

(12) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement framework establishes a three-tier hierarchy. The three levels, in order of priority, are as follows:

- Level 1:* Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Level 1 measurements are determined by observable inputs which include data sources and market prices available and visible outside of the entity.
- Level 2:* Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.
- Level 3:* Inputs that are used to estimate the fair value of the asset or liability. Level 3 measurements are determined by unobservable inputs, which include data and analysis developed within the entity to assess the fair value.

Transfers in and out of levels will be based on our judgment of the availability of unadjusted quoted prices in active markets, other observable inputs, and non-observable inputs.

The following table (in thousands) summarizes the assets held for sale and property and equipment, in each case measured at fair value in our consolidated balance sheet as of January 3, 2016 and April 3, 2016:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Balance at January 3, 2016				
Assets				
Assets Held for Sale	\$	\$ 1,431	\$ 780	\$ 2,211
Property and Equipment	\$	\$	\$ 507	\$ 507
Balance at April 3, 2016				
Assets				
Property and Equipment	\$	\$	\$ 485	\$ 485

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Assets Held for Sale were recorded at fair value and were valued based upon a Real Estate Broker's Estimate of Value for the properties (Level 3) or negotiated sale price (Level 2). Property and Equipment, net, recorded at fair value were valued based upon a Broker's Estimate of Value or estimated discounted future cash flows (Level 3). These assets were adjusted to net realizable based upon the decision to dispose of the property. Total assets held for sale were reduced during the quarter ended April 3, 2016 due to the disposal of FDA's Chicago operations (see note 13) and of one of the Richmond restaurant sites.

(13) Discontinued Operations

On December 14, 2015, Famous Dave's of America, Inc. and certain of its subsidiaries (collectively, the Company) entered into an Asset Purchase Agreement and related Real Estate Purchase Agreement (the Purchase Agreements) with Windy City Restaurant Holdings LLC and its affiliate (together, the Purchaser) pursuant to which the Company agreed to sell the assets comprising its seven Chicago, Illinois area Company-owned restaurants located in Addison, Algonquin, Bolingbrook, Evergreen Park, North Riverside, Orland Park and Oswego (collectively, Purchased Restaurants) to the Purchaser.

Pursuant to the terms of this agreement, the Company received a total purchase price of \$1.15 million during the quarter ended April 3, 2016, plus approximately \$315,000 for the purchase of inventory on hand on the closing date. The Purchaser also assumed specified liabilities of the Company, including the Company's existing leases for the Purchased Restaurants located in Bolingbrook, North Riverside and Orland Park, Illinois.

As a result of this asset sale, the Company recognized a pretax \$1.1 million gain during the quarter ended April 3, 2016, primarily due to the write-off of the remaining \$1.3 million deferred rent liability associated with the leases assumed by the Purchaser, discussed above.

The net assets and liabilities of the Purchased Restaurants associated with this transaction were included in assets and liabilities held for sale on the accompanying Consolidated Balance Sheets at January 3, 2016. No related assets or liabilities remain at April 3, 2016. The carrying value of the assets and liabilities included in the asset sale was as follows (in thousands):

<i>(in thousands)</i>	January 3, 2016
Accounts receivable, net	\$ 65
Inventories	344
Prepaid expenses and other current assets	30
Total current assets	439
Property, equipment and leasehold improvements, net	991
Total assets	\$ 1,430
Accounts payable	\$ 10
Accrued compensation and benefits	96
Other current liabilities	389
Total current liabilities	495
Other liabilities	1,252
Total liabilities	\$ 1,747

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The operating results of the Purchased Restaurants for the three months ended April 3, 2016 and March 29, 2015 are summarized below. These results include costs directly attributable to the components of the businesses which were divested. Interest expense of \$32,000 and \$7,000 were allocated to discontinued operations for the three months ended April 3, 2016 and March 29, 2015, respectively, based upon the portion of the borrowing base associated with discontinued operations. Income tax expense of \$330,000 and \$113,000 for the three months ended April 3, 2016 and March 29, 2015, respectively have also been allocated to discontinued operations. These adjustments have been made for all periods presented.

<i>(in thousands)</i>	Three Months Ended	
	April 3, 2016	March 29, 2015
Revenue	\$ 2,365	\$ 4,363
Income from operations	\$ 1,042	\$ 209
Income from discontinued operations, net of income taxes	\$ 681	\$ 89

(14) Variable Interest Entities

Once an entity is determined to be a variable interest entity (VIE), the party with the controlling financial interest, the primary beneficiary, is required to consolidate it. The Company has an installment agreement with a franchisee as the result of refranchising its Lincoln, Nebraska restaurant. While the franchise meets the definition of a VIE, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

On August 11, 2015, the Company consummated the sale of its Greenwood, Indiana and Florence, Kentucky restaurants. In conjunction with that agreement, the Company entered into lease assignment agreements with the respective purchasers and landlords, releasing the Company of its obligations except in the event of default by the purchasers. As of April 3, 2016, the amount of the future lease payments for which the company would be liable in the event of a default are approximately \$500,000. An accrual related to any future obligation was not considered necessary at April 3, 2016 as the Company has determined the fair value of this guarantee was zero as there was no indication that the purchasers would not be able to pay the required lease payments. While this franchise meets the definition of a VIE, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

