

FAMOUS DAVES OF AMERICA INC  
Form 10-Q  
August 07, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended June 28, 2015

**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)

|   |  |
|---|--|
| <b>Minnesota</b><br>(State or other jurisdiction of<br>incorporation or organization) | <b>41-1782300</b><br>(I.R.S. Employer<br>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

## Edgar Filing: FAMOUS DAVES OF AMERICA INC - Form 10-Q

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

As of August 4, 2015, 6,957,628 shares of the registrant's Common Stock were outstanding.

---

**Table of Contents**

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

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>PART I</b>   |             |
| <b><u>FINANCIAL INFORMATION</u></b>   |             |
| Item 1  |             |
| <u>Consolidated Financial Statements (unaudited)</u>  |             |
| <u>Consolidated Balance Sheets As of June 28, 2015 and December 28, 2014</u>                                    | 3           |
| <u>Consolidated Statements of Operations For the three and six months ended June 28, 2015 and June 29, 2014</u> | 4           |
| <u>Consolidated Statements of Cash Flows For the six months ended June 28, 2015 and June 29, 2014</u>           | 5           |
| <u>Notes to Consolidated Financial Statements</u>   | 6           |
| Item 2  |             |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                    | 18          |
| Item 3  |             |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 27          |
| Item 4  |             |
| <u>Controls and Procedures</u>  | 27          |
| <b>PART II</b>  |             |
| <b><u>OTHER INFORMATION</u></b>   |             |
| Item 1  |             |
| <u>Legal Proceedings</u>  | 28          |
| Item 2  |             |
| <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>   | 28          |
| Item 5  |             |
| <u>Other Information</u>  | 29          |
| Item 6  |             |
| <u>Exhibits</u>   | 30          |
| <b><u>SIGNATURES</u></b>  |             |
| <b><u>CERTIFICATIONS</u></b>  |             |

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****JUNE 28, 2015 AND DECEMBER 28, 2014***(in thousands, except per share data)*

|  | <b>June 28,<br/>2015</b> | <b>December 28,<br/>2014</b> |
|--|--------------------------|------------------------------|
|  | (Unaudited)              |                              |
| <b>ASSETS</b>  |                          |                              |
| <b>Current assets:</b>   |                          |                              |
| Cash and cash equivalents  | \$ 1,833                 | \$ 2,133                     |
| Restricted cash  | 471                      | 648                          |
| Accounts receivable, net   | 4,303                    | 3,558                        |
| Inventories  | 2,765                    | 2,742                        |
| Deferred tax assets  | 1                        | 1                            |
| Prepaid expenses and other current assets                        | 2,269                    | 1,993                        |
| Assets held for sale   | 4,187                    | 2,500                        |
| <b>Total current assets</b>                                      | <b>15,829</b>            | <b>13,575</b>                |
| <b>Property, equipment and leasehold improvements, net</b>       | <b>46,809</b>            | <b>49,495</b>                |
| <b>Other assets:</b>   |                          |                              |
| Intangible assets, net   | 2,925                    | 2,949                        |
| Deferred tax assets  | 336                      | 336                          |
| Other assets   | 502                      | 322                          |
|  | <b>\$ 66,401</b>         | <b>\$ 66,677</b>             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                      |                          |                              |
| <b>Current liabilities:</b>                                      |                          |                              |
| Current portion of long-term debt and financing lease obligation | \$ 375                   | \$ 1,031                     |
| Accounts payable   | 5,831                    | 5,653                        |
| Accrued compensation and benefits                                | 2,697                    | 3,457                        |
| Deferred tax liabilities   | 131                      | 131                          |
| Other current liabilities  | 3,488                    | 3,939                        |
| <b>Total current liabilities</b>                                 | <b>12,522</b>            | <b>14,211</b>                |
| <b>Long-term liabilities:</b>                                    |                          |                              |
| Line of credit   | 14,240                   | 5,000                        |
| Long-term debt, less current portion                             |                          | 3,343                        |
| Financing lease obligation, less current portion                 | 2,958                    | 3,150                        |
| Other liabilities  | 9,438                    | 9,171                        |
| <b>Total liabilities</b>   | <b>39,158</b>            | <b>34,875</b>                |
| <b>Shareholders' equity:</b>                                     |                          |                              |
|  | 66                       | 68                           |

## Edgar Filing: FAMOUS DAVES OF AMERICA INC - Form 10-Q

Common stock, \$0.01 par value, 100,000 shares authorized, 6,958 and 7,137 shares issued and outstanding at June 28, 2015 and December 28, 2014, respectively

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Retained earnings                | 27,177           | 31,734           |
| <b>Total shareholders equity</b> | 27,243           | 31,802           |
|                                  | <b>\$ 66,401</b> | <b>\$ 66,677</b> |

See accompanying notes to consolidated financial statements.

