

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2019
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 0-21625



FAMOUS DAVE'S of AMERICA, INC.

(Exact Name of Registrant as Specified in its Charter)

<u>Minnesota</u> State or Other Jurisdiction of Incorporation or Organization	<u>41-1782300</u> I.R.S. Employer Identification No.
<u>12701 Whitewater Drive, Suite 290</u> <u>Minnetonka, MN</u> Address of Principal Executive Offices	<u>55343</u> Zip Code

Registrant's Telephone Number, Including Area Code (952) 294-1300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	DAVE	The Nasdaq Global Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 8, 2019, 9,273,905 shares of the registrant's Common Stock were outstanding.

FAMOUS DAVE'S OF AMERICA, INC.
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND DECEMBER 30, 2018
(in thousands, except per share data)
(Unaudited)

ASSETS

Current assets:	June 30, 2019	December 30, 2018
Cash and cash equivalents	\$ 8,220	\$ 11,598
Restricted cash	800	842
Accounts receivable, net of allowance for doubtful accounts of \$87,000 and \$192,000, respectively	4,470	4,300
Inventories	1,250	722
Prepaid income taxes and income taxes receivable	379	377
Prepaid expenses and other current assets	1,238	1,363
Assets held for sale	2,842	—
Total current assets	19,199	19,202
Property, equipment and leasehold improvements, net	10,468	10,385
Other assets:		
Operating lease right-of-use assets	24,745	—
Goodwill	435	61
Intangible assets, net	3,488	1,428
Deferred tax asset, net	5,753	5,747
Other assets	1,699	1,533
	<u>\$ 65,787</u>	<u>\$ 38,356</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,114	\$ 3,765
Current portion of lease liabilities	3,294	—
Current portion of long-term debt and financing lease obligations	166	1,369
Accrued compensation and benefits	1,685	808
Other current liabilities	3,461	2,970
Total current liabilities	12,720	8,912
Long-term liabilities:		
Lease liabilities, less current portion	23,932	—
Long-term debt, less current portion	2,404	2,411
Other liabilities	2,869	4,492
Total liabilities	41,925	15,815
Shareholders' equity:		
Common stock, \$.01 par value, 100,000 shares authorized, 9,274 and 9,085 shares issued and outstanding at June 30, 2019 and December 30, 2018, respectively	93	91
Additional paid-in capital	7,596	7,375
Retained earnings	16,173	15,075
Total shareholders' equity	23,862	22,541
	<u>\$ 65,787</u>	<u>\$ 38,356</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
JUNE 30, 2019 AND JULY 1, 2018
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2019</u>	<u>July 1, 2018</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Revenue:				
Restaurant sales, net	\$ 16,898	\$ 9,955	\$ 27,212	\$ 18,668
Franchise royalty and fee revenue	3,447	3,753	6,651	7,161
Franchisee national advertising fund contributions	471	529	880	998
Licensing and other revenue	312	301	578	555
Total revenue	<u>21,128</u>	<u>14,538</u>	<u>35,321</u>	<u>27,382</u>
Costs and expenses:				
Food and beverage costs	5,325	3,099	8,685	5,816
Labor and benefits costs	5,819	3,361	9,776	6,557
Operating expenses	5,187	2,894	8,356	5,735
Depreciation and amortization expenses	515	309	779	702
General and administrative expenses	2,377	2,111	4,894	3,985
National advertising fund expenses	471	529	880	998
Asset impairment, estimated lease termination charges and other closing costs, net	97	216	504	112
Net (gain) loss on disposal of property	(140)	30	(146)	29
Total costs and expenses	<u>19,651</u>	<u>12,549</u>	<u>33,728</u>	<u>23,934</u>
Income from operations	1,477	1,989	1,593	3,448
Other income (expense):				
Interest expense	(288)	(197)	(359)	(342)
Interest income	33	20	87	25
Total other expense	<u>(255)</u>	<u>(177)</u>	<u>(272)</u>	<u>(317)</u>
Income before income taxes	1,222	1,812	1,321	3,131
Income tax expense	<u>(182)</u>	<u>(420)</u>	<u>(199)</u>	<u>(741)</u>
Net income	<u>\$ 1,040</u>	<u>\$ 1,392</u>	<u>\$ 1,122</u>	<u>\$ 2,390</u>
Basic net income per share	<u>\$ 0.11</u>	<u>\$ 0.16</u>	<u>\$ 0.12</u>	<u>\$ 0.29</u>
Diluted net income per share	<u>\$ 0.11</u>	<u>\$ 0.16</u>	<u>\$ 0.12</u>	<u>\$ 0.29</u>
Weighted average shares outstanding - basic	9,093	8,809	9,089	8,108
Weighted average shares outstanding - diluted	9,278	8,835	9,191	8,131

See accompanying notes to consolidated financial statements.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
JUNE 30, 2019
(in thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance - December 30, 2018	9,085	\$ 91	\$ 7,375	\$ 15,075	\$ 22,541
Cumulative effect of change in accounting principle	—	—	—	(24)	(24)
Stock-based compensation	189	2	221	—	223
Net income	—	—	—	1,122	1,122
Balance - June 30, 2019	<u>9,274</u>	<u>\$ 93</u>	<u>\$ 7,596</u>	<u>\$ 16,173</u>	<u>\$ 23,862</u>

See accompanying notes to consolidated financial statements

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2019 AND JULY 1, 2018
(in thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2019	July 1, 2018
Cash flows from operating activities:		
Net income	\$ 1,122	\$ 2,390
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	779	702
Stock-based compensation	223	167
Net (gain) loss on disposal of property	(146)	29
Asset impairment and estimated lease termination charges (gain)	469	(268)
Bad debts recovery	(87)	(25)
Other non-cash items	124	(230)
Changes in operating assets and liabilities:		
Accounts receivable, net	(422)	(298)
Other assets	(411)	716
Accounts payable	321	(851)
Accrued and other liabilities	481	(1,298)
Cash flows provided by operating activities	<u>2,453</u>	<u>1,034</u>
Cash flows from investing activities:		
Proceeds from the sale of assets	6	1,187
Purchases of property, equipment and leasehold improvements	(1,242)	(290)
Payments for acquired restaurants	(4,265)	—
Advances on notes receivable	(150)	(648)
Payments received on note receivable	8	—
Cash flows (used for) provided by investing activities	<u>(5,643)</u>	<u>249</u>
Cash flows from financing activities:		
Payments for debt issuance costs	(54)	—
Payments on long-term debt and financing lease obligations	(176)	(5,757)
Proceeds from sale of common stock, net of offering costs	—	5,132
Proceeds from exercise of stock options	—	494
Cash flows used for financing activities	<u>(230)</u>	<u>(131)</u>
(Decrease) increase in cash, cash equivalents and restricted cash	(3,420)	1,152
Cash, cash equivalents and restricted cash, beginning of period	12,440	10,426
Cash, cash equivalents and restricted cash, end of period	<u>\$ 9,020</u>	<u>\$ 11,578</u>
Supplemental Disclosures		
Cash paid for interest	\$ 262	\$ 248
Cash paid for income taxes, net	—	5
Non-cash investing and financing activities:		
Decrease in accrued property and equipment purchases	(35)	(7)

See accompanying notes to consolidated financial statements.