On March 1, 2016, the Company consummated the sale of its Chicago, Illinois restaurants. In conjunction with that agreement, the Company entered into lease assignment agreements with the respective purchasers and three of the landlords, releasing the Company of its obligations except in the event of default by the purchasers. As of April 3, 2016, the amount of the future lease payments for which the company would be liable in the event of a default are approximately \$2.2 million. An accrual related to any future obligation was not considered necessary at April 3, 2016 as the Company has determined the fair value of this guarantee was zero as there was no indication that the purchasers would not be able to pay the required lease payments. While this franchise meets the definition of a VIE, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(15) Litigation**

In the normal course of business, the Company is involved in a number of litigation matters that are incidental to the operation of the business. These matters generally include, among other things, matters with regard to employment and general business-related issues. The Company currently believes that the resolution of any of these pending matters will not have a material adverse effect on its financial position or liquidity, but an adverse decision in more than one of the matters could be material to its consolidated results of operations.

Famous Dave s of America, Inc. s (Famous Dave s) filed a complaint on July 14, 2015, against a group of former franchisees in California seeking injunctive relief and damages for: (1) Federal Trademark Infringement; (2) Federal Trademark Dilution; (3) Federal Unfair Competition; (4) Federal Trade Dress Dilution; (5) Trademark Infringement under California Business and Professions Code § 14200; (6) Trademark Dilution under California Business and Professions Code § 14200; (7) Common Law Trademark Infringement; (8) Unfair Competition under California Business and Professions Code § 17200; (9) False Advertising; (10) Breach of Contract; (11) Breach of Implied Covenant of Good Faith and Fair Dealing; and (12) Intentional Interference with Contract. The claims stem from the former franchisees breaches of their franchise agreements, including the failure to pay franchise fees and their continued operation of five restaurants utilizing Famous Dave s intellectual property without authorization. After two defendants in the case, Kurt Schneider and M Mart 1, filed a demurrer to the Complaint, Famous Dave s filed an Amended Complaint on October 9, 2015, reasserting the same claims. The case is captioned Famous Dave s of America, Inc., v. SR El Centro FD, Inc., et al., Case No. BC589329, and is currently pending before the Honorable Elihu M. Berle in the Superior Court of Los Angeles.

On July 28, 2015, these franchisees (the Plaintiffs) filed a complaint against Famous Dave s in the South Judicial District of the Superior Court of the County of Los Angeles. On March 10, 2016, Plaintiffs re-filed this Complaint as a First Amended Cross-Complaint [Famous Dave s of America, Inc. v. SR El Centro, Inc., et al., Superior Court of the State of California, County of Los Angeles, Central Division, Case No. BC589329] alleging that Famous Dave s breached the Franchise Agreements for these restaurants by failing to provide certain marketing support and access to customer contact data, vendors, internet reporting and support to Plaintiffs, and failing to provide operations and preferred practices training to Plaintiffs designated representative. Plaintiffs further allege that such conduct by Famous Dave s is a breach of the covenant of good faith and fair dealing. Plaintiffs also allege that Famous Dave s aided and abetted John and Allan Gantes in breach of their fiduciary duty to Plaintiffs. Plaintiffs are seeking compensatory damages in amount not less than \$20 million, punitive damages, costs and attorneys fees.

(16) Supplemental Cash Flow Information

	Three Months Ended	
	April 3,	March 29,
<i>(in thousands)</i>	2016	2015
Cash paid for interest	\$ 204	\$ 183
Cash paid for income taxes, net of refunds	\$ 23	\$ 67
Non-cash investing and financing activities:		
Increase in accrued property and equipment purchases	\$ (115)	\$ (8)

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Recently Issued Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). The amendments in ASU 2014-09 provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017. It will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. It permits the use of either a retrospective or cumulative effect transition method and early adoption is not permitted. We have not yet selected a transition method and are in the process of evaluating the effect this standard will have on our consolidated financial statements and related disclosures.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement Extraordinary and Unusual Items. This update eliminates from GAAP the concept of extraordinary items. ASU 2015-01 is effective for the first interim period within fiscal years beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. A reporting entity may apply the amendments prospectively or retrospectively to all prior periods presented in the financial statements. The Company adopted this ASU in the first quarter of 2016, but it had no impact on the consolidated financial statements.

In April 2015, the FASB issued guidance on the financial statement presentation of debt issuance costs. This guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than as an asset. The standard will become effective for annual periods beginning after December 15, 2015 and for interim periods beginning after December 15, 2016. Early adoption is permitted. The standard requires companies to apply the guidance retrospectively to all prior periods. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes, which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting remains largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

(18) Subsequent Events

The Company evaluated for the occurrence of subsequent events through the issuance date of the Company s financial statements. No other recognized or non-recognized subsequent events occurred that require recognition or disclosure in the financial statements except as noted below.

On April 7, 2016, Richard Pawlowski, the Company s Chief Financial Officer, tendered his resignation from the Company, to be effective April 11, 2016.