- 3 -

Table of Contents

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

## CONSOLIDATED STATEMENTS OF OPERATIONS

JUNE 28, 2015 AND JUNE 29, 2014

*(in thousands, except per share data)**(Unaudited)*

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | June 28,<br>2015   | June 29,<br>2014 | June 28,<br>2015 | June 29,<br>2014 |
| <b>Revenue:</b>  |                    |                  |                  |                  |
| Restaurant sales, net  | \$ 32,203          | \$ 36,894        | \$ 60,309        | \$ 68,142        |
| Franchise royalty revenue  | 4,620              | 4,607            | 8,951            | 8,810            |
| Franchise fee revenue  | 250                | 100              | 255              | 135              |
| Licensing and other revenue  | 335                | 336              | 520              | 512              |
| <b>Total revenue</b>   | <b>37,408</b>      | <b>41,937</b>    | <b>70,035</b>    | <b>77,599</b>    |
| <b>Costs and expenses:</b>   |                    |                  |                  |                  |
| Food and beverage costs  | 9,797              | 10,678           | 18,321           | 19,804           |
| Labor and benefits costs   | 10,216             | 11,411           | 19,597           | 21,831           |
| Operating expenses   | 8,967              | 9,741            | 16,822           | 18,142           |
| Depreciation and amortization  | 1,356              | 1,487            | 2,747            | 3,033            |
| General and administrative expenses                                      | 4,981              | 4,050            | 9,873            | 8,277            |
| Asset impairment and estimated lease termination and other closing costs | 881                | 102              | 976              | 562              |
| Pre-opening expenses   |                    |                  | 1                | 7                |
| Net loss (gain) on disposal of property                                  | 48                 | (13)             | 25               | 421              |
| <b>Total costs and expenses</b>  | <b>36,246</b>      | <b>37,456</b>    | <b>68,362</b>    | <b>72,077</b>    |
| <b>Income from operations</b>  | <b>1,162</b>       | <b>4,481</b>     | <b>1,673</b>     | <b>5,522</b>     |
| <b>Other expense:</b>  |                    |                  |                  |                  |
| Interest expense   | (227)              | (237)            | (435)            | (500)            |
| Interest income  |                    |                  | 5                | 1                |
| Other income (expense), net  | 2                  | (2)              |                  | (3)              |
| <b>Total other expense</b>   | <b>(225)</b>       | <b>(239)</b>     | <b>(430)</b>     | <b>(502)</b>     |
| <b>Income before income taxes</b>  | <b>937</b>         | <b>4,242</b>     | <b>1,243</b>     | <b>5,020</b>     |
| <b>Income tax expense</b>  | <b>(283)</b>       | <b>(1,391)</b>   | <b>(392)</b>     | <b>(1,653)</b>   |
| <b>Net income</b>  | <b>\$ 654</b>      | <b>\$ 2,851</b>  | <b>\$ 851</b>    | <b>\$ 3,367</b>  |
| <b>Basic net income per common share</b>                                 | <b>\$ 0.09</b>     | <b>\$ 0.39</b>   | <b>\$ 0.12</b>   | <b>\$ 0.47</b>   |
| <b>Diluted net income per common share</b>                               | <b>\$ 0.09</b>     | <b>\$ 0.39</b>   | <b>\$ 0.12</b>   | <b>\$ 0.46</b>   |
| <b>Weighted average common shares outstanding - basic</b>                | <b>6,974</b>       | <b>7,219</b>     | <b>7,016</b>     | <b>7,229</b>     |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>Weighted average common shares outstanding - diluted</b> | 6,993 | 7,250 | 7,037 | 7,260 |
|---|-------|-------|-------|-------|

See accompanying notes to consolidated financial statements.

- 4 -

**Table of Contents****FAMOUS DAVES OF AMERICA, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****JUNE 28, 2015 AND JUNE 29, 2014***(in thousands)**(Unaudited)*

|   | <b>Six Months Ended</b>  |                          |
|---|--------------------------|--------------------------|
|   | <b>June 28,<br/>2015</b> | <b>June 29,<br/>2014</b> |
| <b>Cash flows from operating activities:</b>                              |                          |                          |
| Net income  | \$ 851                   | \$ 3,367                 |
| Adjustments to reconcile net income to cash flows provided by operations: |                          |                          |
| Depreciation and amortization   | 2,747                    | 3,033                    |
| Asset impairment and estimated lease termination and other closing costs  | 976                      | 562                      |
| Net (gain) loss on disposal of property                                   | 25                       | 421                      |
| Amortization of deferred financing costs                                  | 41                       | 39                       |
| Deferred rent   | 440                      | 494                      |
| Stock-based compensation  | 324                      | (780)                    |
| Tax benefit for equity awards issued                                      | (153)                    | (848)                    |
| Changes in operating assets and liabilities:                              |                          |                          |
| Restricted cash   | 177                      | 481                      |
| Accounts receivable, net  | (815)                    | 332                      |
| Inventories   | 33                       | (61)                     |
| Prepaid expenses and other current assets                                 | (275)                    | 548                      |
| Deposits  | (10)                     | (12)                     |
| Accounts payable  | 44                       | (1,196)                  |
| Accrued compensation and benefits   | (938)                    | 256                      |
| Other current liabilities   | (288)                    | 539                      |
| Other liabilities   | 1                        | (4)                      |
| Long-term deferred compensation   | (74)                     | (121)                    |
| Cash flows provided by operating activities                               | 3,106                    | 7,050                    |
| <b>Cash flows used for investing activities:</b>                          |                          |                          |
| Proceeds from the sale of décor   |                          | 95                       |
| Purchases of property, equipment and leasehold improvements               | (2,808)                  | (1,071)                  |
| Cash flows used for investing activities                                  | (2,808)                  | (976)                    |
| <b>Cash flows used for financing activities:</b>                          |                          |                          |
| Proceeds from line of credit  | 14,200                   | 10,200                   |
| Payments on line of credit  | (8,700)                  | (14,600)                 |
| Payments for debt issuance costs  | (128)                    | (40)                     |
| Payments on long-term debt and financing lease obligation                 | (451)                    | (487)                    |
| Payments from exercise of stock options                                   |                          | (114)                    |
| Tax benefit for equity awards issued                                      | 153                      | 848                      |
| Repurchase of common stock  | (5,672)                  | (950)                    |
| Cash flows used for financing activities                                  | (598)                    | (5,143)                  |
| <b>(Decrease) increase in cash and cash equivalents</b>                   | <b>(300)</b>             | <b>931</b>               |



Edgar Filing: FAMOUS DAVES OF AMERICA INC - Form 10-Q

|   |          |          |
|---|----------|----------|
| <b>Cash and cash equivalents, beginning of period</b> | 2,133    | 1,293    |
| <b>Cash and cash equivalents, end of period</b>       | \$ 1,833 | \$ 2,224 |

See accompanying notes to consolidated financial statements.

- 5 -

**Table of Contents****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 June 28, 2015, there were 183 Famous Dave s restaurants operating in 34 states, the Commonwealth of Puerto Rico and Canada, including 49 company-owned restaurants and 134 franchise-operated restaurants. An additional 59 franchise restaurants were committed to be developed through signed Area Development Agreements as of June 28, 2015.

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 June 28, 2015 and December 28, 2014 and for the three and six month periods ended June 28, 2015 and June 29, 2014, 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 December 28, 2014 as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three and six months ended June 28, 2015 are not necessarily indicative of the results to be expected for the full year.