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

(1) Basis of Presentation

Basis of Presentation

Famous Dave's of America, Inc. ("Famous Dave's" or the "Company") was incorporated in Minnesota on March 14, 1994. The Company develops, owns, operates and franchises restaurants under the name "Famous Dave's." As of June 30, 2019, there were 136 Famous Dave's restaurants operating in 33 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, including 29 Company-owned restaurants and 107 franchise-operated restaurants.

These consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and Securities and Exchange Commission ("SEC") Rules and Regulations. These unaudited consolidated financial statements represent the consolidated financial statements of the Company and its subsidiaries as of June 30, 2019 and December 30, 2018, and for the three and six months ended June 30, 2019 and July 1, 2018. The information furnished in these consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2018 as filed with the SEC on March 4, 2019.

Due to the seasonality of the Company's business, revenue and operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full fiscal year or any other interim period.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation. These reclassifications did not have an impact on the reported net income for any of the periods presented.

Income Taxes

The Company maintains a federal deferred tax asset ("DTA") in the amount of \$5.8 million for each of the periods ended June 30, 2019 and December 30, 2018. The Company evaluates the DTA on a quarterly basis to determine whether current facts and circumstances indicate that the DTA may not be fully realizable. As of June 30, 2019, the Company concluded that the DTA is fully realizable and that no further valuation allowance was necessary; however, the Company will continue to evaluate the DTA on a quarterly basis until the DTA has been fully utilized.

The following table presents the Company's effective tax rates for the periods presented:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2019</u>	<u>July 1, 2018</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
Effective tax rate	14.9 %	23.2 %	15.1 %	23.7 %

The Company provides for income taxes based on its estimate of federal and state income tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, allowable tax credits for items such as taxes paid on reported tip income, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. The Company's estimates are based on the information available at the time that the Company prepares the income tax provision. The Company generally files its annual income tax returns several months after its fiscal year-end. Income tax returns are subject to audit by federal, state, and local governments, generally years after the tax returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws.

Restricted cash and marketing fund

The Company has a system-wide marketing development fund, to which Company-owned restaurants, in addition to the majority of franchise-operated restaurants, contribute a percentage of net sales for use in public relations and marketing development efforts. The assets held by this fund are considered to be restricted. Accordingly, the Company reflects the cash related to this fund within restricted cash and reflects the liability within accounts payable on the Company's consolidated balance sheets. The Company had approximately \$656,000 and \$700,000 in this fund as of June 30, 2019 and December 30, 2018, respectively.

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FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In conjunction with the Company's credit agreements, the Company has deposited amounts for undrawn letters of credit in cash collateral accounts. The Company had approximately \$144,000 and \$143,000 in restricted cash as of June 30, 2019 and December 30, 2018, respectively, related to these undrawn letters of credit.

Assets Held for Sale

As of June 30, 2019, the Company had assets held for sale of approximately \$2.8 million related to an owned property for which the Company entered into an agreement to sell the property for a contract purchase price of \$3.6 million.

Concentrations of Credit Risk

As of June 30, 2019, the Company had outstanding receivables from two franchisees of approximately \$905,000 and \$574,000, respectively. Subsequent to June 30, 2019, the receivable of \$905,000 was settled via the acquisition of the franchisee's restaurant. See Note 16 – *Subsequent Events*.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718), which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Under the updated standard, an entity is required to apply the requirements of Topic 718 to nonemployee awards, except for specific guidance on inputs to an option-pricing model and the attribution of cost. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in the grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling or goods or services as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within that fiscal year. Early adoption was permitted, but no earlier than an entity's adoption date of Topic 606. The Company adopted this new standard as of the effective date. Adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

Beginning in fiscal 2019, the Company adopted Topic 842, Leases, which had a material impact on the Company's consolidated financial statements. See Note 7 – *Leases*.

(2) Intangible Assets, net

The Company has intangible assets that consist of liquor licenses, lease interest assets and reacquired franchise rights, net. 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. Reacquired franchise rights are amortized to depreciation and amortization expense on a straight-line basis over the remaining life of the reacquired franchise agreement.

A reconciliation of the Company's intangible assets as of June 30, 2019 and December 30, 2018, respectively, are presented in the table below:

<i>(in thousands)</i>	<u>June 30, 2019</u>	<u>December 30, 2018</u>
Lease interest assets, net	893	768
Reacquired franchise rights, net	1,960	25
Liquor licenses	635	635
Intangible assets, net	<u>\$ 3,488</u>	<u>\$ 1,428</u>

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides the projected future amortization of reacquired franchise rights, net and lease interest assets for the next five years, as of June 30, 2019:

<i>(in thousands)</i>	Reacquired Franchise Rights, net	Lease Interest Assets
Fiscal 2019	\$ 205	\$ 37
Fiscal 2020	412	66
Fiscal 2021	412	52
Fiscal 2022	412	52
Fiscal 2023	247	52
Thereafter	272	634
	<u>\$ 1,960</u>	<u>\$ 893</u>

(3) Long-Term Debt and Financing Lease Obligations

Long-term debt

Long-term debt consisted of the following at:

<i>(in thousands)</i>	June 30, 2019	December 30, 2018
Term Loan	\$ 2,624	\$ —
Real Estate Loan	—	2,705
Less: deferred financing costs	(54)	(131)
Less: current portion of long-term debt	(166)	(163)
Long-term debt, less current portion	<u>\$ 2,404</u>	<u>\$ 2,411</u>

The weighted-average interest rate of long-term debt outstanding as of June 30, 2019 and December 30, 2018 was 5.50% and 4.41%, respectively.

On June 20, 2019 (the "Effective Date"), the Company entered into a Loan Agreement among the Company and Choice Financial Group (the "Lender"). The Loan Agreement provides for a term loan from the Lender to the borrowers set forth therein in the principal amount of up to \$24.0 million and is evidenced by a promissory note (the "First Note") executed and delivered by the borrowers to the Lender on the Effective Date. The First Note has a maturity date of June 20, 2025. The first year of the First Note (the "Draw Period") provides for payments of interest only, with the remaining five years requiring payments of interest and principal based on a 60 month amortization period. Interest shall be payable in an amount equal to the Wall Street Journal Prime Rate, but in no circumstances shall the rate of interest be less than 5.00%. The Note may be prepaid, partially or in full, at any time and for no prepayment penalty.

Proceeds from the loan were used to repay the Company's previous real estate loan, dated December 2, 2016, which outstanding balance as of the Effective Date was approximately \$2.6 million. The remainder of the First Note may be drawn upon during the Draw Period, provided that there are no uncured events of default.

The Loan Agreement is secured by a mortgage and security agreement and fixture financing statement (the "First Mortgage") granting to the Lender a security interest in and title to certain real property in the state of Minnesota and as more fully described therein.

The Loan Agreement contains customary representations and warranties and financial and other covenants and conditions, including, among other things, minimum debt service coverage ratio and a post-closing covenant to maintain a complete deposit and cash management relationship with the Lender. The Loan Agreement also places certain restrictions on, among other things, the borrowers' ability to incur additional indebtedness, to create liens or other encumbrances, to use funds for purposes other than as stated therein, to sell or otherwise dispose of assets without the consent of the Lender.