On April 7, 2016, the Company entered into an employment agreement with Dexter Newman pursuant to which he will succeed Mr. Pawlowski as the Company s Chief Financial Officer, commencing April 11, 2016. Summaries of Mr. Newman s employment agreement and stock option agreement are included in Form 8-K filed on April 7, 2016, copies of which are attached thereto as Exhibit 10.1 and 10.2.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Famous Dave s of America, Inc. was incorporated as a Minnesota corporation in March 1994 and opened its first restaurant in Minneapolis in June 1995. As of April 3, 2016, there were 178 Famous Dave s restaurants operating in 33 states, the Commonwealth of Puerto Rico, Canada, and United Arab Emirates including 37 company-owned restaurants and 141 franchise-operated restaurants. An additional 64 franchise restaurants were in various stages of development as of April 3, 2016.

Fiscal Year

Our fiscal year ends on the Sunday closest to December 31st. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal year ending January 1, 2017 (fiscal 2016) is a 52 week fiscal year while fiscal year ended January 3, 2016 (fiscal 2015) was a 53 week fiscal year.

Revenue

Our revenue consists of restaurant sales, franchise-related revenue, and licensing and other revenue. Our franchise-related revenue is comprised of three separate and distinct earnings processes: area development fees, initial franchise fees, and continuing royalty payments. Currently, our domestic area development fee for domestic growth consists of a one-time, non-refundable payment of approximately \$10,000 per restaurant in consideration for the services we perform in preparation of executing each area development agreement. For our foreign area development agreements, the one time, non-refundable payment is negotiated on a per development basis and is determined based on the costs incurred to arrange for the sale of that development area. Substantially all of these services, which include, but are not limited to, conducting market and trade area analysis, a meeting with Famous Dave s Executive Team, and performing potential franchise background investigations, are completed prior to our execution of the area development agreement and receipt of the corresponding area development fee. As a result, we recognize this fee upon receipt of the signed development agreement. Currently, our initial, non-refundable, franchise fee for domestic growth is \$45,000 per restaurant, of which approximately \$5,000 is recognized immediately when a franchise agreement is signed, reflecting the commission earned and expenses incurred related to the sale. The remaining non-refundable fee is included in deferred franchise fees and is recognized as revenue when we have performed substantially all of our obligations, which generally occurs upon the franchise entering into a lease agreement for the restaurant(s). Finally, franchisees are also required to pay us a monthly royalty equal to a percentage of their net sales, which has historically varied from 4% to 5%. In general, new franchises pay us a monthly royalty of 5% of their net sales.

Costs and Expenses

Restaurant costs and expenses include food and beverage costs, labor and benefits costs, operating expenses which include occupancy costs, repair and maintenance costs, supplies, advertising and promotion, and restaurant depreciation and amortization. Certain of these costs and expenses are variable and will increase or decrease with sales volume. The primary fixed costs are restaurant management salaries and occupancy costs. Our experience is that when a new restaurant opens, it incurs higher than normal levels of labor and food costs until operations stabilize, usually during the first three to six months of operation. As restaurant management and staff gain experience following a restaurant s opening, labor scheduling, food cost management and operating expense control typically improve to levels similar to those at our more established restaurants.

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES*****General and Administrative Expenses***

General and administrative expenses include all corporate and administrative functions that provide an infrastructure to support existing operations and support future growth. Salaries, bonuses, team member benefits, legal fees, accounting fees, consulting fees, travel, rent and general insurance are major items in this category. Additionally, we record expense for Managers In Training (MIT s) in this category for approximately six weeks prior to a restaurant opening. We also provide franchise services for which the revenue is included in other revenue and the expenses are included in general and administrative expenses.

The following table presents items in our unaudited consolidated statements of operations as a percentage of net restaurant sales or total revenue, as indicated, for the following periods:

	Three Months Ended	
	April 3, 2016	March 29, 2015
Food and beverage costs ⁽¹⁾	31.7%	30.2%
Labor and benefits ⁽¹⁾	36.1%	33.6%
Operating expenses ⁽¹⁾	30.1%	28.2%
Restaurant level operating margin ⁽¹⁾⁽²⁾	2.1%	8.0%
Depreciation & amortization ⁽²⁾	4.1%	4.3%
General and administrative ⁽²⁾	16.0%	17.2%
Income from operations ⁽²⁾	1.7%	1.1%

⁽¹⁾ As a percentage of restaurant sales, net

⁽²⁾ As a percentage of total revenue

⁽³⁾ Restaurant level cash flow margins are equal to restaurant sales, net, less restaurant level food and beverage costs, labor and benefit costs, and operating expenses.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and notes, and the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2016.

Results of Operations Three months ended April 3, 2016 compared to three months ended March 29, 2015.***Total Revenue***

Total revenue of approximately \$23.5 million for the first quarter of fiscal 2016 decreased approximately \$4.7 million, or 16.7%, from total revenue of \$28.3 million in the comparable quarter of fiscal 2015.

Restaurant Sales, net

Restaurant sales were approximately \$19.0 million for the first quarter of fiscal 2016 compared to approximately \$23.7 million for the same period in fiscal 2015. During the first quarter, company-owned

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restaurant sales declined year-over-year, primarily reflecting the closure of one company-owned restaurant and the refranchising of five company-owned restaurants since the end of the first quarter of fiscal 2015 as well as a 7.7% comparable sales decrease. This comparable sales decline was partially due to our close managerial control of our marketing spend in anticipation of new leadership and lapping changes made in the first quarter of last year to our restaurants that were not received well by our Guests.