**(2) Net Income Per Common Share**

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

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

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 28,<br>2015   | June 29,<br>2014 | June 28,<br>2015 | June 29,<br>2014 |
| <i>(in thousands, except per share data)</i>            |                    |                  |                  |                  |
| <b>Net income per common share basic:</b>               |                    |                  |                  |                  |
| Net income  | \$ 654             | \$ 2,851         | \$ 851           | \$ 3,367         |
| Weighted average shares outstanding                     | 6,974              | 7,219            | 7,016            | 7,229            |
| <b>Net income per common share basic</b>                | <b>\$ 0.09</b>     | <b>\$ 0.39</b>   | <b>\$ 0.12</b>   | <b>\$ 0.47</b>   |
| <b>Net income per common share diluted:</b>             |                    |                  |                  |                  |
| Net income  | \$ 654             | \$ 2,851         | \$ 851           | \$ 3,367         |
| Weighted average shares outstanding                     | 6,974              | 7,219            | 7,016            | 7,229            |
| Dilutive impact of common stock equivalents outstanding | 19                 | 31               | 21               | 31               |
| Adjusted weighted average shares outstanding            | 6,993              | 7,250            | 7,037            | 7,260            |
| <b>Net income per common share diluted</b>              | <b>\$ 0.09</b>     | <b>\$ 0.39</b>   | <b>\$ 0.12</b>   | <b>\$ 0.46</b>   |

There were 166,200 options outstanding as of June 28, 2015 that were not included in the computation of diluted EPS because they were anti-dilutive. All options outstanding as of June 29, 2014 were included in the computation of diluted earnings per share.

**Table of Contents**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(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 June 28, 2015 and December 28, 2014. We had approximately \$471,000 and \$648,000 in this fund as of June 28, 2015 and December 28, 2014, respectively.

**(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 \$519,000 and \$214,000, at June 28, 2015 and December 28, 2014, respectively. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to allowance for doubtful accounts. Accounts receivable balances written off have not exceeded allowances provided. We believe all accounts receivable in excess of the allowance are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. Outstanding past due accounts receivable are subject to a monthly interest charge on unpaid balances which is recorded as interest income in our consolidated statements of operations. In assessing recoverability of these receivables, we make judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which the franchisees are required to submit to us, as well as other variables.

**(5) Intangible Assets, net**

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

A reconciliation of beginning and ending amounts of intangible assets at June 28, 2015 and December 28, 2014, respectively, are presented in the table below:

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

| <i>(in thousands)</i>               | Remaining<br>estimated<br>useful life<br>(years) | Original<br>Cost | Accumulated<br>Amortization | Net<br>Book<br>Value | Less<br>Current<br>Portion <sup>(1)</sup> | Non-<br>Current<br>Portion |
|-------------------------------------|--|------------------|-----------------------------|----------------------|---|----------------------------|
| <b>Balance at December 28, 2014</b> |  |                  |                             |                      |   |                            |
| Lease interest assets               | 25.1   | \$ 1,417         | \$ (230)                    | \$ 1,187             | \$ (48)                                   | \$ 1,139                   |
| Liquor licenses                     |  | 1,810            |                             | 1,810                |   | 1,810                      |
| <b>Total</b>                        |  | <b>\$ 3,227</b>  | <b>\$ (230)</b>             | <b>\$ 2,997</b>      | <b>\$ (48)</b>                            | <b>\$ 2,949</b>            |

| <i>(in thousands)</i>           | Remaining<br>estimated<br>useful life<br>(years) | Original<br>Cost | Accumulated<br>Amortization | Net<br>Book<br>Value | Less<br>Current<br>Portion <sup>(1)</sup> | Non-<br>Current<br>Portion |
|---------------------------------|--|------------------|-----------------------------|----------------------|---|----------------------------|
| <b>Balance at June 28, 2015</b> |  |                  |                             |                      |   |                            |
| Lease interest assets           | 24.6   | \$ 1,417         | \$ (254)                    | \$ 1,163             | \$ (48)                                   | \$ 1,115                   |
| Liquor licenses                 |  | 1,810            |                             | 1,810                |   | 1,810                      |
| <b>Total</b>                    |  | <b>\$ 3,227</b>  | <b>\$ (254)</b>             | <b>\$ 2,973</b>      | <b>\$ (48)</b>                            | <b>\$ 2,925</b>            |

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

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

On May 8, 2015, the Company and certain of its subsidiaries (collectively known as the Borrower) entered into a Third Amended and Restated Credit Agreement (the Amendment), which amended and restated the Company's Second Amended and Restated Credit Agreement with Wells Fargo Bank, National Association. Pursuant to the Amendment, the Credit Agreement was amended and restated in order to (i) increase the aggregate maximum loan commitment from \$30.0 million to \$35.0 million, with loans consisting of a \$5.0 million revolving Facility and a \$30.0 million term loan facility utilizing development loans that have a 10-year, mortgage-style amortization; (ii) remove the ability to increase the aggregate maximum loan commitment to \$50.0 million; (iii) require the proceeds of asset sales be used to pay down borrowings under the Credit Agreement; (iv) provide additional flexibility with respect to the Company's financial covenants and its ability to make Restricted Payments (as defined in the Credit Agreement); and (v) extend the expiration of the Credit Agreement from July 5, 2015 to May 8, 2020. The agreement ended the previous term loan. It continues to have up to \$3.0 million of letters of credit, which reduce the availability of the Facility. At June 28, 2015, the principal amount outstanding under the Facility was \$14.2 million, along with approximately \$455,000 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. We expect to use any borrowings under the Credit Agreement for general working capital, limited restaurant remodels, new restaurant development and share repurchases. Under the Credit Agreement, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate or Base Rate plus an applicable margin. The applicable margin depends on the Company's Adjusted Leverage Ratio at the end of the previous quarter. For the six months ended June 28, 2015 and June 29, 2014, our weighted average interest rate for the Facility was 2.67% and 2.87%, respectively. Unused portions of the Facility are subject to a fee, which was 0.375% of the unused amount at June 28, 2015.

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

Principal amounts outstanding under the Term Loan bore interest at the same rate as the Facility. The weighted average interest rate of the Term Loan for the six months ended June 28, 2015 and June 29, 2014 was 2.33% and 2.29%, 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 various financial covenants and customary affirmative and negative covenants, please refer to the full text of the Amendment filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the period ended March 29, 2015 and the audited financial statement and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014. We were in compliance with all covenants as of June 28, 2015.

