

**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 October 2, 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)**

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

**41-1782300**  
**(I.R.S. Employer  
Identification No.)**

**12701 Whitewater Drive, Suite 200  
Minnetonka, MN 55343**  
**(Address of principal executive offices) (Zip code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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," "accelerate 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 November 11, 2016, 6,957,628 shares of the registrant's Common Stock were outstanding.

[Table of Contents](#)

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

	<u>Page</u>
<b>PART I</b>	<b><a href="#">FINANCIAL INFORMATION</a></b>
Item 1	<a href="#">Consolidated Financial Statements (unaudited)</a>
	<a href="#">Consolidated Balance Sheets As of October 2, 2016 and January 3, 2016</a> 3
	<a href="#">Consolidated Statements of Operations For the three and nine months ended October 2, 2016 and September 27, 2015</a> 4
	<a href="#">Consolidated Statements of Cash Flows For the nine months ended October 2, 2016 and September 27, 2015</a> 5
	<a href="#">Notes to Consolidated Financial Statements</a> 6
Item 2	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> 23
Item 3	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a> 33
Item 4	<a href="#">Controls and Procedures</a> 33
<b>PART II</b>	<b><a href="#">OTHER INFORMATION</a></b>
Item 1	<a href="#">Legal Proceedings</a> 34
Item 5	<a href="#">Other Information</a> 36
Item 6	<a href="#">Exhibits</a> 37
<a href="#">SIGNATURES</a>	
<a href="#">CERTIFICATIONS</a>	

[Table of Contents](#)**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 2, 2016 AND JANUARY 3, 2016**  
*(in thousands, except per share data)*

ASSETS	October 2, 2016 (Unaudited)	January 3, 2016
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,766	\$ 5,300
Restricted cash	2,085	1,087
Accounts receivable, net	4,362	4,677
Inventories	1,886	2,070
Deferred tax assets	196	181
Prepaid expenses and other current assets	3,238	1,671
Assets held for sale	5	2,211
<b>Total current assets</b>	<b>18,538</b>	<b>17,197</b>
<b>Property, equipment and leasehold improvements, net</b>	<b>25,929</b>	<b>32,491</b>
<b>Other assets:</b>		
Intangible assets, net	2,866	2,902
Deferred tax assets	4,420	4,411
Other assets	1,576	824
	<u>\$ 53,329</u>	<u>\$ 57,825</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt and financing lease obligation	\$ 8,879	\$ 2,193
Line of credit	1,855	—
Accounts payable	5,599	5,685
Accrued compensation and benefits	1,571	1,390
Deferred tax liabilities	100	101
Other current liabilities	3,356	3,406
Liabilities held for sale	—	1,747
<b>Total current liabilities</b>	<b>21,360</b>	<b>14,522</b>
<b>Long-term liabilities:</b>		
Long-term debt, less current portion	—	10,200
Financing lease obligation, less current portion	2,422	2,757
Other liabilities	8,721	8,285
<b>Total liabilities</b>	<b>32,503</b>	<b>35,764</b>
<b>Shareholders' equity:</b>		
Common stock, \$0.01 par value, 100,000 shares authorized, 6,958 shares issued and outstanding at October 2, 2016 and January 3, 2016, respectively	66	66
Retained earnings	20,760	21,995
<b>Total shareholders' equity</b>	<b>20,826</b>	<b>22,061</b>
	<u>\$ 53,329</u>	<u>\$ 57,825</u>

See accompanying notes to consolidated financial statements.

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**OCTOBER 2, 2016 AND SEPTEMBER 27, 2015**  
*(in thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
<b>Revenue:</b>				
Restaurant sales, net	\$20,999	\$ 23,323	\$63,013	\$ 74,576
Franchise royalty revenue	4,311	4,312	13,162	13,263
Franchise fee revenue	—	—	135	255
Licensing and other revenue	200	245	784	765
Total revenue	<u>25,510</u>	<u>27,880</u>	<u>77,094</u>	<u>88,859</u>
<b>Costs and expenses:</b>				
Food and beverage costs	6,507	7,246	19,619	22,752
Labor and benefits costs	7,069	8,316	21,323	24,974
Operating expenses	6,618	6,976	18,681	21,396
Depreciation and amortization	909	1,064	2,845	3,387
General and administrative expenses	4,532	4,141	13,143	13,927
Asset impairment and estimated lease termination and other closing costs	3,620	650	4,684	1,626
Net loss (gain) on disposal of property	4	(1,781)	(181)	(1,756)
<b>Total costs and expenses</b>	<u>29,259</u>	<u>26,612</u>	<u>80,114</u>	<u>86,306</u>
<b>(Loss) income from operations</b>	<u>(3,749)</u>	<u>1,268</u>	<u>(3,020)</u>	<u>2,553</u>
Other expense:				
Interest expense	(210)	(218)	(613)	(641)
Interest income	—	2	2	7
Other (expense) income, net	(1)	1	—	1
<b>Total other expense</b>	<u>(211)</u>	<u>(215)</u>	<u>(611)</u>	<u>(633)</u>
<b>(Loss) income before income taxes</b>	<u>(3,960)</u>	<u>1,053</u>	<u>(3,631)</u>	<u>1,920</u>
<b>Income tax benefit (expense)</b>	<u>1,582</u>	<u>(96)</u>	<u>1,515</u>	<u>(440)</u>
<b>Net (loss) income from continuing operations</b>	<u>(2,378)</u>	<u>957</u>	<u>(2,116)</u>	<u>1,480</u>
<b>Net (loss) income from discontinued operations, net of tax</b>	<u>(81)</u>	<u>(249)</u>	<u>627</u>	<u>79</u>
<b>Net (loss) income</b>	<u>\$ (2,459)</u>	<u>\$ 708</u>	<u>\$ (1,489)</u>	<u>\$ 1,559</u>
<b>Basic net (loss) income per share — continuing operations</b>	<u>\$ (0.34)</u>	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>
<b>Basic net (loss) income per share — discontinued operations</b>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>
<b>Basic net (loss) income per share</b>	<u>\$ (0.35)</u>	<u>\$ 0.10</u>	<u>\$ (0.21)</u>	<u>\$ 0.22</u>
<b>Diluted net (loss) income per share — continuing operations</b>	<u>\$ (0.34)</u>	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>
<b>Diluted net (loss) income per share — discontinued operations</b>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>
<b>Diluted net (loss) income per share</b>	<u>\$ (0.35)</u>	<u>\$ 0.10</u>	<u>\$ (0.21)</u>	<u>\$ 0.22</u>
<b>Weighted average shares outstanding — basic</b>	<u>6,950</u>	<u>6,945</u>	<u>6,949</u>	<u>7,008</u>
<b>Weighted average shares outstanding — diluted</b>	<u>6,950</u>	<u>6,958</u>	<u>6,949</u>	<u>7,027</u>

See accompanying notes to consolidated financial statements.

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**OCTOBER 2, 2016 AND SEPTEMBER 27, 2015**  
*(in thousands)*  
*(Unaudited)*

	Nine Months Ended	
	October 2, 2016	September 27, 2015
<b>Cash flows from operating activities:</b>		
Net (loss) income from continuing operations	\$ (2,116)	\$ 1,480
Adjustments to reconcile net (loss) income to cash flows provided by operations:		
Depreciation and amortization	2,845	3,387
Asset impairment and estimated lease termination and other closing costs	4,684	1,626
Net gain on disposal of property	(181)	(1,756)
Amortization of deferred financing costs	43	57
Deferred income taxes	(25)	(349)
Deferred rent	520	656
Stock-based compensation	254	319
Tax benefit for equity awards issued	—	(153)
Changes in operating assets and liabilities:		
Restricted cash	(1,199)	(91)
Accounts receivable, net	(193)	(904)
Inventories	184	115
Prepaid expenses and other current assets	(1,571)	456
Deposits	(277)	18
Accounts payable	(388)	(7)
Accrued compensation and benefits	39	(2,047)
Other current liabilities	(98)	(596)
Other liabilities	140	(39)
Long-term deferred compensation	—	(74)
Cash flows provided by continuing operating activities	2,661	2,098
Cash flows (used for) provided by discontinued operating activities	(839)	377
Cash flows provided by operating activities	1,822	2,475
<b>Cash flows used for investing activities:</b>		
Proceeds from the sale of assets	1,053	5,341
Purchases of property, equipment and leasehold improvements	(540)	(3,093)
Cash flows provided by continuing investing activities	513	2,248
Cash flows provided by (used for) discontinued investing activities	1,150	(52)
Cash flows provided by investing activities	1,663	2,196
<b>Cash flows used for financing activities:</b>		
Proceeds from line of credit	1,855	20,700
Payments on line of credit	—	(19,300)
Payments of debt issuance costs	(23)	(128)
Payments on long-term debt and financing lease obligation	(3,850)	(541)
Payments from exercise of stock options	(1)	—
Tax benefit for equity awards issued	—	153
Repurchase of common stock	—	(5,672)
Cash flows used for financing activities	(2,019)	(4,788)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,466</b>	<b>(117)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,300</b>	<b>2,133</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,766</b>	<b>\$ 2,016</b>

See accompanying notes to consolidated financial statements.

**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 October 2, 2016, there were 176 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and United Arab Emirates, including 37 company-owned restaurants and 139 franchise-operated restaurants. An additional 62 franchise restaurants were committed to be developed through signed Area Development Agreements as of October 2, 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 October 2, 2016 and January 3, 2016 and for the three and nine month periods ended October 2, 2016 and September 27, 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 and nine months ended October 2, 2016 are not necessarily indicative of the results to be expected for the full year.

**(2) Net Income Per Share**

Basic net income per 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 and restricted stock units, when dilutive.

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
<i>(in thousands, except per share data)</i>				
<b>Net (loss) income per share — basic:</b>				
Net (loss) income from continuing operations, net of taxes	\$ (2,378)	\$ 957	\$ (2,116)	\$ 1,480
Net (loss) income from discontinued operations, net of taxes	(81)	(249)	627	79
Net (loss) income	\$ (2,459)	\$ 708	\$ (1,489)	\$ 1,559
Weighted average shares outstanding	6,950	6,945	6,949	7,008
<b>Net (loss) income from continuing operations per share — basic</b>	<u>\$ (0.34)</u>	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>
<b>Net (loss) income from discontinued operations per share — basic</b>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>
<b>Net (loss) income per share — basic</b>	<u>\$ (0.35)</u>	<u>\$ 0.10</u>	<u>\$ (0.21)</u>	<u>\$ 0.22</u>
<b>Net (loss) income per share — diluted:</b>				
Net (loss) income from continuing operations, net of taxes	\$ (2,378)	\$ 957	\$ (2,116)	\$ 1,480
Net (loss) income from discontinued operations, net of taxes	(81)	(249)	627	79
Net (loss) income	\$ (2,459)	\$ 708	\$ (1,489)	\$ 1,559
Weighted average shares outstanding	6,950	6,945	6,949	7,008
Dilutive impact of stock equivalents outstanding	—	13	—	19
Adjusted weighted average shares outstanding	6,950	6,958	6,949	7,027
<b>Net (loss) income from continuing operations per share — diluted</b>	<u>\$ (0.34)</u>	<u>\$ 0.14</u>	<u>\$ (0.30)</u>	<u>\$ 0.21</u>
<b>Net (loss) income from discontinued operations per share — diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>
<b>Net (loss) income per share — diluted</b>	<u>\$ (0.35)</u>	<u>\$ 0.10</u>	<u>\$ (0.21)</u>	<u>\$ 0.22</u>

There were 543,000 and 221,000 options outstanding for the three and nine months ended October 2, 2016 and September 27, 2015, respectively, that were not included in the computation of diluted EPS because they were anti-dilutive.