On a weighted basis, Dine-In and ToGo sales decreased by 6.3% and 1.4%, respectively, while Catering sales were essentially flat. Finally, as a percentage of dine-in sales, our adult beverage sales at our company-owned restaurants were approximately 12.3% and 11.3% for the first quarter of fiscal 2016 and 2015, respectively.

Franchise-Related Revenue

Franchise-related revenue consists of royalty revenue and franchise fees, which include initial franchise fees and area development fees. Franchise-related revenue was approximately \$4.3 million for both the first quarter of fiscal 2016, and the first quarter of 2015. Franchise comparable sales decreased by 6.1% year over year. This decrease was completely offset by the royalties earned from the refranchising of the seven Chicago restaurants as well as area development fees earned during the period.

Licensing and Other Revenue

Licensing revenue includes royalties from a retail line of business, including sauces, rubs, marinades and seasonings. Other revenue includes opening assistance and training we provide to our franchise partners. For the first quarter of fiscal 2016, the licensing royalty revenue was approximately \$214,000 compared to approximately \$188,000 for the comparable period of fiscal 2015. Other revenue for the fiscal 2016 first quarter was income of \$34,000 compared to a loss of \$3,000 for the comparable period in 2015.

Same Store Net Sales

It is our policy to include in our same store net sales base, restaurants that are open year round and have been open at least 24 months. Same store net sales for company-owned restaurants for the first quarter of fiscal 2016 decreased 7.7% from the comparable period in 2015. Same store net sales for Company-owned restaurants for the first quarter of 2015 decrease 5.9% from the comparable period in 2014. At the end of the first quarter of fiscal 2016, there were 37 restaurants in the same store sales base and at the end of the first quarter of fiscal 2015 there were 41 restaurants included in this base.

Same store net sales for franchise-operated restaurants for the first quarter of fiscal 2016 decreased 6.1% from the comparable period in 2015. This decline is partially due to our close managerial control of our marketing spend in anticipation of new leadership and lapping changes made in the first quarter of last year to our restaurants that were not received well by our guests. Same store net sales for franchise-operated restaurants for the first quarter of fiscal 2015 decreased 0.1% from the comparable period of 2014. For the first quarter of 2016 and the first quarter of 2015, there were 115 and 122 restaurants, respectively, included in the franchise-operated comparable sales base.

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES*****Average Weekly Net Sales and Operating Weeks***

The following table shows company-owned and franchise-operated average weekly net sales and company-owned and franchise-operated operating weeks for the first quarter of fiscal 2016 and fiscal 2015:

	Three Months Ended	
	April 3, 2016	March 29, 2015
Average Weekly Net Sales (AWS):		
Company-Owned	\$ 39,486	\$ 42,480
Full-Service	\$ 40,377	\$ 44,004
Counter-Service	\$ 33,779	\$ 33,084
Franchise-Operated ⁽¹⁾	\$ 44,440	\$ 50,603
Operating Weeks:		
Company-Owned	481	559
Franchise-Operated	1,830	1,754

- (1) Weekly net sales for franchise-operated restaurants are not revenues of the Company and are not included in the Company's consolidated financial statements. The Comparable restaurant net sales for franchise-operated restaurants are not revenues of the Company and are not included in the Company's consolidated financial statements. The Company's management believes that disclosure of weekly net sales for franchise-operated restaurants provides useful information to investors because historical performance and trends of Famous Dave's franchisees relate directly to trends in franchise royalty revenues that the Company receives from such franchisees and have an impact on the perceived success and value of the Famous Dave's brand. It also provides a comparison against which management and investors can evaluate whether and the extent to which Company-owned restaurant operations is realizing its revenue potential.

Food and Beverage Costs

Food and beverage costs for the first quarter of fiscal 2016 were approximately \$6.0 million or 31.7% of net restaurant sales, compared to approximately \$7.2 million or 30.2% of net restaurant sales for the first quarter of fiscal 2015. This year-over-year increase resulted from increased protein costs as a result of challenges with product yield partially offset by percentage declines in contracted food costs.

Labor and Benefits Costs

Labor and benefits costs for the three months ended April 3, 2016 were approximately \$6.9 million or 36.1% of net restaurant sales, compared to approximately \$8.0 million or 33.6% of net restaurant sales for the three months ended March 29, 2015. For the first quarter of fiscal 2016, labor and benefits, as a percentage of net restaurant sales, were unfavorable to the comparable period in fiscal 2015, primarily due to increased management labor costs as a result of fewer open manager positions in matrix and sales deleverage on fixed labor costs partially offset by declines in direct labor.

Operating Expenses

Operating expenses for the first quarter of fiscal 2016 were approximately \$5.7 million or 30.1% of net restaurant sales, compared to operating expenses of approximately \$6.7 million or 28.2% of net restaurant sales for the first quarter of fiscal 2015. Operating expenses for the first quarter as a percentage of net sales were unfavorable to the prior year due to sales deleverage on fixed operating and occupancy costs and higher supply costs year over year partially offset by a decrease in utility and repairs and maintenance costs.