In addition, the Loan Agreement contains events of default (subject to certain materiality thresholds and grace periods), including, without limitation, payment defaults; breaches of covenants; breaches of representations and warranties; failure to perform remediation of any environmental matters on the mortgaged property, as set forth in the First Mortgage; failure to perform or observe the covenants, conditions or terms of the First Loan Agreement and related agreements; certain bankruptcy events of the borrowers and failure to timely provide financial statements.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Also on the Effective Date, the Company also entered into a Revolving Promissory Note among the Company and the Lender. The Revolving Promissory Note provides for a revolving line of credit from the Lender to the borrowers set forth therein in the principal amount of up to \$1.0 million (the "Second Note") executed and delivered by the borrowers to the Lender on the Effective Date. The Second Note has a maturity date of December 2, 2019. The Second Note provides for monthly payments of interest only, with a balloon payment of the remaining outstanding balance and applicable interest is due on the maturity date. Interest shall be payable in an amount equal to the 30-day London Interbank Offer Rate ("LIBOR") plus 325 basis points, but in no circumstances shall the rate of interest be less than 3.75%. The Note may be prepaid, partially or in full, at any time and for no prepayment penalty. Proceeds from the revolving line of credit may be used at the Company's discretion.

The Company is subject to various financial and non-financial covenants on its long-term debt, including a debt-service coverage ratio. As of June 30, 2019, the Company was compliant with all of its covenants.

Financing Lease Obligation

The Company repaid its financing lease obligation during the six months ended June 30, 2019.

(4) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following at:

<i>(in thousands)</i>	June 30, 2019	December 30, 2018
Prepaid expenses and deferred costs	\$ 922	\$ 767
Prepaid insurance	316	596
	<u>\$ 1,238</u>	<u>\$ 1,363</u>

(5) Other Current Liabilities

Other current liabilities consisted of the following at:

<i>(in thousands)</i>	June 30, 2019	December 30, 2018
Gift cards payable	\$ 1,159	\$ 1,035
Accrued expenses	1,534	1,238
Asset retirement obligations and lease reserves	29	161
Sales tax payable	512	274
State income tax payable	16	16
Deferred franchise fees	207	207
Accrued property and equipment purchases	4	39
Other current liabilities	<u>\$ 3,461</u>	<u>\$ 2,970</u>

(6) Other Liabilities

Other liabilities consisted of the following at:

<i>(in thousands)</i>	June 30, 2019	December 30, 2018
Deferred rent	\$ —	\$ 1,787
Deferred franchise fees	1,375	1,791
Miscellaneous other liabilities	1,284	441
Asset retirement obligations	8	16
Accrual for uncertain tax position	10	10
Long-term lease reserve	—	254
Long-term deferred compensation	192	193
Other liabilities	<u>\$ 2,869</u>	<u>\$ 4,492</u>

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Leases

The Company leases the property for its corporate headquarters, most of its Company-owned stores, and certain office and restaurant equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities, and operating lease liabilities in its consolidated balance sheets.

ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. Because most of the Company's leases do not provide an implicit rate of return, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU assets also exclude lease incentives received. Where the Company is the lessee, at initial adoption, the Company has elected to account for non-lease components associated with its leases (e.g., common area maintenance costs) and lease components separately for substantially all of its asset classes. Subsequent to adoption, the Company will combine lease and non-lease components.

Lease terms for Company-owned stores generally range from 5-20 years with one or more five-year renewal options and generally require the Company to pay a proportionate share of real estate taxes, insurance, common area, and other operating costs in addition to a base or fixed rent. The Company has elected the short term lease exemption for certain qualifying leases with lease terms of twelve months or less and, accordingly, did not record right-of-use assets and lease liabilities. These leases with initial terms of less than 12 months are recorded directly to occupancy expense on a straight-line basis over the term of the lease. Additionally, the Company has decided to utilize the package of practical expedients and the practical expedient to not reassess certain land easements. The Company has decided not to utilize the practical expedient to use hindsight. Certain of the Company's leases also provide for variable lease payments in the form of percentage rent, in which additional rent is calculated as a percentage of sales in excess of a base amount, and not included in the calculation of the operating lease liability or ROU asset. The Company's leases have remaining lease terms of 0.25 to 21 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Economic performance of a store is the primary factor used to estimate whether an option to extend a lease term will be exercised or not.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense for the period presented is as follows:

<i>(in thousands)</i>	Six Months Ended June 30, 2019	
Operating lease cost	\$	1,564
Short-term lease cost		40
Variable lease cost		49
Sublease income		(138)
Total lease cost	\$	1,515

Supplemental cash flow information related to leases for the period presented is as follows:

<i>(in thousands)</i>	Six Months Ended June 30, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	1,721
Right-of-use assets obtained in exchange for new operating lease liabilities		14,340
Weighted-average remaining lease term of operating leases (in years)		9.74
Weighted-average discount rate of operating leases		5.62 %

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The maturities of the Company's lease liabilities as of June 30, 2019 is as follows (in thousands):

2019	\$	2,316
2020		4,594
2021		4,477
2022		4,212
2023		3,690
Thereafter		17,004
Total future minimum payments		36,293
Less imputed interest		(9,067)
Total lease liability	\$	<u>27,226</u>

As of June 30, 2019, the Company had one operating lease that had not commenced for a new restaurant site in Oklahoma City, Oklahoma. The lease has a 15-year term with two five-year renewal options.

(8) Revenue Recognition

The Company recognizes franchise fee revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are due upon the opening of a new restaurant or upon the execution of a renewal of the related franchise agreement. The Company's performance obligation with respect to franchise fee revenues consists of a license to utilize the Company's brand for a specified period of time, which is satisfied equally over the life of each franchise agreement.

Area development fees are deferred until a new restaurant is opened pursuant to the area development agreement, at which time revenue is recognized on a straight-line basis over the life of the franchise agreement. Cash payments for area development agreements are typically due when an area development agreement has been executed. Gift card breakage revenue is recognized proportionately as gift cards are redeemed utilizing an estimated breakage rate based on the Company's historical experience. Gift card breakage revenue is reported within the licensing and other revenue line item of the consolidated statements of operations.

The Company defers revenue associated with the estimated selling price of reward points, which we refer to as Bones, earned pursuant to the Company's loyalty program and establishes a corresponding liability. This deferral is based on the estimated value of the product for which the reward is expected to be redeemed, net of estimated unredeemed Bones. When a Guest redeems an earned reward, the Company recognizes revenue for the redeemed product and reduces the deferred revenue. Deferred revenue associated with the Company's loyalty program was not material as of June 30, 2019 and December 30, 2018.

The Company's revenue is generally disaggregated within the consolidated statements of operations. Gift card breakage revenue was not material to the Company's consolidated financial statements. The Company recognized revenue related to gift cards of approximately \$28,000 and \$161,000 during the three and six months ended June 30, 2019, respectively, which is reflected in the restaurant sales, net, line item of its consolidated statements of operations. Gift cards payable of approximately \$1.2 million is expected to be recognized as revenue over the next 12 months.