**(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 October 2, 2016 and January 3, 2016. We had approximately \$1.1 million in this fund as of October 2, 2016 and January 3, 2016.

In conjunction with the Company's Credit Agreement, we have deposited 105% of the face amount of the undrawn letters of credit in a cash collateral account with the Administrative Agent. We had approximately \$1.0 million in restricted cash as of October 2, 2016, related to these undrawn letters of credit. We were not required to deposit funds in the cash collateral account as of January 3, 2016.

**(4) Allowance for Doubtful Accounts**

**Accounts Receivable, Net** – We provide an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. We provide for a general bad debt reserve for franchise receivables due to increases in days sales outstanding and deterioration in general economic market conditions. This general reserve is based on the aging of receivables meeting specified criteria and is adjusted each quarter based on past due receivable balances. Additionally, we have periodically established a specific reserve on certain receivables as necessary. Any changes to the reserve are recorded in general and administrative expenses. The allowance for uncollectible accounts was approximately \$695,000 and \$246,000, at October 2, 2016 and January 3, 2016, respectively. Accounts receivable are written off when they become

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

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 October 2, 2016 and January 3, 2016, respectively, are presented in the table below:

<i>(in thousands)</i>	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion <sup>(1)</sup>	Non- Current Portion
<b>Balance at October 2, 2016</b>						
Lease interest assets	23.3	\$1,417	\$ (313)	\$1,104	\$ (48)	\$1,056
Liquor licenses		1,810	—	1,810	—	1,810
Total		<u>\$3,227</u>	<u>\$ (313)</u>	<u>\$2,914</u>	<u>\$ (48)</u>	<u>\$2,866</u>
<i>(in thousands)</i>	Remaining estimated useful life (years)	Original Cost	Accumulated Amortization	Net Book Value	Less Current Portion <sup>(1)</sup>	Non- Current Portion
<b>Balance at January 3, 2016</b>						
Lease interest assets	24.1	\$1,417	\$ (277)	\$1,140	\$ (48)	\$1,092
Liquor licenses		1,810	—	1,810	—	1,810
Total		<u>\$3,227</u>	<u>\$ (277)</u>	<u>\$2,950</u>	<u>\$ (48)</u>	<u>\$2,902</u>

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

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

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

On June 10, 2016, the Company and its subsidiaries (each, a “Borrower” and collectively, the “Borrowers”) entered into a Waiver and Second Amendment (the “Second Amendment”) to the Third Amended and Restated Credit Agreement, as amended (the “Credit Agreement”) with Wells Fargo, National Association as administrative agent and lender (the “Administrative Agent”). The Second Amendment Effective Date, as defined in the Second Amendment, is June 10, 2016. Pursuant to the Second Amendment, the Credit Agreement was amended and restated to terminate the revolving credit loan commitment (the “Facility”), change the maturity date of the revolving credit loans and the term loan from December 31, 2018 to December 31, 2017, and obligate monthly payments of \$200,000 to reduce the principal amount of the loans. Additionally, the Borrowers deposited 105% of the face amount of the outstanding letters of credit in a cash collateral account with the Administrative Agent which is included in restricted cash on our Consolidated Balance Sheet.

At October 2, 2016, the principal amount outstanding under the Facility and the Term Loan was \$1.9 million and \$8.4 million, respectively, along with approximately \$1.0 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. For the nine months ended October 2, 2016 and September 27, 2015, our weighted average interest rate for the Facility was 3.67% and 2.64%, respectively.

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 nine months ended October 2, 2016 was 3.70%. There was no Term Loan at September 27, 2015.

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, 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, and the Waiver and Second Amendment to the Credit Agreement filed as Exhibit 10.1 to our Current Report on Form 8-K filed on June 10, 2016.

For the quarter ended October 2, 2016, we were in compliance with all covenants of the Credit Agreement except the Adjusted Leverage Ratio and the Minimum Consolidated EBITDA covenants.

For the quarter ended October 2, 2016 the Adjusted Leverage Ratio was 5.57:1.00, which is higher than the maximum Adjusted Leverage Ratio permitted by the Credit Agreement of 5.50:1.00

For the quarter ended October 2, 2016 our Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.5 million for this quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Adjusted Leverage 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 November 9, 2016, the Borrowers and 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 December 9, 2016 or on the earlier date of any other Event

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

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 November 9, 2016, the principal amount outstanding under the Facility was \$9.9 million, along with approximately \$595,000 in letters of credit for real estate locations.

During the first nine months of fiscal 2016 the Company generated approximately \$2.7 million in cash from operating activities compared to \$2.1 million in the comparable period of the prior year. As of October 2, 2016, the Company ended the third quarter with total net debt of approximately \$5.8 million. This compares to \$11.4 million of net debt as of September 27, 2015.

During the Forbearance Period the Company intends to finalize its refinancing arrangement. As a result of the Events of Default at October 2, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

**(7) Other Current Liabilities**

Other current liabilities consisted of the following at:

<i>(in thousands)</i>	<b>October 2, 2016</b>	<b>January 3, 2016</b>
Gift cards payable	\$ 1,319	\$ 1,616
Other liabilities	1,066	869
Sales tax payable	437	674
Accrued real estate taxes	279	33
Deferred franchise fees	212	134
Accrued property and equipment purchases	28	40
Income tax payable	15	40
	<u>\$ 3,356</u>	<u>\$ 3,406</u>

**(8) Other Liabilities**

Other liabilities consisted of the following at:

<i>(in thousands)</i>	<b>October 2, 2016</b>	<b>January 3, 2016</b>
Deferred rent	\$ 7,656	\$ 7,191
Other liabilities	521	455
Income taxes payable	174	12
Long term lease reserve	144	258
Long term deferred compensation	115	258
Asset retirement obligations	111	111
	<u>\$ 8,721</u>	<u>\$ 8,285</u>

**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 103,800 shares of our Company's common stock remained unreserved and available for issuance at October 2, 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 and nine months ended October 2, 2016 and September 27, 2015, respectively, as follows:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 2, 2016</u>	<u>September 27, 2015</u>	<u>October 2, 2016</u>	<u>September 27, 2015</u>
<i>(in thousands)</i>				
Performance Stock Units	\$ —	\$ (24)	\$ —	\$ 12
Stock Options <sup>(1)(2)</sup>	157	(15)	209	241
Restricted Stock and Restricted Stock Units	15	15	45	45
	<u>\$ 172</u>	<u>\$ (24)</u>	<u>\$ 254</u>	<u>\$ 298</u>

(1) The three and nine months ended September 27, 2015 included the recapture of previously recorded stock-based compensation of approximately \$105,000 due to employee departures.

(2) The nine months ended October 2, 2016 included the recapture of previously recorded stock-based compensation of approximately \$126,000 due to the departure of our previous CFO.

Board of Directors' Compensation

We recognized board of directors' compensation expense in our consolidated statement of operations for the three and nine months ended October 2, 2016 and September 27, 2015, respectively, as follows:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 2, 2016</u>	<u>September 27, 2015</u>	<u>October 2, 2016</u>	<u>September 27, 2015</u>
<i>(in thousands)</i>				
Stock-based compensation	\$ 15	\$ 15	\$ 45	\$ 45
Stock option compensation	25	(79)	69	52
Cash compensation	30	35	65	188
Total board of directors' compensation	<u>\$ 70</u>	<u>\$ (29)</u>	<u>\$ 179</u>	<u>\$ 285</u>

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

Stock Options

Below is detail related to recent stock option activity associated with certain key employees:

Named Executive	Title*	Option Details				
		Date	Event	Number	Term (in years)	Vesting period
Edward H. Rensi	CEO	1/15/2015	Grant <sup>(1)</sup>	75,000	5	Annually over three years
Edward H. Rensi	Director	7/11/2015	Forfeiture <sup>(1)</sup>	(20,000)		
Brett D. Heffes	Director	7/13/2015	Forfeiture <sup>(1)</sup>	(20,000)		
David J. Mastrocola	Director	7/15/2015	Forfeiture <sup>(1)</sup>	(20,000)		
Abelardo Ruiz	COO	8/31/2015	Grant	71,324	5	Monthly over four years
Adam J. Wright	CEO	1/1/2016	Grant	50,000	10	Monthly over two years
Richard A. Pawlowski	CFO	1/15/2016	Grant	6,000	1.21	Three variable installments
Alfredo Martel	CMO	2/12/2016	Grant	35,000	5	Monthly over four years
Richard A. Pawlowski	CFO	4/11/2016	Forfeiture <sup>(1)</sup>	(78,000)		
Dexter Newman	CFO	4/11/2016	Grant	70,000	10	Monthly over four years
Ananda Gala	Director	5/3/2016	Grant	20,000	10	Monthly over five years
Bryan Wolff	Director	5/3/2016	Grant	20,000	10	Monthly over five years
Edward H. Rensi	CEO	6/18/2016	Forfeiture <sup>(1)</sup>	(75,000)		
Edward H. Rensi	Director	7/11/2016	Expiration <sup>(1)</sup>	(25,000)		

\* Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Marketing Officer (CMO) See footnote 18, Subsequent Events, for additional information

<sup>(1)</sup> These stock option grants were part of the 2005 Plan rather than the 2015 Plan.

The compensation expense for stock option grants is 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 either five or ten years from the grant date. Compensation expense equal to the grant date fair value is generally recognized for these awards over the vesting period.

Options granted to certain non-employees in exchange for future services either vest in monthly installments over a period of approximately two years or are granted monthly and vest immediately, and expire five years from the grant date. Expense equal to the current fair value is recognized over the vesting period, with the value being marked to market in each accounting period for any unvested portions of the awards.

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 price 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.

[Table of Contents](#)

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

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
Granted	206	5.60	
Forfeited	(3)	28.53	
Expired	(26)	32.05	
Options outstanding at July 3, 2016	684	\$ 10.65	5.9
Granted	46	5.82	
Exercised	(6)	5.90	
Forfeited	(78)	12.17	
Canceled or expired	(10)	31.05	
Outstanding at October 2, 2016	636	\$ 10.00	6.3
Options exercisable at October 2, 2016	242	\$ 11.40	4.5

Weighted-average values and assumptions for valuing grants made:

	Nine Months Ended October 2, 2016	Fiscal 2015
Weighted average fair value of options granted	\$ 2.16	\$ 4.90
Expected life (in years)	5.7	3.3
Expected stock volatility	41.3%	51.2%
Risk-free interest rate	1.3%	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.

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

Information regarding our Company's 401(k) Plan is summarized below:

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Employer match %	25%	25%	25%	25%
% of earnings matched	4%	4%	4%	4%
Employee contributions	\$63,000	\$ 90,000	\$250,000	\$ 297,000
Employer match	\$26,000	\$ 13,000	\$ 40,000	\$ 48,000

Non-Qualified Deferred Compensation Plan

We have a Non-Qualified Deferred Compensation Plan effective as of February 25, 2005 (the "Deferred Compensation 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 Deferred Compensation Plan. Participants must complete a deferral election each year to indicate the level of compensation (salary, bonus and commissions) they wish to have deferred for the coming year. This deferral election is irrevocable except to the extent permitted by the Deferred Compensation Plan administrator, and the applicable regulations promulgated by the IRS. The board of directors administers the Deferred Compensation Plan and may change the declared interest rate or any other aspects of the Deferred Compensation 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 Deferred Compensation Plan assets are kept in an unsecured account that has no trust fund. In the event of bankruptcy, participants entitled to future payments under the Deferred Compensation Plan would have no greater rights than that of an unsecured general creditor of the Company and the Deferred Compensation Plan confers no legal rights for interest or claim on any specific assets of the Company. Benefits provided by the Deferred Compensation Plan are not insured by the Pension Benefit Guaranty Corporation 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 Deferred Compensation Plan.