During the first quarter of 2016, advertising as a percentage of net restaurant sales was 1.8% compared to 2.0% for the comparable period of 2015. The marketing ad fund contribution was 1.0% in fiscal 2016 and fiscal 2015.

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES*****Depreciation and Amortization***

Depreciation and amortization expense for the first quarter of 2016 was approximately \$1.0 million or 4.2% of total revenue and for the first quarter of 2015 was approximately \$1.2 million or 4.2% of total revenue.

Pre-opening Expenses

Pre-opening expenses consist of labor, food, utilities, training and rent costs incurred prior to the opening of a restaurant. Included in pre-opening costs is pre-opening rent for approximately 16 weeks prior to opening but this will vary based on lease terms. Fiscal 2016's first quarter had no pre-opening expenses, compared to \$1,000 in the first quarter of 2015.

Asset Impairment and Estimated Lease Termination and Other Closing Costs

We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant assets exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms and other factors. If these assumptions change in the future, we may be required to take additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates. Restaurant sites that are operating but have been previously impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Below is a summary of these events and situations during the first quarter of fiscal 2016 and fiscal 2015.

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

		Three Months Ended April 3, 2016	Three Months Ended March 29, 2015
Restaurants	Reason		
Richmond, VA area	Costs for closed restaurants	\$ 5	\$ 95
Miscellaneous	Costs for closed restaurants	3	
Total		\$ 8	\$ 95

General and Administrative Expenses

General and administrative expenses for the first quarter of 2016 were approximately \$3.8 million or 16.0% of total revenue, compared to approximately \$4.8 million or 17.2% of total revenue for the first quarter of fiscal 2015. The first quarter of 2016 benefited from a decline in core recurring general and administrative expense and declines in stock-based compensation as a result of executive departures. These savings were partially offset by increased legal fees and revenue deleverage. Additionally, the first quarter of 2015 reflects the impact of approximately \$635,000, or \$0.06 per diluted share, of brand development related professional fees.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Interest Expense

Interest expense was approximately \$178,000 or 0.8% of total revenue for the first quarter of fiscal 2016, compared to approximately \$201,000 or 0.7% of total revenue for the comparable time frame of fiscal 2015. Interest expense for the first quarter of fiscal 2016 was favorable in total dollars but unfavorable as a percentage of revenue compared to the prior year. This is due to year-over-year reductions in the average outstanding long term debt, combined with sales deleverage.

Provision for Income Taxes

For the first quarter of 2016, we recorded an estimated provision for income taxes of approximately \$69,000 or 31.7% of income before income taxes, compared to a tax benefit of approximately \$4,000 or 3.8% of income before income taxes, for the first quarter of 2015.

Basic and Diluted Net Income Per Common Share

Net income for the three months ended April 3, 2016 was approximately \$830,000 or \$0.02 per basic and per diluted share on approximately 6,948,000 weighted average basic shares outstanding and 6,958,000 weighted average diluted shares outstanding, respectively. Net income for the three months ended March 29, 2015 was approximately \$197,000 or \$0.02 per basic and per diluted share on approximately 7,107,000 weighted average basic shares outstanding and 7,131,000 weighted average diluted shares outstanding, respectively.

Financial Condition, Liquidity and Capital Resources

Our balance of unrestricted cash and cash equivalents was approximately \$7.6 million at April 3, 2016 and approximately \$5.3 million at January 3, 2016.

Our current ratio, which measures our immediate short-term liquidity, was 0.73 at April 3, 2016 and 1.18 at January 3, 2016. The current ratio is computed by dividing total current assets by total current liabilities. The decrease in our current ratio was primarily due to the inclusion of the Line of Credit and Term Loan in current liabilities partially offset by an increase in cash on hand. As is true with most restaurant companies, we often operate in a negative working capital environment due to the fact that we receive payment at the point of sale from customers and then pay our vendors on a delayed basis.

Net cash provided by operating activities for the three months ended April 3, 2016 was approximately \$1.3 million which reflects net income of approximately \$150,000. Included in net income is non-cash depreciation and amortization of approximately \$1.0 million.

Net cash used by operating activities for the three months ended March 29, 2015 was approximately \$2.2 million, reflecting net income of approximately \$110,000 and non-cash depreciation and amortization of approximately \$1.2 million, offset by a \$2.0 million reduction in accrued compensation and benefits, a \$1.2 million increase in accounts receivable, and an \$800,000 increase in prepaid and other current assets.

Net cash provided by investing activities was approximately \$925,000 for the first three months of fiscal 2016, reflecting \$1.1 million in proceeds from the sale of assets, offset by \$130,000 in capital expenditures. For the first three months of fiscal 2015, net cash used by investing activities totaled approximately \$360,000 due entirely to capital expenditures.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Net cash used by financing activities was approximately \$290,000 in the first three months of fiscal 2016. Net cash provided by financing activities was approximately \$2.4 million for the comparable period in fiscal 2015. During the first three months of 2016, we made draws of \$1.9 million on our line of credit and made repayments of \$2.1 million on our long-term debt. During the three months ended March 29, 2015, we made draws of \$9.2 million on our line of credit and made repayments of \$3.2 million. We also used approximately \$3.5 million during that period to repurchase 118,210 shares under the May 2012 share repurchase program.