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations as of June 30, 2019:

(in thousands)

Fiscal Year		
2019	\$	159
2020		144
2021		137
2022		132
2023		122
Thereafter		888
Total	\$	<u>1,582</u>

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract liabilities consist of deferred revenue resulting from franchise fees paid by franchisees. We classify these liabilities within other current liabilities and other liabilities within our consolidated balance sheets based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the change in contract liabilities between December 30, 2018 and June 30, 2019:

(in thousands)

Balance, December 30, 2018	\$	1,998
Revenue recognized		(416)
Balance, June 30, 2019	\$	<u>1,582</u>

(9) Stock-based Compensation

Effective May 5, 2015, the Company adopted the 2015 Equity Incentive Plan (the “2015 Plan”), pursuant to which the Company 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. The Company also maintains 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.” The 2005 Plan prohibits the granting of incentives after May 12, 2015, the tenth anniversary of the date the 2005 Plan was approved by the Company’s shareholders. Nonetheless, the 2005 Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated. As of June 30, 2019, there were 132,713 shares available for grant pursuant to the 2015 Plan. For purposes of net income per share, there were approximately 193,000 and 430,000 stock options outstanding as of June 30, 2019 and July 1, 2018, respectively, which were not included in the computation of diluted net income per share because their impact was antidilutive. As of June 30, 2019, the total compensation cost related to unvested stock option awards was approximately \$1.2 million which is expected to be recognized over a period of approximately 3.30 years.

Stock options granted to employees and directors generally vest over two to five years, in monthly or annual installments, as outlined in each agreement. Options generally expire ten years from the date of grant. Compensation expense equal to the grant date fair value of the options is recognized in general and administrative expense over the applicable service period.

The Company utilizes the Black-Scholes option pricing model when determining the compensation cost associated with stock options issued using the following significant assumptions:

- Stock price – Published trading market values of the Company’s common stock as of the date of grant.
- Exercise price – The stated exercise price of the stock option.
- Expected life – The simplified method as outlined in ASC 718.
- Expected dividend – The rate of dividends that the Company expects to pay over the term of the stock option.
- Volatility – Actual volatility over the most recent historical period equivalent to the expected life of the option.
- Risk-free interest rate – The daily United States Treasury yield curve rate.

The Company recognized stock-based compensation expense in its consolidated statements of operations for the three and six months ended June 30, 2019 and July 1, 2018, respectively, as follows:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Stock options	\$ 81	\$ 120	\$ 141	\$ 167
Restricted stock	59	—	82	—
	<u>\$ 140</u>	<u>\$ 120</u>	<u>\$ 223</u>	<u>\$ 167</u>

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information regarding the 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 December 30, 2018	384	\$ 7.43	6.7
Granted	157	4.26	
Forfeited or expired	(23)	6.61	
Options outstanding at June 30, 2019	518	\$ 6.50	6.0

Information regarding the Company's restricted stock is summarized below:

<i>(number of awards in thousands)</i>	Number of Awards	Weighted Average Award Date Fair Value	Weighted Average Remaining Contractual Life in Years
Unvested at December 30, 2018	—	\$ —	
Granted	189	5.00	
Vested	(16)	5.00	
Unvested at June 30, 2019	173	\$ 5.00	3.6

	Six Months Ended	
	June 30, 2019	July 1, 2018
Weighted-average fair value of options granted during the period	\$ 2.33	\$ 3.39
Expected life (in years)	5.5	6.1
Expected dividend	\$ —	\$ —
Expected stock volatility	50.31 %	46.66 %
Risk-free interest rate	2.5 %	2.7 %

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

The following is a summary of asset impairment, estimated lease termination and other closing costs for the three and six months ended June 30, 2019 and July 1, 2018. These costs are included in asset impairment, estimated lease termination and other closing costs in the consolidated statements of operations.

<i>(dollars in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Asset impairments, net	\$ 2	\$ 2	\$ 350	\$ 152
Lease termination charges (income) and related costs	71	90	91	(343)
Restaurant closure expenses	24	124	63	303
Asset impairment, estimated lease termination charges and other closing costs	\$ 97	\$ 216	\$ 504	\$ 112

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

(11) 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.

For assets and liabilities falling within Level 3 of the fair value hierarchy, a change in the input assumptions used could result in a change in the estimated fair value of the asset or liability. Transfers in and out of levels will be based on the Company's judgment of the availability of unadjusted quoted prices in active markets, other observable inputs, and non-observable inputs.

The carrying amounts of cash and cash equivalents reported in the consolidated balance sheets approximates fair value based on current interest rates and short-term maturities. The carrying amount of accounts receivable approximates fair value due to the short-term nature of accounts receivable. The Company believes that the carrying amount of long-term debt approximates fair value due to the variable interest rate on the Company's long-term debt, as well as that there has been no significant change in the credit risk or credit markets since origination.

The Company had no assets measured at fair value in its consolidated balance sheets as of June 30, 2019 and December 30, 2018, except for the assets recorded at fair value in conjunction with restaurant acquisitions. See Note 12 - *Restaurant Acquisition*.

(12) Restaurant Acquisition

On March 4, 2019, the Company completed the acquisition of the assets and operations of four Famous Dave's restaurants in Colorado (the "Colorado Restaurants"). The sellers of the Colorado Restaurants were Legendary BBQ, Inc., Quebec Square BBQ, Inc., Comerstar BBQ, Inc., Razorback BBQ, Inc., and Larkridge BBQ, Inc. Pursuant to the same purchase agreement as the acquisition of the Colorado Restaurants, on June 3, 2019, the Company completed the acquisition of the assets and operations of one Famous Dave's restaurant in Grand Junction, Colorado (the "Grand Junction Restaurant"). The seller of the Grand Junction Restaurant was Mesa Mall BBQ, Inc. The contract purchase price of the Colorado Restaurants and the Grand Junction Restaurant was approximately \$4,100,000, exclusive of acquisition costs of approximately \$174,000, which are reflected in general and administrative expenses, plus the assumption of the gift card liability associated with the restaurants. The Company also purchased inventory on hand as of the acquisition dates. Effective as of the closing date of the acquisitions, the franchise agreements for the Colorado Restaurants and the Grand Junction Restaurant were terminated and outstanding receivables were considered additions to the purchase price.

The Company provisionally allocated the purchase price of the Colorado Restaurants as of the end of the first quarter of fiscal 2019. As a result of the completion of the acquisition of the Grand Junction Restaurant, the Company provisionally allocated the identifiable tangible and intangible assets associated with the Grand Junction Restaurant, which resulted in the reduction of goodwill of approximately \$0.6 million. The Company expects to complete the purchase accounting for the Colorado Restaurant and the Grand Junction Restaurant in the third quarter of fiscal 2019.

The acquisition was accounted for using the purchase method of accounting in accordance with ASC 805 "Business Combinations" and, accordingly, these consolidated statements of operations include the results of these operations from the date of acquisition. The assets acquired and the liabilities assumed were provisionally recorded at estimated fair values based on information available.