The balance of the Plan for the quarters ended October 2, 2016 and January 3, 2016 was approximately \$163,000 and \$547,000, respectively. Of this balance approximately \$48,000 and \$109,000 was recorded in current liabilities and the remaining balance was recorded in other liabilities at October 2, 2016 and January 3, 2016, respectively.

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

Information regarding our Company's Non-Qualified Deferred Compensation Plan is summarized below:

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Employer match %	25%	25%	25%	25%
% of earnings matched	4%	4%	4%	4%
Declared interest rate	6%	6%	6%	6%
Employee contributions	\$ 10,000	\$ 8,000	\$ 23,000	\$ 31,000
Employer match and interest	\$ 4,000	\$ 8,000	\$ 14,000	\$ 25,000
Distributions	\$130,000	\$ 92,000	\$238,000	\$ 107,000

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

In accordance with Financial Accounting Standards Board Accounting Standards Codification for Property, Plant, and Equipment, we evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant'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.

[Table of Contents](#)**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Following is a summary of asset impairment, estimated lease termination, and other closing costs for the three and nine months ended October 2, 2016 and September 27, 2015:

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
<b>Impairment losses</b>				
Restaurant optimization	\$ 3,420	\$ —	\$ 4,313	\$ —
Software <sup>(1)</sup>	—	—	171	—
Smithtown, NY <sup>(2)</sup>	—	—	—	935
<b>Total</b>	<b>\$ 3,420</b>	<b>\$ —</b>	<b>\$ 4,484</b>	<b>\$ 935</b>
<b>Restaurant closure expenses</b>				
Smithtown, NY <sup>(3)</sup>	200	—	200	—
N. Riverside, IL <sup>(4)</sup>	—	368	—	368
N. Riverside, IL <sup>(5)</sup>	—	122	—	122
Other <sup>(6)</sup>	—	109	—	99
Richmond, VA area	—	16	—	144
Eden Prairie, MN	—	35	—	(42)
<b>Total restaurant closure expenses</b>	<b>\$ 200</b>	<b>\$ 650</b>	<b>\$ 200</b>	<b>\$ 691</b>
<b>Provision for impairment and restaurant closings</b>	<b>\$ 3,620</b>	<b>\$ 650</b>	<b>\$ 4,684</b>	<b>\$ 1,626</b>

(1) Asset impairment calculated at July 3, 2016 related to a software implementation project that was discontinued.

(2) Asset impairment calculated at June 28, 2015 based upon anticipated sale of Smithtown restaurant.

(3) Lease termination reserve associated with a letter of credit provided to a landlord for a previously closed restaurant.

(4) Lease termination costs associated with the cancellation of a potential new restaurant location.

(5) Write off of development costs associated with the cancellation of a potential new restaurant location.

(6) Includes \$191,000 in costs written-off associated with closing the Lombard, Illinois field office partially offset by an \$86,000 recapture of deferred rent credits.

*Restaurant Optimization*—During the third quarter of fiscal 2016, the Company recorded approximately \$3.4 million in asset impairment charges associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. As a result, the Company determined that the estimated fair value of the assets was less than the net book value and recognized an impairment charge to reduce the related assets to the estimated fair value. As we continue to evaluate the restaurant portfolio we anticipate addressing the ongoing operation of the 11 locations impaired over the next 3 years by way of lease restructuring, lease assignment or subsequent closure at the end of their natural lease term.

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

**(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 October 2, 2016:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Balance at January 3, 2016</b>				
<b>Assets</b>				
Assets Held for Sale	\$ —	\$ 1,431	\$ 780	\$ 2,211
Property and Equipment	\$ —	\$ —	\$ 507	\$ 507
<b>Balance at October 2, 2016</b>				
<b>Assets</b>				
Assets Held for Sale	\$ —	\$ 5	\$ —	\$ 5
Property and Equipment	\$ —	\$ —	\$ 1,165	\$ 1,165

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 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 value based upon the decision to dispose of the property. Total assets held for sale were reduced during the nine months ended October 2, 2016 due to the disposal of FDA's Chicago operations sites (see note 13) and of one of the Richmond restaurants. The remaining assets held for sale at October 2, 2016 reflect the net realizable value of a restaurant (see note 11).

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

**(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 remained at October 2, 2016. The carrying value of the assets and liabilities included in the asset sale was as follows (in thousands):

<i>(in thousands)</i>	<b>January 3, 2016</b>
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	<u>\$ 1,430</u>
Accounts payable	\$ 10
Accrued compensation and benefits	96
Other current liabilities	389
Total current liabilities	495
Other liabilities	1,252
Total liabilities	<u>\$ 1,747</u>

The operating results of the Purchased Restaurants for the three and nine months ended October 2, 2016 and September 27, 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 \$21,000 were allocated to discontinued operations for the nine months ended October 2, 2016 and September 27, 2015, respectively, based upon the portion of the borrowing base associated with discontinued operations. Income tax expense (benefit) of \$378,000 and (\$111,000) for the nine months ended October 2, 2016 and September 27, 2015, respectively have also been allocated to discontinued operations. These adjustments have been made for all periods presented.

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

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Revenue	\$ —	\$ 3,919	\$ 2,365	\$ 12,975
(Loss) income from operations	\$ (23)	\$ (304)	\$ 1,019	\$ 85
(Loss) income from discontinued operations, net of income taxes	\$ (81)	\$ (249)	\$ 627	\$ 79

**(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 October 2, 2016 and January 3, 2016, the amount of the future lease payments for which the Company would be liable in the event of a default are approximately \$414,000. An accrual related to any future obligation was not considered necessary at October 2, 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 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 October 2, 2016, the amount of the future lease payments for which the company would be liable in the event of a default are approximately \$2.0 million. An accrual related to any future obligation was not considered necessary at October 2, 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.

**(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. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 Schneiter 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. By court order, dated June 6, 2016, Famous Dave’s successfully obtained a preliminary injunction, enjoining the former franchisee defendants from using Famous Dave’s intellectual property, including its trademarks and restaurant system. The preliminary injunction is currently the subject of a pending interlocutory appeal which Famous Dave’s intends to oppose vigorously.

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**

	<u>Nine Months Ended</u>	
	<u>October 2,</u> <u>2016</u>	<u>September 27,</u> <u>2015</u>
<i>(in thousands)</i>		
Cash paid for interest	\$ 566	\$ 570
Cash paid for income taxes, net of refunds	\$ 266	\$ 390
<b>Non-cash investing and financing activities:</b>		
Increase in accrued property and equipment purchases	\$ 10	\$ 38

**(17) Recently Issued Accounting Pronouncement**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” in March 2016, ASU 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” in April 2016, ASU 2016-11, “Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-

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

16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting” in May 2016 and ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” in May 2016. These new standards 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. The Company has not yet selected a transition method and is currently evaluating the impact these standards will have on its 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 Generally Accepted Accounting Principles (“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 will adopt this at fiscal year-end of 2016 and 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 plans to adopt this ASU at fiscal year-end of 2016 and 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.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES  
NOTES TO 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 consolidated financial statements except as noted below.

As of October 11, 2016, Adam Wright ceased being the Chief Executive Officer of Famous Dave's of America, Inc. (the "Company") and, effective October 12, 2016, resigned from the Company's Board of Directors (the "Board").

On October 11, 2016, the Company appointed Michael Lister to serve as Chief Executive Officer and Chief Operating Officer. In connection with his appointment as Chief Executive Officer and Chief Operating Officer, Mr. Lister has entered into an employment agreement which has a four year term. Under the employment agreement, Mr. Lister is entitled to receive an annual base salary of \$300,000 and is eligible for annual bonus compensation at the discretion of the Board in amounts expected to be 50% of his base salary, to be pro-rated in the case of any partial years worked. Provided that he is employed through December 31, 2016, Mr. Lister will receive a guaranteed minimum bonus of \$18,750 for 2016. The Company also granted to Mr. Lister five-year, 70,000 share non-qualified stock options under the Company's 2015 Equity Incentive Plan that will vest in equal monthly installments over the employment term (the "Stock Option").

**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 October 2, 2016, there were 176 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and United Arab Emirates including 37 Company-owned restaurants and 139 franchise-operated restaurants. An additional 62 franchise restaurants were in various stages of development as of October 2, 2016.

***Fiscal Year***

Our fiscal year ends on the Sunday closest to December 31<sup>st</sup>. 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.

**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		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Food and beverage costs <sup>(1)</sup>	31.0%	31.1%	31.1%	30.5%
Labor and benefits costs <sup>(1)</sup>	33.7%	35.7%	33.8%	33.5%
Operating expenses <sup>(1)</sup>	31.5%	29.8%	29.6%	28.7%
Restaurant level operating margin <sup>(1)(3)</sup>	3.8%	3.4%	5.5%	7.3%
Depreciation & amortization <sup>(2)</sup>	3.6%	3.8%	3.7%	3.8%
General and administrative expenses <sup>(2)</sup>	17.8%	14.9%	17.0%	15.7%
(Loss) income from operations <sup>(2)</sup>	(14.7)%	4.5%	(3.9)%	2.9%

(1) As a percentage of restaurant sales, net

(2) As a percentage of total revenue

(3) Restaurant level operating margin is equal to taking 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 Form 10-K for the fiscal year ended January 3, 2016.

**Results of Operations – Three and Nine months ended October 2, 2016 compared to Three and Nine months ended September 27, 2015.****Total Revenue**

Total revenue of approximately \$25.5 million for the third quarter of fiscal 2016 decreased approximately \$2.4 million, or 8.5%, from \$27.9 million for the comparable quarter in fiscal 2015. This year over year decrease was primarily the result of refranchising five Company-owned restaurants. For the nine months ended October 2, 2016, total revenue of approximately \$77.1 million decreased approximately \$11.8 million, or 13.2%, from revenue of approximately \$88.9 million, for the nine months ended September 27, 2015, primarily as the result of refranchising five Company-owned restaurants.

**Restaurant Sales, net**

Restaurant sales were approximately \$21.0 million for the third quarter of fiscal 2016 compared to approximately \$23.3 million for the same period in fiscal 2015, reflecting a 10.0% decrease driven by the refranchising of five Company-owned restaurant since the third quarter of 2015 and a comparable sales decrease. Comparable sales for Company-owned restaurants open 24 months or more decreased 1.0% compared to a decrease of 9.1% for the same period in 2015. This reflected a 1.5% comparable sales decline in on-premises sales on a weighted basis, partially offset by a weighted 0.5% increase in catering comparable sales.

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

Restaurant sales for the nine months ended October 2, 2016 were approximately \$63.0 million compared to approximately \$74.6 million for the nine months ended September 27, 2015, reflecting a 15.5% decrease. This decline was due to the refranchising of five Company-owned restaurants during the third quarter of 2015 and a year-to-date comparable restaurant sales decline of 5.1% as compared to a 9.1% decline in the same period of 2015.

***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 the third quarter of both fiscal 2016 and fiscal 2015, primarily reflecting the net addition of four franchise-operated restaurants, completely offset by a 3.8% comparable sales decline.