The Company and certain of its subsidiaries (collectively known as the Borrower) have a Third Amended and Restated Credit Agreement, as amended (the Credit Agreement), with Wells Fargo Bank, National Association as administrative agent and lender (the Lender). The Credit Agreement will mature on December 31, 2018 and contains a \$3.0 million revolving credit facility (the Facility) with a \$2.0 million letter of credit sublimit, and a term loan with a maximum balance of \$12.0 million (the Term Loan). At April 3, 2016, the principal amounts outstanding under the Facility and the Term Loans were \$1.9 million and \$9.9 million, respectively, along with approximately \$1.1 million in letters of credit for real estate locations. The Credit Agreement allows for the termination of the Facility by the Borrower without penalty at any time. Under the Credit Agreement, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate or Base Rate plus an applicable margin. The applicable margin depends on the Company's Adjusted Leverage Ratio, as defined in the Credit Agreement at the end of the previous quarter. For the three months ended April 3, 2016 and March 29, 2015, our weighted average interest rate for the Facility was 3.68% and 2.76%, respectively. Unused portions of the Facility are subject to a fee, which was 0.375% of the unused amount at April 3, 2016.

The Facility contains various financial covenants as well as customary affirmative and negative covenants for credit facilities of this type. For more information regarding the details of the customary affirmative and negative covenants, please refer to the full text of the Third Amended and Restated Credit Agreement dated May 8, 2015 filed as Exhibit 10.2 to our Form 10-Q for the quarter ended March 29, 2015, which was filed on May 8, 2015 and the First Amendment to the Credit Agreement filed as Exhibit 10.1 to our Current Report on Form 8-K, which was filed on December 11, 2015.

We were in compliance with all covenants of the Credit Agreement for the quarter ended April 3, 2016 except for two financial covenants: Consolidated Cash Flow Ratio and minimum Adjusted EBITDA.

As of April 3, 2016 the Consolidated Cash Flow Ratio was 1.02:1.00, which is less than the minimum Consolidated Cash Flow Ratio permitted by the Credit Agreement of 1.15:1.00.

As of April 3, 2016 the Quarterly Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.8 million for that quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Consolidated Cash Flow Ratio or minimum Adjusted EBITDA covenant or any other covenant. Upon an Event of Default, the Lender has the right to declare the unpaid principal amount of all outstanding loans; all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other loan document to be immediately due and payable, as well as to exercise its other rights as a secured creditor. In addition, we are prohibited under the Credit Agreement from making dividends or distributions from one Borrower to another Borrower and purchasing common stock pursuant to a board-approved stock purchase program.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

On May 16, 2016, the Borrowers and the Lender entered into a Forbearance Agreement pursuant to which the Lender agreed to forbear from exercising its rights and remedies under the Credit Agreement relating to the existing defaults during a Forbearance Period ending June 11, 2016 or on the earlier date of any other Event of Default under the Credit Agreement or breach of the Forbearance Agreement. Under the Forbearance Agreement, we have agreed not to request and Wells Fargo is not obligated to make any further extensions of credit to us under the Credit Agreement. During the Forbearance Period, we intend to closely manage our expenses and cash balances to prevent a working capital shortfall. At May 16, 2016, the principal amount outstanding under the Facility was \$11.7 million, along with approximately \$1.1 million in letters of credit for real estate locations. As of April 3, 2016, the Company had \$7.6 million in cash and cash equivalents.

During the Forbearance Period, we intend to seek an amendment to or restructuring of the Credit Agreement. As a result of the Events of Default at April 3, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

Contractual Obligations

For the details of our contractual obligations, see Notes 7 and 8 to the audited consolidated financial statements and the disclosure set forth in Part II, Item 7 (Management Discussion and Analysis of Financial Condition and Results of Operations) in our Annual Report on Form 10-K for the fiscal year ended January 3, 2016.

Under the combined Facility and Term Loan we are subject to various financial covenants which include maximum target capital expenditures, cash flow ratios and adjusted leverage ratios.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our significant accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 3, 2016. The accounting policies used in preparing our interim 2016 consolidated financial statements are the same as those described in our Fiscal 2015 Annual Report on Form 10-K.

Forward-Looking Information

Famous Dave s makes written and oral statements from time to time, including statements contained in this Form 10-Q regarding its business and prospects, such as projections of future performance, statements of management s plans and objectives, forecasts of market trends and other matters that are forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. Statements containing the words or phrases "will likely result", "anticipates", "are expected to", "will continue", "is anticipated", "estimates", "projects", "believes", "expects", "intends", "target", "goal", "plans", "objective", "should" or similar expressions identify forward-looking statements that appear in documents, reports, filings with the SEC, news releases, written or oral presentations made by our officers or other representatives to analysts, shareholders, investors, news organizations, and others, and discussions with our management and other Company representatives. For such statements, including those contained in this report, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties that are difficult to predict, including but not limited to those identified herein under Part II, Item 1A. Risk Factors and under Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended January 3, 2016. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Any forward-looking statements made by us or on our behalf speak only as of the date on which such statement is made. Our forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. We do not undertake any obligation to update or keep current either (i) any forward-looking statements to reflect events or circumstances arising after the date of such statement, or (ii) the important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or which are reflected from time to time in any forward-looking statement which may be made by us or on our behalf.