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FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the provisional allocation of assets acquired and liabilities assumed for the Colorado Restaurants and the Grand Junction Restaurant during the three and six months ended June 30, 2019:

(in thousands)

Assets acquired:

Cash and cash equivalents	\$ 13
Inventory	176
Property, plant, equipment and leasehold improvements, net	3,139
Identifiable intangible assets, net	981
Total identifiable assets acquired	<u>4,309</u>

Liabilities assumed:

Gift card liability	(182)
Net assets acquired	4,127
Goodwill	373
Total consideration transferred	<u>\$ 4,500</u>

The Company expects goodwill to be deductible for tax purposes, subject to amortization.

During the three months ended June 30, 2019, the Company completed several individually immaterial acquisitions of previously franchised Famous Dave's restaurants. The acquisitions were accounted for using the purchase method of accounting in accordance with ASC 805 "Business Combinations" and, accordingly, the consolidated statements of operations include the results of these operations from the dates of the respective acquisitions. The assets acquired and the liabilities assumed were recorded at estimated fair values based on information available. Pursuant to these acquisitions, the Company incurred approximately \$219,000 of acquisition costs, which are reflected in general and administrative expenses. As a result of the acquisition of previously franchised restaurants during the three months ended June 30, 2019, the Company entered into five leases with a current franchisee pursuant to the respective purchase agreement.

The following table presents the provisional allocation of assets acquired and liabilities assumed for the individually immaterial acquisitions during the three months ended June 30, 2019:

(in thousands)

Assets acquired:

Cash and cash equivalents	\$ 13
Inventory	180
Property, plant, equipment and leasehold improvements, net	326
Identifiable intangible assets, net	86
Total identifiable assets acquired	<u>605</u>

Liabilities assumed:

Gift card liability	(68)
Net assets acquired	537
Gain on bargain purchase	(142)
Total consideration transferred	<u>\$ 395</u>

Unaudited pro forma results of operations for the three month and six month periods ended June 30, 2019 and July 1, 2018, as if the Company had acquired majority ownership of all operations on January 1, 2018 is as follows. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the business combination had been in effect on the dates indicated, or which may result in the future.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2019</u>	<u>July 1, 2018</u>	<u>June 30, 2019</u>	<u>July 1, 2018</u>
<i>(in thousands)</i>				
Pro forma revenues	\$ 23,164	\$ 23,508	\$ 43,838	\$ 44,432
Pro forma net income (loss)	\$ 1,085	\$ 1,870	\$ 1,456	\$ 3,278
Basic pro forma net income (loss) per share	\$ 0.11	\$ 0.21	\$ 0.14	\$ 0.40
Diluted pro forma net income (loss) per share	\$ 0.11	\$ 0.21	\$ 0.14	\$ 0.40

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

(13) Variable Interest Entities

A variable interest holder is considered to be the primary beneficiary of a variable interest entity ("VIE") if it has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. Once an entity is determined to be a VIE, the primary beneficiary is required to consolidate the entity. The Company has an installment agreement with one of its franchisees as the result of refranchising its Lincoln, Nebraska restaurant. This franchisee is a VIE; however, 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 November 1, 2017, the Company sold its Frederick, Maryland restaurant. Pursuant to the terms of the Frederick Agreement, the Company remained the primary obligor of the lease. As of June 30, 2019, the amount of future lease payments for which the Company would be liable in the event of a default are approximately \$484,000. An accrual related to the future lease obligation was not considered necessary as of June 30, 2019.

On July 18, 2018, the Company and Clark Championship Products LLC ("Clark"), an entity owned by Travis Clark, became members of Mercury BBQ LLC ("Mercury") for the purposes of building out and operating the inaugural Clark Crew BBQ restaurant in Oklahoma City, Oklahoma (the "Restaurant"). Clark will own 80% of the units outstanding of Mercury and the Company will own 20% of the units outstanding of Mercury. Mercury shall be governed by three managers, two of which will be appointed by the Company and one of which will be appointed by Clark. Also on July 18, 2018, the Company entered into a secured promissory note in the amount of \$1.4 million (the "Loan") with Mercury, the proceeds of which are required to be used for the build out of the Restaurant. The Loan bears interest at a rate of 10% per annum and requires payments of 100% of the excess monthly cash flows until the Loan and all interest accrued thereon is repaid. The Loan requires a balloon payment of unpaid principal and accrued interest on July 15, 2023 and may be prepaid at any time. Also on July 18, 2018, the Company and Clark entered into an intellectual property license agreement (the "License Agreement") pursuant to which Clark granted to the Company an exclusive license to use and sublicense the patents, trademarks, trade names, service marks, logos and designs related to Clark Crew BBQ restaurants and products. The term of the License Agreement is indefinite and may only be terminated by mutual written consent, unless the Company breaches the License Agreement.

Because the Company will provide more than half of the subordinated financial support of Mercury and controls Mercury via its representation on the board of managers, the Company has concluded that Mercury is a VIE, of which the Company is the primary beneficiary and must consolidate Mercury. There has been no material revenue or expenses related to Mercury during the six months ended June 30, 2019.

(14) 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.

(15) Related Party Transactions

Anand D. Gala is a franchisee of the Company and currently serves as a director of the Company. Mr. Gala is the Founder, President and Chief Executive Officer of Gala Holdings International, a diversified holding company that conducts consulting, restaurant development and management operations.

Charles Davidson is a franchisee of the Company and is the beneficial owner of approximately 18.2% of the Company's common stock as of the date that these financial statements were available to be issued, by virtue of his ownership interest in Wexford Capital.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table outlines amounts received from related parties during the six months ended June 30, 2019, and July 1, 2018:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Revenues and NAF contributions - Anand Gala	\$ 432	\$ 412	\$ 820	\$ 794
Revenues and NAF contributions - Charles Davidson	84	83	161	158

The following table outlines accounts receivable from related parties as of June 30, 2019 and December 30, 2018:

<i>(in thousands)</i>	June 30, 2019	December 30, 2018
Accounts receivable, net - Anand Gala	\$ 318	\$ 271
Accounts receivable, net - Charles Davidson	41	44

(16) Subsequent Events

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

On July 10, 2019, Famous Dave's Ribs, Inc., a wholly-owned subsidiary of the Company completed the acquisition of four franchised Famous Dave's restaurants in the Arizona market (the "Arizona Purchased Restaurants"). The sellers of the Arizona Purchased Restaurants were Desert Ribs LLC, Famous Charlie LLC, Famous Freddie LLC, Famous Gracie LLC, and Famous George LLC (collectively referred to as the "Seller"), which were franchisees of the Company. The acquisition of the Arizona Purchased Restaurants was pursuant to the Purchase Agreement resulting from a stalking horse bid in the sale process conducted under Sections 363 and 365 of Chapter 11 of the U.S. Bankruptcy Code. The purchase price of the Arizona Purchased Restaurants was approximately \$1.6 million in cash and approximately \$1.6 million for the assumption of gift card and other liabilities as specified in the Purchase Agreement, settlement of outstanding franchise billings, and fees related to debtor-in-possession financing.

As of the date that these financial statements were available to be issued, the Company was still reviewing the financial information of the acquired restaurants. As such, it was impractical to include in these consolidated financial statements the pro forma effect of the acquisition.