**(7) Other Current Liabilities**

Other current liabilities consisted of the following at:

| <i>(in thousands)</i>                    | <b>June 28,<br/>2015</b> | <b>December 28,<br/>2014</b> |
|--|--------------------------|------------------------------|
| Gift cards payable                       | \$ 1,653                 | \$ 1,960                     |
| Other liabilities                        | 918                      | 844                          |
| Sales tax payable                        | 626                      | 824                          |
| Deferred franchise fees                  | 225                      | 225                          |
| Accrued property and equipment purchases | 43                       | 50                           |
| Income tax payable                       | 23                       | 36                           |
|  | <b>\$ 3,488</b>          | <b>\$ 3,939</b>              |

**(8) Other Liabilities**

Other liabilities consisted of the following at:

| <i>(in thousands)</i>           | <b>June 28,<br/>2015</b> | <b>December 28,<br/>2014</b> |
|---------------------------------|--------------------------|------------------------------|
| Deferred rent                   | \$ 8,742                 | \$ 8,435                     |
| Long term deferred compensation | 450                      | 411                          |
| Asset retirement obligations    | 114                      | 115                          |
| Other liabilities               | 80                       | 159                          |
| Income taxes payable            | 52                       | 51                           |
|                                 | <b>\$ 9,438</b>          | <b>\$ 9,171</b>              |

**(9) Performance Shares, Stock Options, Other Forms of Compensation, and Common Share Repurchases****Stock-based Compensation**

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

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 350,000 shares of our Company's common stock remained unreserved and available for issuance at June 28, 2015. 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 six months ended June 28, 2015 and June 29, 2014, respectively, as follows:

|  | Three Months Ended  |                     | Six Months Ended    |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | June<br>28,<br>2015 | June<br>29,<br>2014 | June<br>28,<br>2015 | June<br>29,<br>2014 |
| <i>(in thousands)</i>                                      |                     |                     |                     |                     |
| <b>Performance Share Programs:</b>                         |                     |                     |                     |                     |
| 2011 Program <sup>(1)(3)</sup>                             | \$                  | \$                  | \$                  | \$ (55)             |
| 2012 Program <sup>(1)(4)</sup>                             |                     | (170)               |                     | (540)               |
| 2013 Program <sup>(2)(5)</sup>                             | 8                   | (108)               | 36                  | (374)               |
| <b>Performance Stock Units</b>                             | \$ 8                | \$ (278)            | \$ 36               | \$ (969)            |
| Stock Options  | 84                  | 71                  | 256                 | 189                 |
| Restricted Stock and Restricted Stock Units <sup>(6)</sup> | 15                  |                     | 30                  | (73)                |
| Director Shares <sup>(7)</sup>                             |                     | 15                  |                     | 17                  |
|  | \$ 107              | \$ (192)            | \$ 322              | \$ (836)            |

(1) The 2011 and 2012 Programs consisted entirely of performance shares.

(2) The 2013 Program consisted of performance shares and performance stock units.

(3) The six months ended June 29, 2014 included the recapture of previously recorded stock-based compensation of approximately \$55,000 due to employee departures.

(4) The three and six months ended June 29, 2014 included the recapture of previously recorded stock-based compensation of approximately \$206,000 and \$607,000, respectively, due to employee departures.

(5) The three and six months ended June 29, 2014 included the recapture of previously recorded stock-based compensation related to performance shares of approximately \$114,000 and \$394,000, and performance stock units of approximately \$28,000 and \$77,000, respectively, due to employee departures.

(6) The six months ended June 29, 2014 included the recapture of previously recorded stock-based compensation of approximately \$128,000 due to the departure of our CEO. The three and six months ended June 28, 2015 included the recapture of previously recorded stock-based compensation of approximately \$45,000 due to the departure of our most recent CEO.

(7) The six months ended June 29, 2014 included the recapture of previously recorded stock-based compensation of approximately \$20,000 due to the departure of our CEO.

Performance Shares and Performance Stock Units

Upon the conclusion of the 2012 performance share program, no shares were issued as the performance conditions were not satisfied.

For the 2013 performance share program, performance was measured by using Adjusted EBITDA. For these purposes, Adjusted EBITDA is defined as income from operations of the Company, plus depreciation and amortization, non-cash adjustments (such as asset impairment, lease termination and other closing costs) and



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

other non-cash items as approved by the Company's Compensation Committee. Adjusted EBITDA is subject to adjustment by the Compensation Committee in its sole discretion for non-cash items. The Compensation Committee did not implement a formal equity incentive program for fiscal 2014 or 2015.

We recognize compensation cost for performance share awards over the requisite service period (i.e. fixed treatment) based on their fair value, which is the closing stock price at the date of grant. Participants in each performance share program are entitled to receive a number of shares of our common stock ( Performance Shares ) based upon the extent to which we achieve Adjusted EBITDA goals established by our Compensation Committee for each fiscal year within a three-year performance period ( Cumulative Adjusted EBITDA Goal ). Receipt of any performance shares is contingent upon our achieving a specified minimum percentage of the Cumulative EBITDA Goal.

We recognize compensation cost for performance stock unit awards over the requisite service period based on their initial fair value, which is the closing stock price at the date of grant. This award is adjusted to fair value based on the closing stock price at the end of each fiscal quarter. Recipients of performance stock unit awards are entitled to receive a cash payout based on a number of our stock units awarded ( Performance Stock Unit ) to the extent we achieve the Cumulative Adjusted EBITDA Goal, and the market value of our common stock.

At June 28, 2015, the following performance share programs were in progress:

| Award Date | Program      | Target No. of Performance Shares and Performance Stock Units (Originally Granted) <sup>(1)(2)</sup> | Estimated Payout of Performance Shares and Performance Stock Units (at June 28, 2015) | Maximum Payout (as a percent of target number) |
|------------|--------------|---|---|--|
| 1/8/2013   | 2013 Program | 25,300 <sup>(3)</sup>   | 22,477 <sup>(4)</sup>   | 100.0%   |

(1) Assumes achievement of 100% of the applicable Adjusted EBITDA Goal.

(2) Net of employee forfeitures.

(3) This program consists of 23,070 performance shares and 2,230 performance stock units.

(4) Consists of 21,408 performance shares and 2,069 performance stock units, assuming an estimated payout equal to 92.8% of the applicable Cumulative Adjusted EBITDA Goal.