Franchise-related revenue was approximately \$13.3 million for the nine months ended October 2, 2016 as compared to \$13.5 million for the nine months ended September 27, 2015. This decrease is primarily due to our receipt of \$250,000 in area development fees associated with a new international development agreement for the United Arab Emirates during the nine months ended September 27, 2015 and a year over year decline in royalty revenue.

***Licensing and Other Revenue***

Licensing revenue includes royalties from a retail line of business, including sauces, rubs, marinades and seasonings. Other revenue includes payments for opening assistance and training services that we provide to our franchisees. For the third quarter of fiscal 2016, licensing royalty revenue was approximately \$244,000 compared to approximately \$240,000 for the comparable period of fiscal 2015. Licensing royalty revenue was approximately \$758,000 for the nine months ended October 2, 2016, as compared to \$747,000 for the comparable period of fiscal 2015.

Other revenue for the fiscal 2016 third quarter was approximately (\$44,000) compared to \$5,000 for the comparable prior year's third quarter. This decrease was due to a timing difference associated with certain reimbursable payments. Other revenue for the nine months ended October 2, 2016 was approximately \$26,000, compared to approximately \$18,000 for the comparable period of fiscal 2015.

***Comparable Restaurant Net Sales***

It is our policy to include restaurants that are open year round and have been open at least 24 months in our comparable restaurant net sales base. Comparable restaurant net sales for Company-owned restaurants for the third quarter of fiscal 2016 decreased 1.0% from that of the same period in the prior year, compared to fiscal 2015's third quarter decrease of 9.1% over the comparable fiscal 2014 period. At the end of the third quarter of fiscal 2016 and the third quarter of fiscal 2015, there were 37 and 35 restaurants included in the Company-owned comparable sales base, respectively.

Comparable restaurant net sales for Company-owned restaurants open at least 24 months for the nine months ended October 2, 2016 decreased 5.1% from that of the prior year period, compared to fiscal 2015's decrease of 9.1% over the comparable fiscal 2014 period. For the nine months ended October 2, 2016 and September 27, 2015, there were 37 and 35 restaurants included in the Company-owned comparable sales base, respectively.

**FAMOUS DAVE’S OF AMERICA, INC. AND SUBSIDIARIES**

Comparable restaurant net sales for franchise-operated restaurants for the third quarter of fiscal 2016 decreased 3.8% from that of the prior year period compared to fiscal 2015’s third quarter decrease of 3.6% over the comparable fiscal 2014 period. For the third quarter of 2016 and the third quarter of 2015, there were 120 and 117 restaurants included in the franchise-operated comparable sales base.

Comparable restaurant net sales for franchise-operated restaurants for the first nine months of fiscal 2016 decreased 4.4% and increased 1.9% for the first nine months of fiscal 2015, from their respective comparable prior year periods. For the first nine months of fiscal 2016 and fiscal 2015, there were 113 and 116 restaurants, respectively, included in the franchise-operated 24 month comparable sales base.

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 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 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.

***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 three and nine months ended October 2, 2016 and September 27, 2015:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 2, 2016</u>	<u>September 27, 2015</u>	<u>October 2, 2016</u>	<u>September 27, 2015</u>
<b>Average Weekly Net Sales:</b>				
Company-Owned	\$43,657	\$ 44,938	\$43,668	\$ 45,586
Full-Service (32)	\$44,488	\$ 45,714	\$47,286	\$ 46,877
Counter-Service (5)	\$38,337	\$ 39,518	\$37,355	\$ 37,281
Franchise-Operated <sup>(1)</sup>	\$47,961	\$ 51,773	\$49,531	\$ 51,728
<b>Operating Weeks:</b>				
Company-Owned	481	519	1,443	1,636
Franchise-Operated	1,834	1,698	5,421	5,228

<sup>(1)</sup> 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.

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

***Food and Beverage Costs***

Food and beverage costs for the third quarter of fiscal 2016 were approximately \$6.5 million or 31.0% of net restaurant sales, compared to approximately \$7.2 million or 31.1% of net restaurant sales for the third quarter of fiscal 2015. This year-over-year percentage decrease was the result of contract deflation. This decrease was almost completely offset by increases in portion sizes, a shift in product mix as a result of additional menu options, and lower than anticipated vendor rebates.

Food and beverage costs for the first nine months of fiscal 2016 were approximately \$19.6 million or 31.1% of net restaurant sales compared to approximately \$22.8 million or 30.5% of net restaurant sales for the comparable period of fiscal 2015. This year-over-year percentage increase was the result of increased challenges with protein product yields, increases in portion size, a shift in product mix as a result of the additional affordable menu options, and lower than anticipated vendor rebates, partially offset by contract deflation.

***Labor and Benefits Costs***

Labor and benefits costs for the third quarter ended October 2, 2016 were approximately \$7.1 million or 33.7% of net restaurant sales, compared to approximately \$8.3 million or 35.7% of net restaurant sales for the three months ended September 27, 2015. This decrease as a percent of net restaurant sales was primarily due to declines in direct labor costs and open positions in the manager matrix. These decreases were partially offset by wage rate inflation.

Labor and benefits for the nine months ended October 2, 2016 were approximately \$21.3 million, or 33.8% of net restaurant sales, compared to approximately \$25.0 million, or 33.5% of net restaurant sales, for the nine months ended September 27, 2015. This increase as a percent of net restaurant sales was due to sales deleverage on fixed labor costs.

***Operating Expenses***

Operating expenses for the third quarter of fiscal 2016 were approximately \$6.6 million, or 31.5% of net restaurant sales, compared to operating expenses of approximately \$7.0 million, or 29.8% of net restaurant sales, for the third quarter of fiscal 2015. This increase was the result of increases in other direct operating expenses and sales deleverage on fixed operating and occupancy costs.

During the third quarter of both 2016 and 2015, advertising as a percentage of net sales was 2.9%. In both periods there was a 1.0% marketing contribution.

Operating expenses for the nine months ended October 2, 2016 were approximately \$18.7 million, or 29.6% of net restaurant sales, compared to approximately \$21.4 million, or 28.7% of net restaurant sales, for the nine months ended September 27, 2015. This increase as a percentage of sales is the result of sales deleverage on fixed operating costs and higher supply costs partially offset by a year over year decline in utility and repairs and maintenance costs.

***Depreciation and Amortization***

Depreciation and amortization expense for the third quarter of 2016 was approximately \$909,000, or 3.6% of total revenue, compared to \$1.1 million, or 3.8% of total revenue in the third quarter of fiscal 2015. Depreciation and amortization expense for the nine months ended October 2, 2016 and September 27, 2015 was approximately \$2.8 million and \$3.4 million, respectively, and was 3.7% and 3.8%, respectively, of total revenue. This decrease in both dollars and as a percent of revenue is due to the closure and refranchising of Company restaurants.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

*Pre-opening Expenses*

Pre-opening expenses consist of labor, food, utilities, training and occupancy costs incurred prior to the opening of a new restaurant. Included in pre-opening costs is the cost of rent incurred, if any, prior to the restaurant opening. We did not incur any pre-opening costs during the third quarter of either 2016 or 2015 and during the nine months ended October 2, 2016 and September 27, 2015.

*Asset Impairment and Estimated Lease Termination and Other Closing Costs*

In accordance with Financial Accounting Standards Board Accounting Standards Codification for Property, Plant, and Equipment, we evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the net book value of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the net book value 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 net book value 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.

Following is a summary of asset impairment, estimated lease termination, and other closing costs for the three and nine months ended October 2, 2016 and September 27, 2015:

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
<i>(dollars in thousands)</i>				
Impairment losses				
Restaurant optimization	\$ 3,420	\$ —	\$ 4,313	\$ —
Software <sup>(1)</sup>	—	—	171	—
Smithtown, NY <sup>(2)</sup>	—	—	—	935
Total	\$ 3,420	\$ —	\$ 4,484	\$ 935
Restaurant closure expenses				
Smithtown, NY <sup>(3)</sup>	200	—	200	—
N. Riverside, IL <sup>(4)</sup>	—	368	—	368
N. Riverside, IL <sup>(5)</sup>	—	122	—	122
Other <sup>(6)</sup>	—	109	—	99
Richmond, VA area	—	16	—	144
Eden Prairie, MN	—	35	—	(42)
Total restaurant closure expenses	\$ 200	\$ 650	\$ 200	\$ 691
Provision for impaired assets and restaurant closings	\$ 3,620	\$ 650	\$ 4,684	\$ 1,626

(1) Asset impairment calculated at July 3, 2016 related to a software implementation project that was discontinued.

(2) Asset impairment calculated at June 28, 2015 based upon anticipated sale of Smithtown restaurant.

(3) Lease termination reserve associated with a letter of credit provided to a landlord for a previously closed restaurant.

(4) Lease termination costs associated with the cancellation of a potential new restaurant location.

(5) Write off of development costs associated with the cancellation of a potential new restaurant location.

(6) Includes \$191,000 in costs written-off associated with closing the Lombard, Illinois field office partially offset by an \$86,000 recapture of deferred rent credits.

*Restaurant Optimization*—During the third quarter of fiscal 2016, the Company recorded approximately \$3.4 million in asset impairment charges associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. As a result, the Company determined that the estimated fair value of the assets was less than the net book value and recognized an impairment charge to reduce the related assets to the estimated fair value. As we continue to evaluate the restaurant portfolio we anticipate addressing the ongoing operation of the 11 locations impaired over the next 3 years by way of lease restructuring, lease assignment or subsequent closure at the end of their natural lease term.

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

***General and Administrative Expenses***

General and administrative expenses for the third quarter of 2016 were approximately \$4.5 million, or 17.8% of total revenue, compared to approximately \$4.1 million, or 14.9% of total revenue, for the third quarter of fiscal 2015. This year over year increase as a percent of revenue was the result of a settlement agreement, costs incurred for franchise related matters and increased stock-based compensation. These increases were partially offset by declines in severance and travel costs.

General and administrative expenses for the first nine months of fiscal 2016 were approximately \$13.1 million, or 17.0% of total revenue, compared to approximately \$13.9 million, or 15.7% of total revenue, for the first nine months of fiscal 2015. This increase as a percent of revenue was the result of revenue deleveraging, a settlement agreement, and costs incurred for franchise related matters. These increases were partially offset by professional fees related to brand development which were not repeated in the first nine months of 2016.

***Interest Expense***

Interest expense was approximately \$210,000, or 0.8% of total revenue, for the third quarter of fiscal 2016, compared to approximately \$218,000, or 0.8% of total revenue, for the comparable fiscal 2015. This category includes interest expense for our term loan, financing lease obligations, line of credit, and interest for deferrals made under our non-qualified deferred compensation plan.

Interest expense was approximately \$613,000, or 0.8% of total revenue, for the first nine months of fiscal 2016 and approximately \$641,000, or 0.7% of total revenue, for the first nine months of fiscal 2015.

***Provision for Income Taxes***

For the third quarter of 2016, we recorded an estimated tax benefit of approximately \$1.6 million, or 39.9% of income before income taxes. This compares to an estimated tax expense of approximately \$96,000, or 9.1% of income before income taxes, for the third quarter of 2015. For the nine months ended October 2, 2016, our tax benefit was approximately \$1.5 million, or 41.7% of income before income taxes. This compares to an estimated tax expense of approximately \$440,000, or 22.9% of income before income taxes, for the nine months ended September 27, 2015.