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. The following table summarizes the changes in the number of Company-owned and franchise-operated restaurants for the periods presented:

	Six Months Ended June 30, 2019	Six Months Ended July 1, 2018
Company-owned restaurants:		
Beginning of period	17	16
New	—	—
Repurchased by the Company	12	—
Closed	—	(1)
End of period	<u>29</u>	<u>15</u>
% of system	21 %	10 %
Franchise-operated restaurants:		
Beginning of period	127	134
New	1	2
(Repurchased) by the Company	(12)	—
Closed	(9)	(1)
End of period	<u>107</u>	<u>135</u>
% of system	79 %	90 %
System end of period total	<u>136</u>	<u>150</u>

During the six months ended June 30, 2019, we opened one franchise-operated restaurants in Dubai, United Arab Emirates and a small-footprint concept in Tucson, Arizona. We also repurchased twelve stores in the Colorado, Ohio, Wisconsin, Michigan, and Iowa markets. See Note 12 – *Restaurant Acquisition* to the accompanying consolidated financial statements.

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 years ending December 29, 2019 (fiscal 2019) and December 30, 2018 (fiscal 2018) are both 52 week fiscal years.

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 and national advertising fund payments. Currently, our domestic area development fee 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. Currently, our initial, non-refundable, franchise fee for domestic growth is \$45,000 per restaurant. Finally, franchisees are also required to pay us a monthly royalty equal to a percentage of their net sales. 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.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**Costs and Expenses**

Restaurant costs and expenses include food and beverage costs; labor and benefits costs; and operating expenses, which include occupancy costs, repair and maintenance costs, supplies, advertising and promotion. Certain of these costs and expenses are variable and will increase or decrease with sales volume. The primary fixed costs are restaurant management, operations, and catering support salaries, occupancy and insurance costs.

General and Administrative Expenses

General and administrative expenses include all corporate and administrative functions to support future growth. Salaries and benefits, legal fees, accounting fees, professional consulting fees, travel, rent and general insurance are major items in this category. We also provide franchise services for which the revenue is included in other revenue and the expenses are included in general and administrative expenses.

Results of Operations – the three and six months ended June 30, 2019 compared to the three and six months ended July 1, 2018.

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 December 30, 2018.

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 periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Food and beverage costs ⁽¹⁾	31.5 %	31.1 %	31.9 %	31.2 %
Labor and benefits costs ⁽¹⁾	34.4 %	33.8 %	35.9 %	35.1 %
Operating expenses ⁽¹⁾	30.7 %	29.1 %	30.7 %	30.7 %
Restaurant level operating margin ⁽¹⁾⁽³⁾	3.4 %	6.0 %	1.5 %	3.0 %
Depreciation and amortization expenses ⁽²⁾	2.4 %	2.1 %	2.2 %	2.6 %
General and administrative expenses ⁽²⁾	11.3 %	14.5 %	13.9 %	14.6 %
Income from operations ⁽²⁾	7.0 %	13.7 %	4.5 %	12.6 %

(1) As a percentage of restaurant sales, net

(2) As a percentage of total revenue

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

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. Reacquired and refranchised restaurants are removed from the same store net sales base until the new ownership has been in place for at least 12 months. Same store net sales for Company-owned restaurants for the three and six months ended June 30, 2019 decreased 0.8% and increased 1.0% compared to the three and six months ended July 1, 2018, respectively. As of June 30, 2019 and July 1, 2018, there were 14 and 15 restaurants in the same store sales base, respectively.

Same store net sales for franchise-operated restaurants for the three and six months ended June 30, 2019 increased 0.5% and 0.3%, respectively compared to the three and six months ended July 1, 2018.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Total Revenue

Our components of and changes in revenue consisted of the following for the three and six months ended June 30, 2019 and July 1, 2018:

<i>(dollars in thousands)</i>	Three Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
Revenue:				
Restaurant sales, net	\$ 16,898	\$ 9,955	\$ 6,943	69.7 %
Franchise royalty and fee revenue	3,447	3,753	(306)	(8.2)%
Franchisee national advertising fund contributions	471	529	(58)	(11.0)%
Licensing and other revenue	312	301	11	3.7 %
Total revenue	\$ 21,128	\$ 14,538	\$ 6,590	45.3 %

<i>(dollars in thousands)</i>	Six Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
Revenue:				
Restaurant sales, net	\$ 27,212	\$ 18,668	\$ 8,544	45.8 %
Franchise royalty and fee revenue	6,651	7,161	(510)	(7.1)%
Franchisee national advertising fund contributions	880	998	(118)	(11.8)%
Licensing and other revenue	578	555	23	4.1 %
Total revenue	\$ 35,321	\$ 27,382	\$ 7,939	29.0 %

Restaurant Sales, net

The increase in year-over-year restaurant sales, net for the three and six months ended June 30, 2019 was primarily a result of the acquisition of restaurants in the Michigan, Ohio, Wisconsin, Colorado, Indiana and Iowa markets as well as an increase in same-store sales.

On a weighted basis, for the three months ended June 30, 2019 compared to the three months ended July 1, 2018, Dine-In and Catering sales decreased by 2.7% and 0.3%, respectively, while To-Go same store net sales increased by 2.2% driven by third-party delivery sales. The decline in the catering line of business for the comparable restaurant base was driven by the loss of a vending contract representing a 7.0% impact on same store net sales attributable to the catering line of business and 0.9% on total same store net sales.

On a weighted basis, for the six months ended June 30, 2019 compared to the six months ended July 1, 2018, Dine-In same store net sales decreased by 2.3%, while To-Go and Catering same store net sales increased by 3.1% and 0.1%, respectively, driven by third-party delivery sales.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Line of Business Summary

The following table summarizes the Company-owned restaurants by line of business for the three months ended June 30, 2019:

	Dine In	To Go	Catering	TOTAL
% of sales	51%	36%	13%	100%
Comparable sales %	-5.0%	6.8%	-2.4%	-0.8%
Comparable sales "contribution"	-2.7%	2.2%	-0.3%	-0.8%
Average party size	2.0	2.1	48.4	2.5
Per person average	\$ 16.07	\$ 13.60	\$ 10.80	\$ 14.50
Average check size	\$ 33.80	\$ 28.90	\$ 520.70	\$ 36.10

The following table summarizes the Company-owned restaurants by line of business for the six months ended June 30, 2019:

	Dine In	To Go	Catering	TOTAL
% of sales	52%	37%	10%	100%
Comparable sales %	-4.2%	9.1%	1.4%	1.0%
Comparable sales "contribution"	-2.3%	3.1%	0.1%	1.0%
Average party size	2.0	2.1	43.7	2.4
Per person average	\$ 16.07	\$ 13.40	\$ 10.90	\$ 14.50
Average check size	\$ 33.80	\$ 28.70	\$ 475.70	\$ 34.90

Franchise-Related Revenue, including national advertising fund contributions

Franchise-related same store net sales increased by 0.5% and 0.3%, respectively, for the three and six months ended June 30, 2019 compared to the three and six months ended July 1, 2018. The increase year over year was primarily related to continued franchisee adoption of brand initiatives to drive traffic and awareness of the brand.

In fiscal 2018, we rolled out several initiatives, aimed at driving traffic and improving sales, to our Company-owned stores that are in various stages of implementation throughout our franchise system. Additionally, we continue to focus our resources on innovations to provide new avenues for our franchisees to improve their net sales and operating performance.