Additional Information on Famous Dave s

We are currently subject to the informational requirements of the Exchange Act of 1934, as amended. As a result, we are required to file periodic reports and other information with the SEC, such as annual, quarterly and current reports, proxy and information statements. You are advised to read this Form 10-Q in conjunction with the other reports, proxy statements and other documents we file from time to time with the SEC. If you would like more information regarding Famous Dave s, you may read and copy the reports, proxy and information statements and other documents we file with the SEC, at prescribed rates, at the SEC s public reference room at 100 F Street, N.E., Washington, DC 20549. You may obtain information regarding the operation of the SEC s public reference rooms by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public free of charge at the SEC s website. The address of this website is <http://www.sec.gov>. Our most current SEC filings, such as our annual, quarterly and current reports, proxy statements and press releases are available to the public free of charge on our website.

The address of our website is www.famousdaves.com. Our website is not intended to be, and is not, a part of this Quarterly Report on Form 10-Q. We will provide electronic or paper copies of our SEC filings (excluding exhibits) to any Famous Dave s shareholder free of charge upon receipt of a written request for any such filing. All requests for our SEC filings should be sent to the attention of Investor Relations at Famous Dave s of America, Inc., 12701 Whitewater Drive, Suite 200, Minnetonka, MN 55343.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Company s financial instruments include cash and cash equivalents and long-term debt. Our Company includes as unrestricted cash and cash equivalents investments with original maturities of three months or less when purchased and which are readily convertible into known amounts of cash. Our Company s unrestricted cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. We have no derivative financial instruments. Our total outstanding long-term debt as of April 3, 2016 was approximately \$13.0 million, including our line of credit, and financing lease obligations. The terms of our credit facility with Wells Fargo Bank, National Association, as administrative agent and lender are discussed above under *Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources*.

Some of the food products purchased by us are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors that are outside our control. To control this risk in part, we have fixed-priced purchase commitments for food from vendors. In addition, we believe that substantially all of our food is available from several sources, which helps to control food commodity risks. We have secondary source suppliers for certain items and in 2016 we have continued to make this a key area of focus in order to protect the supply chain and to ensure a more fair and competitive pricing environment. We believe we have the ability to increase menu prices, or vary the menu options offered, if needed, in response to a food product price increase.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There has been no change in our internal control over financial reporting during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal actions arising in the ordinary course of business. In the opinion of our management, the ultimate dispositions of these matters will not have a material adverse effect on our consolidated financial position and results of operations. Currently, there are no significant legal matters pending except as described below.

Famous Dave s of America, Inc. s (Famous Dave s) filed a complaint on July 14, 2015, against a group of former franchisees in California seeking injunctive relief and damages for: (1) Federal Trademark Infringement; (2) Federal Trademark Dilution; (3) Federal Unfair Competition; (4) Federal Trade Dress Dilution; (5) Trademark Infringement under California Business and Professions Code § 14200; (6) Trademark Dilution under California Business and Professions Code § 14200; (7) Common Law Trademark Infringement; (8) Unfair Competition under California Business and Professions Code § 17200; (9) False Advertising; (10) Breach of Contract; (11) Breach of Implied Covenant of Good Faith and Fair Dealing; and (12) Intentional Interference with Contract. The claims stem from the former franchisees breaches of their franchise agreements, including the failure to pay franchise fees and their continued operation of five restaurants utilizing Famous Dave s intellectual property without authorization. After two defendants in the case, Kurt Schneider and M Mart 1, filed a demurrer to the Complaint, Famous Dave s filed an Amended Complaint on October 9, 2015, reasserting the same claims. The case is captioned Famous Dave s of America, Inc., v. SR El Centro FD, Inc., et al., Case No. BC589329, and is currently pending before the Honorable Elihu M. Berle in the Superior Court of Los Angeles.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

On July 28, 2015, these franchisees (the Plaintiffs) filed a complaint against Famous Dave s in the South Judicial District of the Superior Court of the County of Los Angeles. On March 10, 2016, Plaintiffs re-filed this Complaint as a First Amended Cross-Complaint [Famous Dave s of America, Inc. v. SR El Centro, Inc., et al., Superior Court of the State of California, County of Los Angeles, Central Division, Case No. BC589329] alleging that Famous Dave s breached the Franchise Agreements for these restaurants by failing to provide certain marketing support and access to customer contact data, vendors, internet reporting and support to Plaintiffs, and failing to provide operations and preferred practices training to Plaintiffs designated representative. Plaintiffs further allege that such conduct by Famous Dave s is a breach of the covenant of good faith and fair dealing. Plaintiffs also allege that Famous Dave s aided and abetted John and Allan Gantes in breach of their fiduciary duty to Plaintiffs. Plaintiffs are seeking compensatory damages in amount not less than \$20 million, punitive damages, costs and attorneys fees.