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

***Basic and Diluted Net Income Per Share***

Net loss for the three months ended October 2, 2016 was approximately \$2.5 million, or (\$0.35) per basic and diluted share, respectively, on approximately 6,950,000 weighted average basic and diluted shares outstanding. Net income for the three months ended September 27, 2015 was approximately \$708,000, or \$0.10 per basic and diluted on approximately 6,945,000 weighted average basic shares outstanding and 6,958,000 weighted average diluted shares outstanding, respectively.

Net loss for the nine months ended October 2, 2016 was approximately \$1.5 million, or (\$0.21) per basic and diluted share on approximately 6,949,000 weighted average basic and diluted shares outstanding. Net income for the nine months ended September 27, 2015 was approximately \$1.6 million, or \$0.22 per basic and diluted share on approximately 7,008,000 weighted average basic shares outstanding and approximately 7,027,000 weighted average diluted shares outstanding, respectively.

**Financial Condition, Liquidity and Capital Resources**

Our balance of unrestricted cash and cash equivalents was approximately \$6.8 million at October 2, 2016 and approximately \$5.3 million at January 3, 2016.

Our current ratio, which measures our immediate short-term liquidity, was 0.87 at October 2, 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 our cash on hand and restricted cash required for the collateralization of the undrawn letters of credit, as well as declines in liabilities held for sale.

Net cash provided by operating activities for the nine months ended October 2, 2016 was approximately \$2.7 million which reflects a net loss of approximately \$2.1 million. Included in net loss are non-cash impairment charges of approximately \$4.7 million and non-cash depreciation and amortization of \$2.8 million. This was offset by a \$1.6 million increase in prepaid and other current assets and a \$1.2 million increase in restricted cash.

Net cash provided by operating activities for the nine months ended September 27, 2015 was approximately \$2.1 million, reflecting net income of approximately \$1.5 million, non-cash depreciation and amortization of approximately \$3.4 million, and non-cash impairment charges of \$1.6 million. These inflows were partially offset by a \$2.0 million decrease in accrued compensation and a \$1.8 million gain on disposal of property.

Net cash provided by investing activities was approximately \$513,000 for the first nine months of fiscal 2016, reflecting \$1.1 million in proceeds from the sale of assets, offset by \$540,000 in capital expenditures. For the first nine months of fiscal 2015, net cash provided by investing activities totaled approximately \$2.2 million from \$5.3 million in proceeds from the sale of assets, offset by \$3.1 million of capital expenditures for our existing restaurants and other infrastructure projects.

Net cash used for financing activities was approximately \$2.0 million in the first nine months of fiscal 2016. Net cash used by financing activities was approximately \$4.8 million for the comparable period in fiscal 2015. During the first nine months of 2016, we made draws of \$1.9 million on our line of credit and made repayments of \$3.9 million on our long-term debt. During the nine months ended September 27, 2015, we made draws of \$20.7 million on our line of credit and made repayments of \$19.3 million. We also used approximately \$5.7 million during that period to repurchase 195,899 shares under the May 2012 share repurchase program.

## FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

The Company and certain of its subsidiaries (collectively known as the “Borrower”) have a Waiver and Second Amendment (the “Second Amendment”) to their 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, 2017. The borrower is obligated to make monthly payments of \$200,000 to reduce the principal amount of the loans. Additionally, the Borrowers deposited 105% of the face amount of the outstanding letters of credit in a cash collateral account with the Administrative Agent.

At October 2, 2016, the principal amounts outstanding under the Facility and the Term Loans were \$1.9 million and \$8.4 million, respectively, along with approximately \$1.0 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. For the nine months ended October 2, 2016 and September 27, 2015, our weighted average interest rate for the Facility was 3.67% and 2.64%, respectively.

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, 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, and the Waiver and Second Amendment to the Credit Agreement filed as Exhibit 10.1 to our Current Report on Form 8-K filed on June 10, 2016.

For the quarter ended October 2, 2016, we were in compliance with all covenants of the Credit Agreement except the Adjusted Leverage Ratio and the Minimum Consolidated EBITDA covenants.

For the quarter ended October 2, 2016 the Adjusted Leverage Ratio was 5.57:1.00, which is higher than the maximum Adjusted Leverage Ratio permitted by the Credit Agreement of 5.50:1.00

For the quarter ended October 2, 2016 our Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.5 million for this quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Adjusted Leverage 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 November 9, 2016, the Borrowers and 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 December 9, 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 November 9, 2016, the principal amount outstanding under the Facility was \$9.9 million, along with approximately \$595,000 in letters of credit for real estate locations.

During the first nine months of fiscal 2016 the Company generated approximately \$2.7 million in cash from operating activities compared to \$2.1 million in the comparable period of the prior year. As of October 2, 2016, the Company ended the third quarter with total net debt of approximately \$5.8 million. This compares to \$11.4 million of net debt as of September 27, 2015.

## FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

During the Forbearance Period the Company intends to finalize its refinancing arrangement. As a result of the Events of Default at October 2, 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 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 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.

## FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

### 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](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 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 October 2, 2016 was approximately \$13.2 million, including our line of credit, term loan 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.

### 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.

**FAMOUS DAVE’S OF AMERICA, INC. AND SUBSIDIARIES**

**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. By court order, dated June 6, 2016, Famous Dave’s successfully obtained a preliminary injunction, enjoining the former franchisee defendants from using Famous Dave’s intellectual property, including its trademarks and restaurant system. The preliminary injunction is currently the subject of a pending interlocutory appeal which Famous Dave’s intends to oppose vigorously.

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.

## FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

For the quarter ended October 2, 2016, we were in compliance with all covenants of the Credit Agreement except the Adjusted Leverage Ratio and the Minimum Consolidated EBITDA covenant.

For the quarter ended October 2, 2016, the Adjusted Leverage Ratio was 5.57:1.00, which is higher than the maximum Adjusted Leverage Ratio permitted by the Credit Agreement of 5.50:1.00.

For the quarter ended October 2, 2016, our Adjusted EBITDA was \$1.0 million, which is less than the minimum Adjusted EBITDA permitted by the Credit Agreement of \$1.5 million for this quarter.

It is an Event of Default under the Credit Agreement if Borrowers fail to comply with either the Adjusted Leverage 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 November 9, 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 December 9, 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 November 9, 2016, the principal amount outstanding under the Facility was \$9.9 million, along with approximately \$595,000 in letters of credit for real estate locations.

During the first nine months of fiscal 2016 the Company generated approximately \$2.7 million in cash from operating activities compared to \$2.1 million in the comparable period of the prior year. As of October 2, 2016, the Company ended the third quarter with total net debt of approximately \$5.8 million. This compares to \$11.4 million of net debt as of September 27, 2015.

During the Forbearance Period, the Company intends to finalize its refinancing arrangement. As a result of the Events of Default at October 2, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

If we are unable to successfully refinance the Credit Facility 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.

There can be no assurance that we will comply, successfully refinance 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.

As a result of the Events of Default at October 2, 2016 and given the length of the Forbearance Period, all outstanding obligations under the Credit Agreement were classified as current liabilities.

**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 November 9, 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 December 9, 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.

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

**Item 6. EXHIBITS**

- 10.1 Forbearance Agreement dated November 9, 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
- 10.2 Employment Agreement dated October 11, 2016 between Famous Dave's of America and Doug Renegar
- 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

**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: November 16, 2016

By: /s/ Michael Lister

Michael Lister  
Chief Executive Officer/Chief Operating Officer  
Director (Principal Executive Officer)

Dated: November 16, 2016

/s/ Dexter Newman

Dexter Newman  
Chief Financial Officer and Secretary  
(Principal Financial Officer)

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
10.1	Forbearance Agreement dated November 9, 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
10.2	Employment Agreement dated October 11, 2016 between Famous Dave's of America and Doug Renegar
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

**FORBEARANCE AGREEMENT**

THIS FORBEARANCE AGREEMENT (this "Agreement") is made and entered into as of November 9, 2016, by and among FAMOUS DAVE'S OF AMERICA, INC., a Minnesota corporation, D&D OF MINNESOTA, INC., a Minnesota corporation, LAKE & HENNEPIN BBQ AND BLUES, INC., a Minnesota corporation, FAMOUS DAVE'S RIBS, INC., a Minnesota corporation, FAMOUS DAVE'S RIBS-U, INC., a Minnesota corporation, and FAMOUS DAVE'S RIBS OF MARYLAND, INC., a Minnesota corporation (each individually a "Borrower" and collectively, the "Borrowers"), WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent on behalf of the Lenders under the Credit Agreement (as hereinafter defined) (in such capacity, the "Administrative Agent"), and the Lenders (as hereinafter defined).

**RECITALS**

A. The Borrowers, certain banks and financial institutions from time to time party thereto (the "Lenders") and the Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement, dated as of May 8, 2015 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement, as amended hereby) and the other Loan Documents executed in connection therewith.

B. The Borrowers have informed the Administrative Agent that they have failed to comply with (i) the Adjusted Leverage Ratio financial covenant under Section 14.01 of the Credit Agreement as of the fiscal quarter ended October 2, 2016 (the "Adjusted Leverage Ratio Event of Default") and (ii) the Minimum Consolidated EBITDA financial covenant under Section 14.05 of the Credit Agreement as of the fiscal quarter ended October 2, 2016 (the "EBITDA Event of Default", together with the Adjusted Leverage Ratio Event of Default, collectively, the "Acknowledged Events of Default")

C. The Borrowers have requested that the Administrative Agent and the Lenders forbear from exercising their rights and remedies under the Credit Agreement and the other Loan Documents as a result of the Acknowledged Events of Default during the Forbearance Period (as defined below).

D. The Administrative Agent and the Lenders have agreed to do so, but only pursuant to the terms and conditions set forth herein.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Estoppel, Acknowledgement and Reaffirmation. Each of the Borrowers hereby acknowledges and agrees that, as of November 7, 2016, (a) the outstanding principal amount of (i) the Total Converted Term Loan Outstandings was not less than \$8,041,516.00 and (ii) Total Revolving Credit Loan Outstandings was not less than \$2,450,000.00 and (b) the aggregate amount of Related Treasury Management Obligations was not less than \$16,909.20, which amounts constitute valid and subsisting obligations of the Borrowers to the Lenders that are not subject to any credits, offsets, defenses, claims, counterclaims or adjustments of any kind. Each of the Borrowers hereby acknowledges its obligations under the Credit Agreement and the other Loan Documents, reaffirms that each of the Liens and security interests created and granted in or pursuant to the Loan Documents is valid and subsisting and agrees that this Agreement shall in no manner impair or otherwise adversely affect such obligations, Liens or security interests.

---

2. Forbearance. Subject to the terms and conditions set forth herein, the Administrative Agent and the Lenders shall, during the Forbearance Period (as defined below), forbear from exercising any and all rights and remedies available to the Administrative Agent and the Lenders under the Loan Documents and applicable law, but only to the extent that such rights and remedies arise exclusively as a result of the existence of the Acknowledged Events of Default; provided, however, that the Administrative Agent and the Lenders shall be free to exercise any or all of their rights and remedies arising on account of the Acknowledged Events of Default at any time upon or after the occurrence of a Forbearance Termination Event (as defined below).

3. Forbearance Termination Events. Nothing set forth herein or contemplated hereby is intended to constitute an agreement by the Administrative Agent or the Lenders to forbear from exercising any of the rights available to the Administrative Agent or the Lenders under the Loan Documents or Requirements of Law (all of which rights and remedies are hereby expressly reserved by the Administrative Agent and the Lenders) upon or after the occurrence of a Forbearance Termination Event. As used herein, a “Forbearance Termination Event” shall mean the earliest of the following to occur: (a) any Default or Event of Default under the Credit Agreement or any other Loan Document other than the Acknowledged Events of Default, (b) any breach by the Borrowers of any representation, obligation, agreement or covenant under this Agreement and (c) December 9, 2016. The period from the date hereof to (but excluding) the earliest date that a Forbearance Termination Event occurs shall be referred to as the “Forbearance Period”.