Licensing and Other Revenue

For the three months ended June 30, 2019, licensing and other revenue grew 3.7% to \$312,000 compared to the same period of fiscal 2018. For the six months ended June 30, 2019, licensing and other revenue was \$578,000 as compared to \$555,000 in fiscal 2018, an increase of 4.1%. Licensing and other revenue is primarily related to royalties earned on the sale of Famous Dave's branded sauces, rubs, and other consumer packaged goods.

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 periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Average Weekly Net Sales (AWS):				
Franchise-Operated ⁽¹⁾	\$ 51,919	\$ 50,547	\$ 49,735	\$ 48,175
Company-Owned	51,748	50,242	48,339	45,964
Full-Service	54,268	54,336	51,019	49,448
Counter-Service	41,592	41,858	39,403	38,562
Operating Weeks:				
Franchise-Operated	1,420	1,755	2,993	3,497
Company-Owned	327	198	563	406

(1) AWS for franchise-operated restaurants are not our revenues and are not included in our consolidated financial statements. We believe that disclosure of comparable restaurant 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 we receive 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 analyze the extent to which Company-owned restaurants are realizing their revenue potential.

Food and Beverage Costs

Our food and beverage costs consisted of the following for the three and six months ended June 30, 2019 and July 1, 2018:

	Three Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
(dollars in thousands)				
Food and beverage costs	\$ 5,325	\$ 3,099	\$ 2,226	71.8 %

	Six Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
(dollars in thousands)				
Food and beverage costs	\$ 8,685	\$ 5,816	\$ 2,869	49.3 %

Food and beverage costs for the three months ended June 30, 2019 and July 1, 2018 represented approximately 31.5% and 31.1% of net restaurant sales, respectively. Food and beverage costs for the six months ended June 30, 2019 and July 1, 2018 represented approximately 31.9% and 31.2% of net restaurant sales, respectively. This year-over-year increase, as a percentage of net restaurant sales, was primarily driven by the acquisition of 14 restaurants over the past twelve months, which stores experienced higher food costs than our comparable stores. We expect food costs for acquired stores to normalize throughout the remainder of fiscal 2019.

Labor and Benefits Costs

Our labor and benefits costs consisted of the following for the three and six months ended June 30, 2019 and July 1, 2018:

	Three Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
(dollars in thousands)				
Labor and benefits costs	\$ 5,819	\$ 3,361	\$ 2,458	73.1 %

	Six Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
(dollars in thousands)				
Labor and benefits costs	\$ 9,776	\$ 6,557	\$ 3,219	49.1 %

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Labor and benefits costs for the three months ended June 30, 2019 and July 1, 2018 represented approximately 34.4% and 33.8% of net restaurant sales, respectively. Labor and benefits costs for the six months ended June 30, 2019 and July 1, 2018 represented approximately 35.9% and 35.1% of net restaurant sales, respectively. The year-over-year increase during the three and six months ended June 30, 2019, as a percentage of net restaurant sales, was primarily driven by the acquisitions of 14 restaurants over the past twelve months, which stores experienced higher labor and benefits than our comparable stores. We expect labor and benefits for acquired stores to normalize throughout the remainder of fiscal 2019.

Operating Expenses

Our operating expenses consisted of the following for the three and six months ended June 30, 2019 and July 1, 2018:

<i>(dollars in thousands)</i>	Three Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
Operating expenses	\$ 5,187	\$ 2,894	\$ 2,293	79.2 %

<i>(dollars in thousands)</i>	Six Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
Operating expenses	\$ 8,356	\$ 5,735	\$ 2,621	45.7 %

Operating expenses for the three months ended June 30, 2019 and July 1, 2018 represented approximately 30.7% and 29.1% of net restaurant sales, respectively. The primary drivers of the increase, as a percentage of net restaurant sales, were increased utilities, repairs and maintenance expense and other direct operating costs.

Operating expenses were flat for the six months ended June 30, 2019 and July 1, 2018 and represented approximately 30.7% of net restaurant sales for each period, respectively.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2019 and July 1, 2018 represented approximately 2.4% and 2.1% of total revenues, respectively. Depreciation and amortization expense for the six months ended June 30, 2019 and July 1, 2018 represented approximately 2.2% and 2.6% of total revenues, respectively.

General and Administrative Expenses

Our general and administrative expenses consisted of the following for the three and six months ended June 30, 2019 and July 1, 2018:

<i>(dollars in thousands)</i>	Three Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
General and administrative expenses	\$ 2,377	\$ 2,111	\$ 266	12.6 %

<i>(dollars in thousands)</i>	Six Months Ended			
	June 30, 2019	July 1, 2018	\$ Change	% Change
General and administrative expenses	\$ 4,894	\$ 3,985	\$ 909	22.8 %

General and administrative expenses for the three months ended June 30, 2019 and July 1, 2018 represented approximately 11.3% and 14.5% of total revenues, respectively. General and administrative expenses for the six months ended June 30, 2019 and July 1, 2018 represented approximately 13.9% and 14.6% of total revenues, respectively. The increase to general and administrative expenses primarily related to one-time savings in the prior year that did not recur during the six months ended June 30, 2019 and acquisition costs.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES***Asset Impairment, Estimated Lease Termination and Other Closing Costs***

The following is a summary of the asset impairment, estimated lease termination and other closings costs we incurred for the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Asset impairments, net	\$ 2	\$ 2	\$ 350	\$ 152
Lease termination charges (income) and related costs	71	90	91	(343)
Restaurant closure expenses	24	124	63	303
Asset impairment, estimated lease termination charges and other closing costs	<u>\$ 97</u>	<u>\$ 216</u>	<u>\$ 504</u>	<u>\$ 112</u>

During the six months ended June 30, 2019, we recognized an impairment charge on the lease right-of-use asset for a restaurant that is expected to close during fiscal 2019 of approximately \$344,000. Asset impairments, net are expenses incurred for other charges related to closing restaurants, as well as ongoing expenses incurred after a restaurant is fully closed.

Income Tax Expense

Income tax expense for the three months ended June 30, 2019 was approximately \$182,000, or 14.9% of our pretax income. Income tax expense for the three months ended July 1, 2018 was approximately \$420,000, or 23.2% of our pretax income. Income tax expense for the six months ended June 30, 2019 was approximately \$199,000, or 15.1% of our pretax income. Income tax expense for the six months ended July 1, 2018 was approximately \$741,000, or 23.7% of our pretax income.

Basic and Diluted Net Income (Loss) per Common Share

Net income for the three months ended June 30, 2019 was approximately \$1.0 million, or \$0.11 per basic and diluted share. The basic and diluted weighted-average number of common shares outstanding for the three months ended June 30, 2019 was approximately 9,093,000 and 9,278,000, respectively. Net income for the three months ended July 1, 2018 was approximately \$1.4 million, or \$0.16 per basic and diluted share. The basic and diluted weighted-average number of common shares outstanding for the three months ended July 1, 2018 was approximately 8,809,000 and 8,835,000, respectively.

Net income for the six months ended June 30, 2019 was approximately \$1.1 million, or \$0.12 per basic and diluted share. The basic and diluted weighted-average number of common shares outstanding for the six months ended June 30, 2019 was approximately 9,089,000 and 9,191,000, respectively. Net income for the six months ended July 1, 2018 was approximately \$2.4 million, or \$0.29 per basic and diluted share. The basic and diluted weighted-average number of common shares outstanding for the six months ended July 1, 2018 was approximately 8,108,000 and 8,131,000, respectively.