**Board of Directors Compensation**

We recognized board of directors compensation expense in our consolidated statement of operations for the three and six months ended June 28, 2015 and June 29, 2014, respectively, as follows:

| (in thousands)                        | Three Months Ended |               | Six Months Ended |               |
|---------------------------------------|--------------------|---------------|------------------|---------------|
|                                       | June 28, 2015      | June 29, 2014 | June 28, 2015    | June 29, 2014 |
| Stock-based compensation              | \$ 15              | \$ 15         | \$ 30            | \$ 17         |
| Stock option compensation             | 62                 | 28            | 130              | 36            |
| Cash compensation                     | 77                 | 118           | 153              | 230           |
| Total board of directors compensation | \$ 154             | \$ 161        | \$ 313           | \$ 283        |





**Table of Contents**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Stock Options**

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

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

On June 2, 2014, Richard A. Pawlowski was named Chief Financial Officer by the Company's board of directors. Pursuant to the agreement governing Mr. Pawlowski's employment, the Company granted 78,000 stock options. These options will vest in equal annual installments over a period of three years and expire five years from the grant date. The compensation expense for this grant will be recognized under general and administrative expense in our consolidated statements of operations through the applicable service period.

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

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

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

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

| <i>(number of options in thousands)</i>  | Number<br>of<br>Options | Weighted<br>Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life in Years |
|--|-------------------------|---------------------------------------|--|
| Options outstanding at December 28, 2014 | 196                     | \$ 27.67                              | 6.5  |
| Granted                                  | 95                      | 30.66                                 |  |
| Options outstanding at March 29, 2015    | 291                     | 28.66                                 | 7.4  |
| Forfeited                                | (75)                    | 31.25                                 |  |
| Expired                                  | (5)                     | 10.98                                 |  |
| Options outstanding at June 28, 2015     | 211                     | 28.15                                 | 6.5  |

Weighted-average values and assumptions for valuing grants made:

|  | Six months<br>ended |             |
|--|---------------------|-------------|
|  | June 28, 2015       | Fiscal 2014 |
| Weighted average fair value of options granted | \$ 7.55             | \$ 10.42    |
| Expected life (in years)                       | 3.9                 | 4.8         |
| Expected stock volatility                      | 37.4%               | 41.9%       |
| Risk-free interest rate                        | 1.0%                | 1.4%        |

Common Share Repurchases

On May 1, 2012, our board of directors approved a stock repurchase program that authorized the repurchase of up to 1.0 million shares of our common stock in both the open market or through privately negotiated transactions. During the first six months of 2015, the Company used approximately \$5.7 million to repurchase 195,899 shares at an average price of \$28.92, excluding commissions. Since the program was adopted in May 2012, we have completed the program, repurchasing a total of 1.0 million shares for approximately \$18.6 million at an average market price per share of \$18.57, excluding commissions.

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

We have a pre-tax salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. In fiscal 2015 and 2014, we matched 25.0% of the employee's contribution up to 4.0% of their earnings. Employee contributions were approximately \$91,000 and \$123,000 for the second quarter of fiscal years 2015 and 2014, respectively. The employer match was \$16,000 and \$22,000, respectively, for the second quarter of fiscal years 2015 and 2014. For the six months ended June 28, 2015 and June 29, 2014, eligible participants contributed approximately \$207,000 and \$269,000, respectively, to the plan and the Company provided matching funds of approximately \$35,000 and \$48,000, respectively. There were no discretionary contributions to the plan during the first six months of fiscal year 2015 and fiscal year 2014.

**Table of Contents**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**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. In fiscal 2015 and 2014, we matched 25.0% of the first 4.0% contributed and paid a declared interest rate of 6.0% on balances outstanding. The board of directors administers the Deferred Compensation Plan and may change the 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.

For the quarters ended June 28, 2015 and June 29, 2014, eligible participants contributed approximately \$5,000 and \$25,000 to the Deferred Compensation Plan, respectively. The Company provided matching funds and interest of approximately \$8,000 and \$16,000 for the quarters ended June 28, 2015 and June 29, 2014, respectively. Distributions for the quarters ended June 28, 2015 and June 29, 2014 were \$57,000 and \$0, respectively. For the six months ended June 28, 2015 and June 29, 2014, eligible participants contributed approximately \$23,000 and \$60,000, respectively, to the Deferred Compensation Plan and the Company provided matching funds and interest of approximately \$17,000 and \$35,000, respectively. Distributions for the six months ended June 28, 2015 and June 29, 2014 were \$15,000 and \$86,000, respectively. The balance of the Plan for the quarters ended June 28, 2015 and December 28, 2014 was approximately \$545,000 and \$633,000, respectively. Of this balance approximately \$111,000 and \$224,000 was recorded in current liabilities and the remaining balance was recorded in other liabilities at June 28, 2015 and December 28, 2014, respectively.

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

In accordance with FASB 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. Restaurant sites that are operating but have been previously

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

impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Following is a summary of these events for the three and six months ended June 28, 2015 and June 29, 2014.

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

| <b>Restaurants</b> | <b>Reason</b>                               | <b>Three Months Ended<br/>June 28, 2015</b> | <b>Six Months Ended<br/>June<br/>28, 2015</b> |
|--------------------|---|---|---|
| Smithtown, NY      | Asset impairment <sup>(1)</sup>             | \$ 935                                      | \$ 935  |
| Richmond, VA area  | Costs for closed restaurants                | 36  | 128   |
| Décor Warehouse    | Asset impairment <sup>(2)</sup>             | (13)  | (10)  |
| Eden Prairie, MN   | Costs for closed restaurants <sup>(3)</sup> | (77)  | (77)  |
| <b>Total</b>       |   | <b>\$ 881</b>                               | <b>\$ 976</b>                                 |

<sup>(1)</sup> Asset impairment calculated at June 28, 2015 based upon anticipated sale of Smithtown restaurant.

<sup>(2)</sup> The three months ended June 28, 2015 include approximately \$13,000 in proceeds from the sale of the remaining inventory of the Décor Warehouse.

<sup>(3)</sup> The three months ended June 28, 2015 include approximately \$115,000 in benefits from the recapture of deferred rent benefits.