4. Payment of Fees and Expenses. The Borrowers shall reimburse the Administrative Agent and the Lenders for all fees and expenses of the Administrative Agent and the Lenders (including without limitation, all fees and expenses of counsel to the Administrative Agent) incurred in connection with the Loan Documents, including without limitation this Agreement.

5. Effectiveness; Conditions Precedent. This Agreement shall become effective as of the date hereof (the “Effective Date”) upon receipt by the Administrative Agent of counterparts to this Agreement duly executed by the Borrowers, the Administrative Agent and the Lenders.

6. Incorporation of Agreement. Except as specifically modified herein, the terms of the Credit Agreement and the other Loan Documents shall remain in full force and effect. The execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or the other Loan Documents, or constitute a waiver or amendment of any provision of the Credit Agreement or the other Loan Documents, except as expressly set forth herein. The breach of any provision or representation under this Agreement shall constitute an immediate Event of Default under the Credit Agreement, and this Agreement shall constitute a Loan Document.

7. Representations and Warranties. Each of the Borrowers represent and warrant to the Administrative Agent as follows:

- (a) No Default Event of Default exists under the Loan Documents on and as of the Effective Date other than the Acknowledged Events of Default.

---

(b) After giving effect to this Agreement, the representations and warranties of the Borrowers contained in the Loan Documents are true, accurate and complete on and as of the Effective Date to the same extent as though made on and as of such date except to the extent such representations and warranties specifically relate to an earlier date.

(c) Each of the Borrowers has the full power and authority to enter, execute and deliver this Agreement and perform its obligations hereunder, under the Credit Agreement, and under each of the Loan Documents. The execution, delivery and performance by each of the Borrowers of this Agreement, and the performance by each of the Borrowers of the Credit Agreement and each other Loan Document to which it is a party, in each case, are within such Person's powers and have been authorized by all necessary corporate, limited liability or partnership action of such Person.

(d) This Agreement has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligations, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(e) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Agreement.

(f) The execution and delivery of this Agreement does not (i) violate, contravene or conflict with any provision of its organization documents or (ii) materially violate, contravene or conflict with any laws applicable to it or any of its Subsidiaries.

(g) The Obligations are not reduced or modified by this Agreement and are not subject to any offsets, defenses or counterclaims.

8. Release. In consideration of the Administrative Agent's and the Lenders' willingness to enter into this Agreement, each of the Borrowers hereby releases and forever discharges the Administrative Agent, the Lenders and each of their respective predecessors, successors, assigns, officers, managers, directors, employees, agents, attorneys, representatives and affiliates (hereinafter, all of the above collectively referred to as the "Lender Group") from any and all claims, counterclaims, demands, damages, debts, suits, liabilities, actions and causes of action of any nature whatsoever, whether arising at law or in equity, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, which any of the Borrowers may have or claim to have against any member of the Lender Group.

9. No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns. No other Person shall have or be entitled to assert rights or benefits under this Agreement.

10. Entirety. This Agreement and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

11. Counterparts; Electronic Delivery. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Delivery of an executed counterpart of this Agreement by facsimile or other electronic means shall be effective as an original.

12. No Actions, Claim. As of the date hereof, each of the Borrowers hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, the Lenders, or any of their respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under this Agreement or the Loan Documents on or prior to the date hereof.

13. Governing Law. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

14. Consent to Jurisdiction; Service of Process; Waiver of Jury Trial. The jurisdiction, services of process and waiver of jury trial provisions set forth in the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

15. Further Assurances. Each of the parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments as may reasonably be requested to effectuate the intent and purposes, and to carry out the terms, of this Agreement.

16. Miscellaneous.

(a) Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(b) Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under Requirements of Law, but if any provision of this Agreement shall be prohibited by or invalid under Requirements of Law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(c) Except as otherwise provided in this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any Loan Document, the provision contained in this Agreement shall govern and control.

(d) This Agreement may not be amended or otherwise modified, waived or supplemented.

(e) The interpretive provisions of Section 1.02 to the Credit Agreement are hereby incorporated by reference, *mutadis mutandis*.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**FAMOUS DAVE'S OF AMERICA, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: VP Chief Accounting Officer

**D&D OF MINNESOTA, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: President

**LAKE & HENNEPIN BBQ AND BLUES, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: President

**FAMOUS DAVE'S RIBS, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: President

**FAMOUS DAVE'S RIBS-U, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: President

**FAMOUS DAVE'S RIBS OF MARYLAND, INC.,**  
a Minnesota corporation

By: /s/ John P. Beckman  
Name: John P. Beckman  
Title: President

Famous Dave's  
Forbearance Agreement (November 2016)

---

**AGENTS AND LENDERS:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Administrative Agent, L/C Issuer and Lender

By: /s/ Reginald T. Dawson

Name: Reginald T. Dawson

Title: Senior Vice President

Famous Dave's  
Forbearance Agreement (November 2016)

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “*Agreement*”) is signed on October 11, 2016, by and between Famous Dave’s of America, Inc., a Minnesota corporation (the “*Company*”), and Doug Renegar (“*Executive*”). This Agreement shall be effective upon the date of termination of the Company’s current Chief Executive Officer, Adam Wright (“*Effective Date*”).

WHEREAS, Executive wishes to be employed by the Company and the Company desires to employ Executive as its Senior Vice President of Franchise Operations (the “*SVP*”) on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound, the parties hereto hereby agree as follows:

1. Employment; Employment Term. Upon the terms and conditions hereinafter set forth, the Company hereby agrees to retain the services of Executive and Executive hereby accepts such employment and agrees to faithfully and diligently serve as directed by the Chief Executive Officer of the Company (the “*CEO*”) in accordance with this Agreement, commencing on the Effective Date and, unless terminated earlier pursuant to Section 6 of this Agreement, continuing until the close of business on the four (4) year anniversary of the Effective Date (the “*Employment Term*”).

2. Duties.

(a) Services. During the Employment Term, Executive agrees to serve as SVP of the Company and shall render his duties as SVP in a manner that is consistent with Executive’s position within the Company and as assigned by the CEO. Executive shall perform duties generally typical for a Senior Vice President of Franchise Operations of a publicly traded company with extensive franchise operations operating and conducting business in the United States and its territories, Canada, Abu Dhabi and such other countries as the Company may conduct operations and do business in during the Employment Term. In addition to his duties as SVP, if requested by the Board of Directors of the Company (the “*Board*”), Executive agrees to serve as an elected/appointed officer of the Company and Executive shall serve in such capacity without additional compensation. If requested by the Board, Executive also agrees to serve as any elected/appointed director or officer of any subsidiary of the Company that the Company may, in its sole discretion, deem fit and Executive shall serve in such capacity or capacities without additional compensation.

(b) Certain Obligations. During the Employment Term, Executive (i) shall devote 100% of his business time and attention to achieve, in accordance with the policies and directives of the Board established from time to time in their discretion, the objectives of the Company, (ii) shall be subject to, and comply with, the rules, practices and policies applicable to executive employees, whether reflected in an employee handbook, code of conduct, compliance

---

policy or otherwise, as the same may exist and be amended from time to time, of the Company; and (iii) shall not engage in any business activities other than the performance of his duties under this Agreement. Executive may have investments in other entities and act as a director for the entities and in the capacities set forth on Exhibit A hereto, or as otherwise approved by the Board; provided that so acting shall not materially interfere with Executive's duties with the Company. Executive agrees and acknowledges that in the event that Executive's performance of his services and duties to the Company hereunder is inconsistent with or presents any conflict of interest with his obligations as an owner, operator or member of the board of directors of Famous Five Dining, Inc. (collectively, with all franchise affiliates, "**FFD, Inc.**"), Executive's primary duty shall be to the Company, and to the extent that a conflict arises, Executive shall promptly make the Board aware of such conflict.

(c) Location. The Company specifically knows and agrees Executive will maintain his permanent residence in Franklin, Tennessee and will fulfill his duties as SVP hereunder while based in Franklin, Tennessee; *provided, however*, that Executive agrees to report to the Company's headquarters in Minnetonka, Minnesota when and as required by the Company's Chief Executive Officer. Executive acknowledges that his employment under this Agreement will require substantial travel and stay outside Franklin, Tennessee and the United States in order to fulfill his duties hereunder.

3. Compensation. For the services rendered herein by Executive, and the promises and covenants made by Executive herein, during the Employment Term the Company shall pay compensation to Executive as follows.

(a) Base Salary. The Company shall pay to Executive the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000) as an annual salary (the "**Base Salary**"), payable in accordance with the normal payroll practices of the Company.

(b) Bonus. Executive shall be eligible to receive a discretionary annual bonus, which shall be determined by the Board in its sole discretion (the "**Bonus**") based upon Executive's achievement of milestones, with said milestones determined by Company's Chief Executive Officer and approved by the Board with input from Executive (the "**Milestones**"). The achievement of the Milestones will be determined by the Board in its sole discretion. The Board shall establish a targeted amount of each Bonus, although the Board may determine in its sole discretion that it is appropriate to approve a Bonus, if any, that is less or more than this targeted amount. For any year in which the Executive works less than a complete year, the Bonus, if any, for the partial year shall be *pro-rated* based upon the number of days worked versus the standard calendar year. The Company shall have the right to condition the payment of any Bonus on Executive's contemporaneous execution of a document in which Executive confirms, ratifies and agrees that his obligations under Section 5 are valid and binding and are enforceable against Executive in accordance with the terms of Section 5. Any Bonus amounts shall be paid at the same time as annual bonuses are paid to the Company's other executive officers.

(c) Equity Grants. Subject to the approval of the Compensation Committee of the Board, promptly following execution of this Agreement, the Company shall grant to Executive stock options (the "**Options**") exercisable for 35,000 shares of the Company's common

---

stock ("**Common Stock**"). The Options shall be granted pursuant to and governed by the terms of the Company's 2015 Equity Incentive Plan, as amended from time to time (the "**Plan**"), and evidenced by a separate stock option agreement between Executive and the Company. The exercise price of the Options shall be no less than the fair market value of the shares of Common Stock on the date of grant, as determined in good faith by the Board. Subject to the accelerated vesting described herein and Executive remaining continuously employed by the Company as its SVP on each vesting date ("**Continuous Service Status**"), the Options shall vest in installments of 729 options shares on first 47 monthly anniversaries of the Effective Date over the Employment Term (the first vesting date being on the one (1) month anniversary of the Effective Date hereof) and 737 options shares on the 48<sup>th</sup> monthly anniversary of the Effective Date. In addition to the Options, the Board shall give consideration to additional equity grants to Executive in subsequent years of the Employment Term. Notwithstanding anything to the contrary set forth in the Plan, the Options shall have the following terms:

(i) In the event of a Change of Control (as defined in the Plan) during the Employment Term in which the acquiring company or successor company opts not to assume this Agreement, the vesting of the Options will accelerate such that the Options shall be fully vested and exercisable immediately prior to such Change of Control;

(ii) In the event of a Corporate Transaction (as defined in the Plan), at the option of the Board in its sole discretion, Executive shall exercise the Options or such failure to exercise will result in the Options terminating immediately prior to such Corporate Transaction;

(iii) In the event of a Corporate Transaction, in exchange for the termination of the Options, the Board in its sole discretion may make a cash payment to Executive in an amount equal to the product obtained by multiplying (x) the amount (if any) by which the transaction proceeds per share exceed the exercise price per share covered by the Option times (y) the number of shares of Common Stock covered by the Option;

(iv) The Options will terminate if not exercised within six (6) months of Executive's termination from the Company for any reason;

(v) All unvested Options will terminate upon the termination of your employment with the Company;

(vi) If the Executive breaches the Executive Notice Period set forth in Section 6(d) below, fifty percent (50%) of Executive's vested Options shall automatically terminate; and

(vii) Unless earlier terminated as set forth above, the Options shall expire on the five (5) year anniversary of the date of grant.