Item 1A. RISK FACTORS

The most significant risk factors applicable to the Company are described in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended January 3, 2016, as updated by this Part II, Item 1A Risk Factors and our subsequent filings with the Securities and Exchange Commission. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K except as follows:

If we do not maintain compliance with our credit agreement with Wells Fargo, Wells Fargo may accelerate our obligation to repay all amounts outstanding.

We were in compliance with all covenants of the Credit Agreement for the quarter ended April 3, 2016 except for two financial covenants: Consolidated Cash Flow Ratio and minimum Adjusted EBITDA.

As of April 3, 2016 the Consolidated Cash Flow Ratio was 1.02:1.00, which is less than the minimum Consolidated Cash Flow Ratio permitted by the Credit Agreement of 1.15:1.00. As of April 3, 2016 the Quarterly Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.8 million for the first quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Consolidated Cash Flow Ratio or minimum Adjusted EBITDA covenant or any of the other covenants of the Credit Agreement. Upon an Event of Default, the Lender has the right to declare the unpaid principal amount of all outstanding loans; all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other loan document to be immediately due and payable, as well as to exercise its other rights as a secured creditor. In addition, we are prohibited under the Credit Agreement from making dividends or distributions from one Borrower to another Borrower and purchasing common stock pursuant to a board-approved stock purchase program.

On May 16, 2016, the Borrowers and the Lender entered into a Forbearance Agreement pursuant to which the Lender agreed to forbear from exercising its rights and remedies under the Credit Agreement relating to the existing defaults during a Forbearance Period ending June 11, 2016 or on the earlier date of any other Event of Default under the Credit Agreement or breach of the Forbearance Agreement. Under the Forbearance Agreement, we have agreed not to request and Wells Fargo is not obligated to make any further extensions of credit to us under the Credit Agreement. While we believe that our unrestricted cash and cash equivalents and future cash flow from operations will be sufficient to fund our operations, our inability to borrow under the Credit Agreement may result in a working capital shortfall. During the Forbearance Period, we intend to closely manage our expenses and cash balances to prevent a working capital shortfall. At May 16, 2016, the principal amount outstanding under the Facility was \$11.7 million, along with approximately \$1.1 million in letters of credit for real estate locations. As of April 3, 2016, the Company had \$7.6 million in cash and cash equivalents.

During the Forbearance Period, we intend to seek an amendment to or restructuring of the Credit Agreement.

If we are unable to successfully complete an amendment to or restructuring of the Credit Agreement during the Forbearance Period, comply with the other terms of the Credit Agreement, comply with the terms of the Forbearance Agreement or extend the Forbearance Period as needed to successfully complete an amendment or restructuring, Wells Fargo would be entitled to accelerate and declare due all amounts outstanding under the Credit Agreement. In the event of such acceleration, our available cash would be insufficient to repay all amounts due under the Credit Agreement without obtaining alternative debt financing, equity financing or a combination thereof.

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There can be no assurance that we will comply, successfully amend or restructure the Credit Agreement, comply with the terms of the Forbearance Agreement or the Credit Agreement, or successfully negotiate an extension of the Forbearance Period if needed. Further, there is no assurance that we will be able to obtain any amendment or restructuring of the Third Credit Facility on terms favorable to us, if at all.

As a result of the Events of Default at April 3, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 5. OTHER INFORMATION

Forbearance Agreement

The Company and each of its subsidiaries is a Borrower under that certain Third Amended and Restated Credit Agreement dated May 8, 2015 with Wells Fargo, National Association as administrative agent and lender. In order to address the two financial covenant violations resulting in an Event of Default under the Credit Agreement, the Borrowers and Wells Fargo entered into a forbearance agreement dated May 16, 2016. Pursuant to Forbearance Agreement, Wells Fargo agreed to forbear from exercising its rights and remedies under the Credit Agreement relating to the existing defaults during for a Forbearance Period ending June 11, 2016 or on the earlier date of any other Event of Default under the Credit Agreement or breach of the forbearance agreement. Under the forbearance agreement, we have agreed not to request and Wells Fargo is not obligated to make any further extensions of credit to us under the Credit Agreement.

The foregoing summary of the Forbearance Agreement is qualified in all respects by Forbearance Agreement; please refer to the full text of the Forbearance Agreement filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 6. EXHIBITS

10.1	Forbearance Agreement dated May 16, 2016 by and among Famous Dave s of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave s Ribs, Inc., Famous Dave s Ribs-U, Inc., and Famous Dave s Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

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.

FAMOUS DAVE S OF AMERICA, INC.
(Registrant)

Dated: May 18, 2016

By: /s/ Adam J. Wright
Adam J. Wright
Chief Executive Officer Director (Principal Executive Officer)

Dated: May 18, 2016

/s/ Dexter Newman
Dexter Newman
Chief Financial Officer
(Principal Financial Officer)

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Description
10.1	Forbearance Agreement dated May 16, 2016 by and among Famous Dave s of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave s Ribs, Inc., Famous Dave s Ribs-U, Inc., and Famous Dave s Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender.
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101.INS	XBRL Instance Document
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101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document