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

| <b>Restaurants</b>    | <b>Reason</b>                               | <b>Three Months Ended<br/>June 29, 2014</b> | <b>Six Months Ended<br/>June 29, 2014</b> |
|-----------------------|---|---|---|
| Various               | Asset impairment <sup>(1)</sup>             | \$ 342                                      | \$ 342                                    |
| Salisbury, MD         | Costs for closed restaurants <sup>(2)</sup> | 8   | 107                                       |
| Décor Warehouse       | Lease termination costs <sup>(3)</sup>      | 94  | 94  |
| Salisbury, MD         | Lease termination costs <sup>(4)</sup>      |   | 19  |
| <b>Total for 2014</b> |   | <b>\$ 102</b>                               | <b>\$ 562</b>                             |

<sup>(1)</sup> Change in strategic direction regarding décor resulted in the impairment of the décor located in the Company's restaurants.

<sup>(2)</sup> The Company incurred various costs for the closure of the Salisbury, MD restaurant.

<sup>(3)</sup> Lease termination costs associated with closure of the Décor Warehouse.

<sup>(4)</sup> Lease termination costs associated with closure of the restaurant, net of deferred rent credit.

**(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:

Edgar Filing: FAMOUS DAVES OF AMERICA INC - Form 10-Q

*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.

- 15 -

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

*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, property and equipment, and performance stock units, in each case measured at fair value in our consolidated balance sheet as of December 28, 2014 and June 28, 2015:

|                              | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|------------------------------|----------------|----------------|----------------|--------------|
| Balance at December 28, 2014 |                |                |                |              |
| <b>Assets</b>                |                |                |                |              |
| Assets Held for Sale         | \$             | \$             | \$ 2,500       | \$ 2,500     |
| Property and Equipment       | \$             | \$             | \$ 648         | \$ 648       |
| <b>Liabilities</b>           |                |                |                |              |
| Performance Stock Units      | \$ 38          | \$             | \$             | \$ 38        |
| Balance at June 28, 2015     |                |                |                |              |
| <b>Assets</b>                |                |                |                |              |
| Assets Held for Sale         | \$             | \$             | \$ 4,187       | \$ 4,187     |
| Property and Equipment       | \$             | \$             | \$ 559         | \$ 559       |
| <b>Liabilities</b>           |                |                |                |              |
| Performance Stock Units      | \$ 35          | \$             | \$             | \$ 35        |

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. Property and Equipment, net, recorded at fair value were valued based upon either a Real Estate Broker's Estimate of Value or estimated discounted future cash flows. These assets were adjusted to net realizable value at either December 28, 2014 or June 28, 2015 based upon the decision to dispose of the property. As no further impairment indicators are present, no further adjustments have been made subsequently.

The performance stock units are measured on a recurring basis and classified as other long-term liabilities on our balance sheet.

**Table of Contents****FAMOUS DAVES OF AMERICA, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(13) Supplemental Cash Flow Information**

|   | <b>Six Months Ended</b>  |                          |
|---|--------------------------|--------------------------|
|   | <b>June 28,<br/>2015</b> | <b>June 29,<br/>2014</b> |
| <i>(in thousands)</i>   |                          |                          |
| Cash paid for interest  | \$ 364                   | \$ 499                   |
| Cash paid for income taxes, net of refunds  | \$ 334                   | \$ 287                   |
| <b>Non-cash investing and financing activities:</b>   |                          |                          |
| Reclassification of additional-paid-in-capital to payroll taxes payable for performance shares issued | \$                       | \$ 863                   |
| Increase (reduction) in accrued property and equipment purchases                                      | \$ 8                     | \$ (38)                  |

**(14) Recently Issued Accounting Pronouncement**

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

**(15) Subsequent Events**

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

On July 11, 2015, Edward H. Rensi resigned as a member of the Board, effective immediately. On July 13, 2015, Brett D. Heffes resigned as a member of the Board, effective immediately. Effective July 14, 2015, the Board elected Joseph M. Jacobs and Richard A. Shapiro to serve as directors of the Company, filling two existing vacancies on the Board. Effective upon Messrs. Jacobs and Shapiro's election to the Board, David J. Mastrocola resigned as a member of the Board. Mr. Jacobs was appointed to replace Mr. Mastrocola as the Board's Chairman. On July 27, 2015 and July 31, 2015, respectively, the Company announced the appointments of Anand D. Gala and Bryan L. Wolff to the Company's Board of Directors. Mr. Wolff was also appointed to serve as Chair of the Company's audit committee. On August 5, 2015, Abelardo Ruiz was appointed Chief Operating Officer.

On July 20, 2015 the Company completed the sale of one of its three properties in the Richmond, Virginia area, receiving net proceeds of approximately \$1.0 million, resulting in a net gain on the sale of approximately \$200,000.



---

**Table of Contents**

**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 June 28, 2015, there were 183 Famous Dave s restaurants operating in 34 states, the Commonwealth of Puerto Rico and one Canadian province, including 49 company-owned restaurants and 134 franchise-operated restaurants. An additional 59 franchise restaurants were in various stages of development as of June 28, 2015.

***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 3, 2016 (fiscal 2015) is a 53 week fiscal year while December 28, 2014 (fiscal 2014) was a 52 week fiscal year.

***Revenue***

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

***Costs and Expenses***

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

**Table of Contents****FAMOUS DAVES 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 (MITs) 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 |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 28,<br>2015   | June 29,<br>2014 | June 28,<br>2015 | June 29,<br>2014 |
| Food and beverage costs <sup>(1)</sup>  | 30.4%              | 28.9%            | 30.4%            | 29.1%            |
| Labor and benefits costs <sup>(1)</sup>   | 31.7%              | 30.9%            | 32.5%            | 32.0%            |
| Operating expenses <sup>(1)</sup>   | 27.8%              | 26.4%            | 27.9%            | 26.6%            |
| Restaurant level cash flow margins <sup>(1)(3)</sup>                                    | 10.1%              | 13.8%            | 9.2%             | 12.3%            |
| Depreciation & amortization (restaurant level) <sup>(1)</sup>                           | 3.9%               | 3.6%             | 4.0%             | 4.0%             |
| Asset impairment and estimated lease termination and other closing costs <sup>(1)</sup> | 2.7%               | 0.3%             | 1.6%             | 0.8%             |
| Pre-opening expenses and net loss on disposal of equipment <sup>(1)</sup>               | 0.1%               |                  |                  | 0.6%             |
| Costs and expenses (restaurant level) <sup>(1)</sup>                                    | 96.6%              | 90.1%            | 96.4%            | 93.1%            |
| Restaurant level margin <sup>(1)(4)</sup>   | 3.4%               | 9.9%             | 3.6%             | 6.9%             |
| Depreciation & amortization (corporate level) <sup>(2)</sup>                            | 0.5%               | 0.4%             | 0.5%             | 0.5%             |
| General and administrative expenses <sup>(2)</sup>                                      | 13.3%              | 9.7%             | 14.1%            | 10.7%            |
| Total costs and expenses <sup>(2)</sup>   | 96.9%              | 89.3%            | 97.6%            | 92.9%            |
| Income from operations <sup>(2)</sup>   | 3.1%               | 10.7%            | 2.4%             | 7.1%             |