(d) No Additional Compensation. Except for compensation set forth in this Agreement, Executive shall not receive additional compensation in connection with providing services to or holding executive or directorial office(s) in the Company or any of its subsidiaries unless otherwise agreed to by Executive and the Company in the Company's sole discretion.

---

#### 4. Benefits.

(a) Vacation. During Employment Term, Executive shall also be eligible to receive paid time off (“*PTO*”) as outlined in the Company’s PTO program.

(b) Other Benefits. During the Employment Term, Executive will be eligible to participate in the Company’s benefit plans that are currently and hereafter maintained by the Company and for which he is eligible including, without limitation, group medical, 401k, life insurance and other benefit plans (the “*Benefits*”). The Company reserves the right to cancel or change at any time the Benefits that it offers to its employees.

(c) Expenses. During the Employment Term, Executive shall be reimbursed for reasonable (travel and other) expenses incurred by Executive in the furtherance of or in connection with the performance of Executive’s duties hereunder, in accordance with the Company’s expense reimbursement policy as in effect from time to time. The Company will provide the Executive with a cell phone and a laptop computer (or reimburse Executive for the costs of a computer and/or a cell phone and a cellular calling and data plan) and reimburse Executive for a data and wifi plan. Executive agrees to provide detailed backup of any expenses and indicate on any submission for reimbursement those expenses that relate to meals and entertainment.

(d) Relocation Reimbursement. In the event that Executive relocates, at the request of the Company’s CEO, to the Minneapolis/St. Paul metropolitan area during the Employment Term, the Company shall pay (either by reimbursement of Executive or by direct payment to the moving company, as determined by the Company) up to \$10,000 in moving expenses Executive incurs within, for only those relocation related expenses that: (A) Executive has incurred within eighteen (18) months of such relocation, so long as Executive is employed by the Company, and (B) are reasonably connected to Executive’s relocation (the “*Eligible Relocation Expenses*”). Executive agrees to provide detailed backup of any Eligible Relocation Expenses.

(e) Travel Points. Company specifically acknowledges and agrees that Executive shall be entitled to retain any travel points and/or frequent flyer miles awarded as a result of Executive’s business travel on behalf of the Company.

5. Non-Disclosure of Information, Assignment of Intellectual Property, and Restrictive Covenants. Executive acknowledges that the Company is in the business of developing, owning, operating and franchising barbeque restaurants globally, with a focus on the United States and its territories, Canada and Abu Dhabi and any other country where the Company does business, that the Company has and will develop and assemble extensive “know-how” and trade secrets relating to its business, the business of its franchisees and the business of its suppliers and has developed an extensive relationship with its franchisees, suppliers and customers. Beginning from the Effective Date and continuing during Executive’s employment with the Company, Executive will have access to such trade secrets and relationships and other proprietary information of the Company. Executive agrees to protect the Company’s Confidential Information (as defined below) as provided in this Section 5.

---

(a) Confidential Information. “**Confidential Information**” means information regarding the Company not generally known and proprietary to the Company, or to a third party for whom the Company is performing work, including, without limitation, information concerning any patents or trade secrets, confidential or secret designs, infomercial sources, media outlets, pricing, processes, formulae, source codes, plans, devices or material, research and development, proprietary software, analysis, techniques, materials or designs (whether or not patented or patentable), directly or indirectly useful in any aspect of the business of the Company or any vendor names, customer and supplier lists, databases, management systems and sales and marketing plans of the Company, or any confidential secret development or research work of the Company, or any other confidential information or proprietary aspects of the business of the Company. All information which the Executive acquires or becomes acquainted with during his employment with the Company, whether developed by the Executive or by others which the Executive has a reasonable basis to believe to be Confidential Information, or which is treated by the Company as being Confidential Information, shall be presumed to be Confidential Information. Executive also agrees to enter into and remain bound by the Company’s Employee Confidentiality Agreement (the “**Employee Confidentiality Agreement**”), the Company’s Information Technology and Data Security Policy, as amended from time to time (the “**Data Security Policy**”), the Company’s Sexual Harassment, Offensive Behavior and Non-Discrimination Policy (the “**Harassment and Discrimination Policy**”), the Gifts & Prizes Policy (the “**Gift Policy**”) and any and all other employee policies adopted by the Company from time to time (together with the Data Security Policy, the Harassment and Discrimination Policy and the Gift Policy, the “**Company Policies**”).

(b) Confidentiality Covenant. Except as permitted or directed by the Company, the Executive shall not, either while employed by the Company or thereafter, divulge, furnish or make accessible to anyone or use in any way (other than as required in the performance of Executive’s duties as SVP hereunder) any Confidential Information. The Executive acknowledges that the Confidential Information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such Confidential Information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. Both during and after the Employment Term under this Agreement, Consultant will refrain from any acts or omissions that would reduce the value of such knowledge or information to the Company.

(c) Assignment of Intellectual Property. Executive agrees to assign and hereby assigns to the Company (the “**Assignment**”) any and all rights, improvements and copyrightable or patentable subject matter, know-how, and other intellectual property relating to the Company’s business (or any of its subsidiaries’ businesses) which Executive conceived or developed, or may conceive or develop, either alone or with others, or which otherwise arose or may arise during Executive’s employment with the Company and for a period of eighteen (18) months thereafter (“**Assignable Property**”). For the avoidance of doubt, the Assignable Property does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on the Executive’s own time, and (1) which

---

does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the Executive for the Company. Executive shall promptly disclose to the Company all Assignable Property. Executive agrees not to assert any rights against the Company (or any of its subsidiaries) or seek compensation from the Company (or any of its subsidiaries) for the foregoing Assignment or the Company's (or any of its subsidiaries) use of Assignable Property. Executive shall promptly disclose to the Company all knowledge that Executive has or obtains regarding Assignable Property and, at the request of the Company, Executive shall, without expense or additional compensation, provide the Company with whatever assistance that the Company may request of Executive including, but not limited to: (i) signing documents to further evidence and perfect an Assignment; (ii) obtaining for the Company patents, trademarks and trademark protection, copyrights and copyright protection, assignment of rights, and protection of trade secrets; and (iii) taking any other action the Company deems appropriate for securing or protecting its rights in Assignable Property or other intellectual property of the Company or its subsidiaries.

(d) Non-Solicitation. During the Employment Term and for a period of eighteen (18) months thereafter, Executive shall not, whether for his own benefit or that of any other individual, partnership, firm, corporation, or other business organization, directly or indirectly: (i) solicit or attempt to induce any employee of the Company or any of its subsidiaries (an "**Employee**") to leave his/her employment with the Company or in any way interfere with the relationship between or among the Company and any Employee; (ii) hire any person who was an Employee at any time during the Employment Term, (iii) induce or attempt to induce any supplier, licensee, franchisee or other business relation of the Company (collectively, the "**Partners**") to limit or reduce his, her or its relationship with the Company or (iv) make any negative or disparaging statements or communications regarding the Company, any of its current or former directors, stockholders, officers, Employees or Partners (collectively, "**Soliciting**").

(e) Non-Compete. During the Employment Term (i) if the Employee's employment was terminated by the Company other than for Cause or by the Employee for Good Reason, during the Severance Period (as defined below), or (ii) if the Employee's employment was terminated by the Company for Cause or by the Employee not for Good Reason, and for twelve months following the termination of Executive's employment with the Company, Executive shall not (whether as an employee, consultant, agent, proprietor, principal, partner, stockholder, corporate officer, director or otherwise) directly engage, own, have an interest, or participate in the financing, operation, management or control of any person, firm, corporation or business whose primary business is the retail sale of barbeque format food or whose restaurant business derives 30% of its food-related revenues from the sale of barbeque type food or barbeque-related products, other than as a stockholder with less than one percent (1%) of the outstanding common stock of a publicly traded company; provided however, that this Section 5(e) shall not restrict the Executive with respect to any existing or future Company franchise locations owned or operated by Executive (or FFD, Inc. as defined in Exhibit A) or any single location restaurant. The foregoing covenant shall cover Executive's activities in the United States and its territories, in Canada, Abu Dhabi and in any other country in which the Company does business during the Employment Term.

---

(f) Equitable Relief. In the event of a breach of or threatened breach by Executive of the provisions of this Section 5, the Company shall be entitled to an injunction restraining Executive from violating these covenants. Any breach or threatened breach of such provisions will cause irreparable injury to the Company and that money damages will not provide an adequate remedy therefor, and Executive hereby consents to the issuance of an injunction and to the ordering of such specific performance in the event the Company seeks injunctive relief and agrees that the Company shall be entitled to recover reasonable costs and attorneys' fees in connection therewith. Executive further agrees that no bond or other security shall be required in obtaining such equitable relief, nor will proof of actual damages be required for such equitable relief.

(g) Tolling. In the event of a breach by Executive of any covenant set forth in this Section 5, the period of time applicable to such covenant shall be extended by the duration of any violation by Executive of such covenant.

6. Termination; Severance Payments; Etc.

(a) At-Will Employment. Executive and the Company agree that Executive's employment is at-will and that, subject to Section 6(d) below, either Executive or the Company may terminate Executive's employment, at any time, with or without any cause, with no prior notice; *provided however* that each party shall remain bound by the terms and provisions of this Agreement that survive the termination in accordance with Section 9(i).

(b) Termination By Company Without Cause or by Executive With Good Reason; Accrued Obligations.

(i) If Executive's employment with the Company is terminated by the Company for any reason other than for Cause, death or Disability (as defined below) or if Executive resigns for Good Reason (as defined below), so long as Executive has signed (and at no time revokes) a Release Agreement (as defined below), then, subject to Executive continuing to fulfill his obligations under Section 5 hereof, and following the expiration of any applicable revocation periods, Executive shall receive (and paid periodically in accordance with the Company's normal payroll policies) continuing payments of Base Salary for a period equal to the lesser of: (x) six (6) months after such termination; and (y) the remainder of what would have been the Employment Term ((x) or (y), as applicable, the "*Severance Period*"). The payments made or payable to Executive under this Section 6(b)(i) shall be hereinafter referred to as the "*Severance Payments*".

(ii) If the Executive is terminated for any reason the Company shall pay Executive, or, his estate, if applicable, (A) any portion of the Base Salary that has accrued but not been paid through the date of such termination, and (B) all accrued PTO, if any, expense and relocation reimbursements due to Executive through the date of termination (if any) (collectively the "*Accrued Obligations*").

---

(c) Definitions.