Financial Condition, Liquidity and Capital Resources

Our balance of unrestricted cash and cash equivalents was approximately \$8.2 million and \$11.6 million as of June 30, 2019 and December 30, 2018, respectively. We used cash to purchase five stores in Colorado, six stores in the Michigan, Wisconsin, and Ohio markets, and one store in Iowa. We expect to utilize cash on hand to reinvest into our brand, including refreshing current corporate stores, repurchasing select franchisee owned stores, and developing a new concept. In July 2018, we made a loan in the original principal amount of \$1.4 million to Mercury BBQ, LLC, the proceeds of which will be used for the build-out of a barbeque restaurant branded as Clark Crew BBQ.

On June 20, 2019 we entered into a loan agreement with our lender, Choice Financial Group. The loan agreement provides for a term loan in the principal amount of up to \$24.0 million. The term loan has a maturity date of June 20, 2025. The first year of the term loan provides for payments of interest only, with the remaining five years requiring payments of interest and principal based on a 60 month amortization period. Interest will be payable in an amount equal to the Wall Street Journal Prime Rate, but in no circumstances will the rate of interest be less than 5.00%. The term loan may be prepaid, partially or in full, at any time and for no prepayment penalty.

Proceeds from the term loan were used to repay our previous real estate loan, dated December 2, 2016, which outstanding balance as of June 20, 2019 was approximately \$2.6 million.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Also on June 20, 2019, we also entered into a revolving promissory note with our lender. The revolving promissory note provides for a revolving line of credit from our lender in the principal amount of up to \$1.0 million. The revolving promissory note has a maturity date of December 2, 2019, which provides for monthly payments of interest only, with a balloon payment of the remaining outstanding balance and applicable interest due on the maturity date. Interest will be payable in an amount equal to the 30-day London Interbank Offer Rate ("LIBOR") plus 325 basis points, but in no circumstances will the rate of interest be less than 3.75%. The revolving promissory note may be prepaid, partially or in full, at any time and for no prepayment penalty. Proceeds from the revolving line of credit may be used at our discretion.

Our current ratio, which measures our immediate short-term liquidity, was 1.51 as of June 30, 2019, compared to 2.15 as of December 30, 2018. The current ratio is computed by dividing total current assets by total current liabilities. The decrease in our current ratio was primarily due to increases in our current liabilities related to the current portion of lease liabilities and cash paid for the acquisitions in the Colorado, Michigan, Ohio, Wisconsin, and Iowa markets.

Net cash provided by operating activities for the six months ended June 30, 2019 was approximately \$2.5 million, which reflects net income of approximately \$1.1 million increased by non-cash charges of approximately \$1.4 million. Changes in operating assets and liabilities for the six months ended June 30, 2019 primarily included cash inflows from increases in accounts payable of \$321,000 and accrued and other liabilities of \$480,000. These cash inflows were partially offset by cash outflows related to an increase in accounts receivable of \$422,000 and an increase in other assets of \$411,000.

Net cash provided by operating activities for the six months ended July 1, 2018 was approximately \$1.0 million, reflecting net income of approximately \$2.4 million decreased by non-cash charges of approximately \$1.4 million. Changes in operating assets and liabilities included cash outflows from a decrease in accounts payable of \$851,000 and a decrease in accrued and other liabilities of \$1.3 million. These cash outflows were partially offset by a decrease in other assets of \$716,000.

Net cash used for investing activities was approximately \$5.6 million for the six months ended June 30, 2019, related to payments for acquired restaurants of \$4.3 million, advances on notes receivable of \$150,000 and the purchase of property, equipment and leasehold improvements of \$1.2 million. Net cash provided by investing activities was \$249,000 for the six months ended July 1, 2018, related to proceeds from the sale of assets of \$1.2 million, partially offset by the purchases of property and equipment of \$290,000 and advances on notes receivable of \$648,000.

Net cash used for financing activities for the six months ended June 30, 2019 of \$230,000, primarily related to the debt repayments of \$176,000 and payments for debt issuance costs of \$54,000. Net cash used for financing activities for the six months ended July 1, 2018 of \$131,000, primarily related to debt repayments of \$5.8 million partially offset by proceeds from the sales of common stock of \$5.1 million and the proceeds from exercise of stock options of \$494,000.

We are subject to various financial and non-financial covenants on our long-term debt, including a debt-service coverage ratio. As of June 30, 2019, we were in compliance with all of our covenants.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

Our significant accounting policies are described in Note 1 – *Nature of Business and Significant Accounting Policies* to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 30, 2018. Except as disclosed in Note 1 "Basis of Presentation" to the accompanying notes to the consolidated financial statements, there have been no updates to our critical accounting policies.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Forward-Looking Information

Famous Dave's makes written and oral statements from time to time, including statements contained in this Quarterly Report on 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 which may 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.

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 December 30, 2018. 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 Securities 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 Quarterly Report on 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, 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 <http://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 290, Minnetonka, MN 55343.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

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, except for the following.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

The information contained in Note 14 – *Litigation* of the notes to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1. Except as set forth therein, as of the end of the period covered by this Quarterly Report on Form 10-Q, we are not a party to any material pending legal proceedings.

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 December 30, 2018, filed with the SEC on March 4, 2019, 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 noted below.

Our business strategy of acquisitions may not achieve anticipated results.

We expect to continue to apply a business strategy that includes acquisition of stores from franchisees as the opportunity arises. Many of the stores that we reacquired have experienced declining same store sales and elevated operating costs. If we are unable to curtail the declining same store sales and reduce operating costs, we may not achieve our expected results from these acquisitions. We may also seek to add new brands to our portfolio through acquisitions. There can be no assurance that this business strategy of acquisitions will be suitable or will achieve favorable results. Additionally, our strategic initiatives may subject us and our franchisees to new and additional risks.

Item 5. OTHER INFORMATION

None.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Item 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
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	Inline XBRL Instance Document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.LAB	Inline XBRL Label Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

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: August 12, 2019

By: /s/ Jeffery Crivello
Jeffery Crivello
Chief Executive Officer and Director
(Principal Executive Officer)

Dated: August 12, 2019

/s/ Paul M. Malazita
Paul M. Malazita
Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATIONS

I, Jeffery Crivello, certify that:

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

Dated: August 12, 2019

By: /s/ Jeffery Crivello
Jeffery Crivello
Chief Executive Officer and Director

CERTIFICATIONS

I, Paul M. Malazita, certify that:

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

Dated: August 12, 2019

By: /s/ Paul M. Malazita
Paul M. Malazita
Chief Financial Officer and Secretary

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Famous Dave's of America, Inc. does hereby certify that:

- a) The Quarterly Report on Form 10-Q of Famous Dave's of America, Inc. for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Famous Dave's of America, Inc.

Dated: August 12, 2019

By: /s/ Jeffery Crivello
Jeffery Crivello
Chief Executive Officer and Director
(Principal Executive Officer)

Dated: August 12, 2019

By: /s/ Paul M. Malazita
Paul M. Malazita
Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)