(1) As a percentage of restaurant sales, net

(2) As a percentage of total revenue

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

(4) Restaurant level margin is equal to restaurant level cash flow margins less restaurant level depreciation and amortization, asset impairment and estimated lease termination and other closing costs, pre-opening expenses and net loss on disposal of equipment.

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 December 28, 2014.

**Results of Operations** *Three and Six months ended June 28, 2015 compared to Three and Six months ended June 29, 2014.***Total Revenue**

Total revenue of approximately \$37.4 million for the second quarter of fiscal 2015 decreased approximately \$4.5 million, or 10.8%, from \$41.9 million for the comparable quarter in fiscal 2014. For the six months ended

**Table of Contents**

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

June 28, 2015, total revenue of approximately \$70.0 million decreased approximately \$7.6 million, or 9.7%, from revenue of approximately \$77.6 million, for the six months ended June 29, 2014.

***Restaurant Sales, net***

Restaurant sales were approximately \$32.2 million for the second quarter of fiscal 2015 compared to approximately \$36.9 million for the same period in fiscal 2014, reflecting a 12.7% decrease driven by a comparable restaurant sales decrease of 9.2% combined with the closure of three company-owned restaurants since the end of the second quarter of 2014. Comparable sales for Company-owned restaurants open 24 months or more decreased 9.2% compared to a decrease of 5.2% for the same period in 2014. This reflected a 9.6% comparable sales decline in On-Premise sales on a weighted basis, partially offset by a 0.3% increase in Catering comparable sales.

Restaurant sales for the six months ended June 28, 2015 were approximately \$60.3 million compared to approximately \$68.1 million for the six months ended June 29, 2014, reflecting a 11.5% decrease. This decline was due to a year-to-date comparable restaurant sales decline of 7.3% as compared to a 5.0% decline in the same period of 2014, as well as the closure of three company owned restaurants since the end of the second quarter of 2014.

***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 \$4.9 million for the second quarter of fiscal 2015, compared to \$4.7 million for the second quarter of fiscal 2014. Royalty revenue was essentially flat year over year, while franchise fee revenue increased approximately \$150,000, primarily due to area development fees associated with a new international development agreement for the United Arab Emirates of \$250,000.

Franchise-related revenue was approximately \$9.2 million for the six months ended June 28, 2015 which was up slightly from the six months ended June 29, 2014.

***Licensing and Other Revenue***

Licensing revenue includes royalties from a retail line of business, including sauces, rubs, marinades and seasonings. Other revenue includes opening assistance and training we provide to our franchise partners. For the second quarter of fiscal 2015, licensing royalty revenue was approximately \$319,000 compared to approximately \$293,000 for the comparable period of fiscal 2014. Licensing royalty revenue was approximately \$506,000 for the six months ended June 28, 2015 as compared to \$458,000 for the comparable period of fiscal 2014.

Other revenue for the fiscal 2015 second quarter was approximately \$16,000 compared to \$43,000 for the comparable prior year's third quarter. Other revenue for the six months ended June 28, 2015 was approximately \$14,000 compared to approximately \$54,000 for the comparable period of fiscal 2014. Changes in both periods were due to the timing of new franchise restaurant openings year-over-year.

***Comparable Restaurant Net Sales***

It is our policy to include in our comparable restaurant net sales base, restaurants that are open year round and have been open at least 24 months. Comparable restaurant net sales for company-owned restaurants for the second quarter of fiscal 2015 decreased 9.2% from that of the same period in the prior year, compared to fiscal 2014's second quarter decrease of 5.2% over the comparable fiscal 2013 period. At the end of the second quarter of fiscal 2015 and the second quarter of fiscal 2014, there were 47 and 49 restaurants included in the company-owned comparable sales base, respectively.

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

Comparable restaurant net sales for company-owned restaurants open at least 24 months for the six months ended June 28, 2015 decreased 7.3% from that of the prior year period, compared to fiscal 2014's decrease of 5.0% over the comparable fiscal 2013 period. For the six months ended June 28, 2015 and June 29, 2014, there were 47 and 49 restaurants included in the company-owned comparable sales base, respectively.

Comparable restaurant net sales for franchise-operated restaurants for the second quarter of fiscal 2015 decreased 3.3% from that of the prior year period compared to fiscal 2014's second quarter decrease of 2.8% over the comparable fiscal 2013 period. For the second quarter of 2015 and the second quarter of 2014, there were 123 and 121 restaurants included in the franchise-operated comparable sales base.

Comparable restaurant net sales for franchise-operated restaurants for the first six months of fiscal 2015 and fiscal 2014 decreased 1.4% and 3.0%, respectively, from their respective comparable prior year periods. For the first six months of fiscal 2015 and fiscal 2014, there were 122 and 119 restaurants, respectively, included in the franchise-operated 24 month comparable sales base.