(i) As used herein, “**Cause**” for the Company to terminate this Agreement shall mean: (1) Executive’s indictment for, conviction of, or plea of guilty or *nolo contendere*, to a felony, a misdemeanor involving fraud or dishonesty, or any crime involving moral turpitude, (2) an act of personal dishonesty taken by Executive in connection with his responsibilities hereunder or in connection with his position at the Company, (3) an act taken by Executive that constitutes willful misconduct or gross negligence in the performance of Executive’s duties, (4) any breach by Executive of this Agreement, (5) Executive’s repeated and unexplained or unjustified absence from the Company, or (6) Executive’s failure to substantially perform his duties or comply with any written reasonable directive from the Board, and, if such failure is curable, failure to cure such failure within ten (10) days after receipt of written notice thereof.

(ii) As used herein, “**Disability**” means Executive being unable to perform the principal functions of his duties in a reasonable manner due to a physical or mental impairment, but only if such inability has lasted or is reasonably expected to last for at least sixty (60) consecutive calendar days or ninety (90) non-consecutive calendar days of any twelve month (12) period and, whether Executive has a Disability will be determined by the Company.

(iii) As used herein, “**Good Reason**” for Executive to terminate this Agreement shall mean any material breach by the Company of this Agreement, including its obligations to pay Executive his Base Salary, not cured by the Company in accordance with Section 6(d) below. In no event will Executive have Good Reason to terminate the Agreement if he resigns more than three (3) months following the initial existence of the condition that constitutes Good Reason.

(d) Termination Process. Either party may terminate this Agreement during the Employment Term; *provided, however*, that if such termination is by the Company for Cause or by Executive for Good Reason, the terminating party shall give the non-terminating party a written notice providing reasonable notice and detail of the alleged Cause or Good Reason, as the case may be, and, if such Cause or Good Reason is curable, the non-terminating party shall have twenty-one (21) days following such notice to cure such Cause or Good Reason; *provided further however*, if the termination is by the Executive without Good Reason, the Executive shall give the Company ninety (90) days prior notice of his termination or such shorter period as agreed to by the Company in its sole discretion (the “**Executive Notice Period**”). Notwithstanding the foregoing, the Company shall not be required to give Executive the right to cure any act of Cause as set forth in Sections 6(c)(i)(1), (2), (3) or (6). If the Company terminates Executive’s employment with Cause, it shall have no liability to Executive other than to pay him the Accrued Obligations.

(e) Release Agreement. The Company’s obligation to make any of the Severance Payments contemplated herein shall be conditioned upon the execution by Executive and the Company of a valid release agreement to be prepared by the Company, pursuant to which Executive shall release the Company, to the maximum extent permitted by law, from any and all claims he may have against the Company that relate to or arise out of Executive’s employment or termination of employment, except for claims arising under the Release Agreement (the “**Release**”).

---

*Agreement*”). Executive shall forfeit all rights to the Severance Payments unless such Release Agreement is signed and delivered within twenty (20) days following the Company’s delivery of Release Agreement to Executive.

(f) Transition of Duties. In the event of a termination of the Executive, Executive shall assist the Company in transitioning his duties to another person or person designated by the Company.

(g) Resignation from Boards and Offices. Executive’s termination of employment for any reason or for no reason shall be deemed an automatic resignation by the Executive from all offices of the Company and its subsidiaries and from all other board of director or management positions with the Company and its subsidiaries.

#### 7. Representations.

(a) Executive represents that his performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by him in confidence or in trust prior to or outside of his employment by the Company. Executive hereby represents and warrants that he has not entered into, and will not enter into, any oral or written agreement in conflict herewith.

(b) Executive hereby represents that Executive is not subject to any other agreement that Employee will violate by working with the Company or in the position for which the Company has hired Executive. Further, Executive represents that no conflict of interest or a breach of Executive’s fiduciary duties will result by working with and performing duties for the Company.

(c) Executive further acknowledges and agrees that he has carefully read this Agreement and that he has asked any questions needed for him to understand the terms, consequences and binding effect of this Agreement and fully understands it and that he has been provided an opportunity to seek the advice of legal counsel of his choice before signing this Agreement.

(d) Executive further agrees during the Severance Period to provide a prompt response to Company in the event Company requests information connected to Executive’s subsequent employment after ceasing to be an employee of Company.

(e) Executive represents and warrants that he is not currently involved, directly or indirectly, in any litigation as a defendant or as a party subject to any counterclaims, nor is any such litigation threatened against Executive, directly or indirectly.

8. Background Verification. The Company has requested from an independent reviewer a complete background report with respect to Executive. If the Board, in its sole discretion, is not satisfied with the contents of the background report, the Company may within a reasonable amount of time following receipt of such background report terminate the Employment Term and, notwithstanding anything to the contrary set forth herein, Executive shall not be entitled to (i) any payments hereunder other than the Accrued Obligations and (ii) the Options shall immediately terminate and be of no further force and effect.

---

9. Miscellaneous.

(a) Notices. All notices, requests, consents and other communications hereunder (i) shall be in writing, (ii) shall be effective upon receipt, and (iii) shall be sufficient if delivered personally, electronically with receipt confirmation, or by mail, in each case addressed as follows:

If to the Company:

c/o Wexford Capital LP  
Suite 602 East  
777 South Flagler Drive  
West Palm Beach, Florida 33401  
Attn: Joseph Jacobs, Chairman of the Board of Directors of Famous Dave's of America, Inc.  
Email: jjacobs@wexford.com

With a copy to:

Gray Plant Moody  
500 IDS Center  
80 South Eighth Street  
Minneapolis, MN USA 55402  
Attn: Ryan Palmer  
Fax: 612-632-4013  
Email: Ryan.Palmer@gpmlaw.com

If to Executive:

To Executive's most recent residential address or otherwise known by the Company or any other address Executive may provide to the Company in writing.

(b) Entire Agreement. This Agreement constitute the entire agreement by and between the parties with respect to the subject matter contained herein and supersedes all prior agreements or understandings, oral or written, with respect to the subject matter contained herein. Notwithstanding the foregoing, Executive shall remain subject to and bound by the Employee Confidentiality Agreement and the Company Policies.

(c) Amendments; Waivers; Etc. This Agreement may not be altered, amended or modified in any manner, nor may any of its provisions be waived, except by written amendment executed by the parties hereto that specifically states that they intended to alter, amend or modify this Agreement. No provision of this Agreement may be waived by any party

---

hereto except by written waiver executed by the waiving party that specifically states that it intends to waive a right hereunder. Any such waiver, alteration, amendment or modification shall be effective only in the specific instance and for the specific purpose for which it was given. No remedy herein conferred upon or reserved by a party is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Agreement or in connection with this Agreement and now or hereafter existing at law or in equity.

(d) Governing Law and Jurisdiction. Except as provided otherwise in Section 9(k), this Agreement shall be construed and enforced in accordance with the laws of the State of Minnesota without regard to the principle of the conflict of laws. Any dispute arising in connection with this Agreement may be adjudicated by binding arbitration pursuant to the rules of the American Arbitration Association, before a single arbitrator in Minneapolis, Minnesota except that the foregoing shall not preclude the Company or Executive from enforcing the award of the arbitrators in a state or Federal Court located in the State of Minnesota, and each of the parties hereto consent to the jurisdiction of such Courts.

(e) Successors and Assigns. Neither this Agreement nor any rights or obligations hereunder are assignable by Executive. The Company shall have the right to assign its rights and obligations under this Agreement to any affiliate or successor of the Company. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company. Any such successor of the Company (including but not limited to any person or entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company) will be deemed substituted for the Company under the terms of this Agreement for all purposes.

(f) Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS AMONG THEM RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT OR WITH ANY ARBITRATOR AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT (I) THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, (II) EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND (III) EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES AGREES THAT THE

---

PREVAILING PARTY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE ENTITLED TO RECOVER ITS REASONABLE FEES AND EXPENSES IN CONNECTION THEREWITH, INCLUDING LEGAL FEES.

(g) Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same instrument.

(h) Severability. Executive acknowledges that the provisions, restrictions and time limitations contained in Section 5 are reasonable and properly required for the adequate protection of the business of the Company and that in the event such restriction or limitation is deemed to be unreasonable by any court of competent jurisdiction, then Executive agrees to submit to the reduction of said restriction and limitation to such as any such court may deem reasonable. If any particular provision of Section 5 shall be adjudicated to be invalid or unenforceable, such provision shall be considered to be divisible with respect to scope, time and geographic area, and such lesser scope, time or geographic area, as a court of competent jurisdiction may determine to be reasonable, not arbitrary and not against public policy, shall be effective, binding and enforceable against Executive. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

(i) Survival. Any termination of Executive's employment and any expiration or termination of the Employment Term under this Agreement shall not affect the continuing operation and effect of Sections 5, 6 and 9 hereof, which shall continue in full force and effect with respect to the Company and its successors and assigns and respect to Executive.

(j) Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(k) Internal Revenue Code Section 409(A). The intent of the parties is that payments and benefits under the Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder ("Section 409A") and, accordingly, to the maximum extent permitted the Agreement shall be interpreted to be in compliance therewith or exempt therefrom. To the extent any such cash payment or continuing benefit payable upon Executive's termination of employment is nonqualified deferred compensation subject to Section 409A, then, only to the extent required by Section 409A, such payment or continuing benefit shall not commence until the date which is six (6) months after the date of separation from service, and any previously scheduled payments shall be made in a lump sum (without interest) on that date. For purposes of Section 409A, the phrase "termination of employment" (or other words to that effect), as used in this Agreement, shall be interpreted to mean "separation from service" as defined under Section 409A.

(l) Golden Parachute Limitation (Sec. 280G). Notwithstanding anything to the contrary contained herein, if any payments or benefits provided under this Agreement constitute "parachute payments" within the meaning of Section 280G of the Code (the

---

“*Parachute Payments*”) and such Parachute Payments are subject to the excise tax imposed by Section 4999 of the Code or nondeductible under Code Section 280G (“*Section 280G*”), then the Parachute Payments shall be reduced to an amount such that the aggregate of the Parachute Payments does not exceed 2.99 times the “base amount,” as defined in Section 280G, provided that the foregoing reduction shall not take place if, prior to the date of the change in ownership or control of the Company, the Parachute Payments shall have been approved in a vote satisfying the requirements of Section 280G(b)(5) of the Code by persons who, immediately before the change in ownership or control, own more than seventy-five (75%) of the voting power of all outstanding stock of the Company.

(m) Section Headings. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof, affect the meaning or interpretation of this Agreement or of any term or provision hereof.

[REMAINDER OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGE FOLLOWS]

---

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date first set forth above.

FAMOUS DAVE'S OF AMERICA, INC.

By: /s/Dexter Newman  
Name: DEXTER NEWMAN  
Title CFO

EXECUTIVE:

/s/ Doug Renegar  
DOUG RENEGAR

---

Exhibit A

Executive will retain an ownership interest in FFD, Inc. and each of its affiliates and will continue to serve on FFD, Inc.'s board of directors. In addition, Executive will participate in the operations of FFD, Inc., for a period not to extend past December 31, 2016, to the extent necessary to transition his former responsibilities to new management.

## CERTIFICATIONS

I, Michael Lister, 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: November 16, 2016

By: /s/ Michael Lister

Michael Lister  
Chief Executive Officer/Chief Operating Officer

## CERTIFICATIONS

I, Dexter Newman, 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: November 16, 2016

By: /s/ Dexter Newman

Dexter Newman  
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 October 2, 2016 (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: November 16, 2016

By: /s/ Michael Lister  
Michael Lister  
Chief Executive Officer/Chief Operating Officer  
(Principal Executive Officer)

Dated: November 16, 2016

By: /s/ Dexter Newman  
Dexter Newman  
Chief Financial Officer and Secretary  
(Principal Financial Officer)