**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 second quarter of fiscal 2015 and fiscal 2014:

|                                  | Three Months Ended |                  | Six Months Ended |                  |
|----------------------------------|--------------------|------------------|------------------|------------------|
|                                  | June 28,<br>2015   | June 29,<br>2014 | June 28,<br>2015 | June 29,<br>2014 |
| <b>Average Weekly Net Sales:</b> |                    |                  |                  |                  |
| Company-Owned                    | \$ 49,619          | \$ 53,532        | \$ 46,426        | \$ 48,980        |
| Full-Service (43)                | \$ 51,217          | \$ 55,646        | \$ 47,998        | \$ 50,884        |
| Counter-Service (6)              | \$ 39,695          | \$ 39,639        | \$ 36,721        | \$ 36,331        |
| Franchise-Operated               | \$ 54,013          | \$ 55,234        | \$ 52,118        | \$ 52,629        |
| <b>Operating Weeks:</b>          |                    |                  |                  |                  |
| Company-Owned                    | 649                | 689              | 1,299            | 1,391            |
| Franchise-Operated               | 1,736              | 1,811            | 3,488            | 3,621            |

**Food and Beverage Costs**

Food and beverage costs for the second quarter of fiscal 2015 were approximately \$9.8 million or 30.4% of net restaurant sales, compared to approximately \$10.7 million or 28.9% of net restaurant sales for the second quarter of fiscal 2014. This year-over-year increase resulted from anticipated increases in contracted food costs. Food and beverage costs for the first six months of fiscal 2015 were approximately \$18.3 million or 30.4% of net restaurant sales compared to approximately \$19.8 million or 29.1% of net restaurant sales for the comparable period of fiscal 2014.

**Labor and Benefits Costs**

Labor and benefits costs for the second quarter ended June 28, 2015 were approximately \$10.2 million or 31.7% of net restaurant sales, compared to approximately \$11.4 million or 30.9% of net restaurant sales for the three months ended June 29, 2014. This increase as a percent of net restaurant sales was primarily due to sales deleveraging on fixed and management labor costs. Labor and benefits for the six months ended June 28, 2015

**Table of Contents**

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

were approximately \$19.6 million, or 32.5% of net restaurant sales, compared to approximately \$21.8 million, or 32.0% of net restaurant sales, for the six months ended June 29, 2014.

***Operating Expenses***

Operating expenses for the second quarter of fiscal 2015 were approximately \$9.0 million, or 27.8% of net restaurant sales, compared to operating expenses of approximately \$9.7 million, or 26.4% of net restaurant sales, for the second quarter of fiscal 2014. This increase in operating expenses as a percentage of net sales was the result of sales deleverage on fixed operating and occupancy costs. These costs were partially offset by a decline in utility, repairs and maintenance, and advertising costs. Operating expenses for the six months ended June 28, 2015 were approximately \$16.8 million, or 27.9% of net restaurant sales, compared to approximately \$18.1 million, or 26.6% of net restaurant sales, for the six months ended June 29, 2014.

During the second quarter of 2015, advertising as a percentage of net sales was 2.0%, which was essentially flat to the comparable period of 2014. In the second quarter of 2015 there was a 1.0% marketing contribution while in the second quarter of 2014 there was a 0.75% marketing fund contribution.

***Depreciation and Amortization***

Depreciation and amortization expense for the second quarter of 2015 was approximately \$1.4 million, or 3.6% of total revenue, which was essentially flat compared to the second quarter of fiscal 2014. Depreciation and amortization expense for the six months ended June 28, 2015 and June 29, 2014 was approximately \$2.7 million and \$3.0 million, respectively, and was 3.6% and 3.9%, respectively, of total revenue.

***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 second quarter of either 2015 or 2014. During the six months ended June 28, 2015 and June 29, 2014, we incurred pre-opening expenses of \$1,000 and \$7,000, respectively.

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

In accordance with FASB 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. Restaurant sites that are operating but have been previously impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Following is a summary of these events for the three and six months ended June 28, 2015 and June 29, 2014.

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

| Restaurants       | Reason                                      | Three Months Ended | Six Months Ended |
|-------------------|---|--------------------|------------------|
|                   |   | June 28, 2015      | June 28, 2015    |
| Smithtown, NY     | Asset impairment <sup>(1)</sup>             | \$ 935             | \$ 935           |
| Richmond, VA area | Costs for closed restaurants                | 36                 | 128              |
| Décor Warehouse   | Asset impairment <sup>(2)</sup>             | (13)               | (10)             |
| Eden Prairie, MN  | Costs for closed restaurants <sup>(3)</sup> | (77)               | (77)             |
| <b>Total</b>      |   | <b>\$ 881</b>      | <b>\$ 976</b>    |

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

(2) The three months ended June 28, 2015 include approximately \$13,000 in proceeds from the sale of the remaining inventory of the Décor Warehouse.

(3) The three months ended June 28, 2015 include approximately \$115,000 in benefits from the recapture of deferred rent benefits.

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

| Restaurants     | Reason                                      | Three Months Ended | Six Months Ended |
|-----------------|---|--------------------|------------------|
|                 |   | June 29, 2014      | June 29, 2014    |
| Various         | Asset impairment <sup>(1)</sup>             | \$ 342             | \$ 342           |
| Salisbury, MD   | Costs for closed restaurants <sup>(2)</sup> | 8                  | 107              |
| Décor Warehouse | Lease termination costs <sup>(3)</sup>      | 94                 | 94               |
| Salisbury, MD   | Lease termination costs <sup>(4)</sup>      |                    | 19               |
| <b>Total</b>    |   | <b>\$ 102</b>      | <b>\$ 562</b>    |

(1) Change in strategic direction regarding décor resulted in the impairment of the décor located in the Company's restaurants.

(2) The Company incurred various costs for the closure of the Salisbury, MD restaurant.

(3) Lease termination costs associated with closure of the Décor Warehouse.

(4) Lease termination costs associated with closure of the restaurant, net of deferred rent credit.

***General and Administrative Expenses***

General and administrative expenses for the second quarter of 2015 were approximately \$5.0 million, or 13.3% of total revenue, compared to approximately \$4.1 million, or 9.7% of total revenue, for the second quarter of fiscal 2014. This year over year increase was the result of \$478,000 of brand development related professional fees, an increase of approximately \$338,000 in the allowance for doubtful accounts, and a \$299,000 increase in stock-based compensation as a result of prior year recaptures for executive departures. These increases were partially offset by lower severance costs incurred for executive departures in the second quarter of 2015 as compared with the corresponding 2014 period.

General and administrative expenses for the first six months of fiscal 2015 were approximately \$9.9 million, or 14.1% of total revenue, compared to approximately \$8.3 million, or 10.7% of total revenue, for the first six months of fiscal 2014.

---

**Table of Contents**

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

***Interest Expense***

Interest expense was approximately \$227,000, or 0.6% of total revenue, for the second quarter of fiscal 2015, compared to approximately \$237,000, or 0.6% of total revenue, for the comparable fiscal 2014. This decrease reflects lower interest rates. This category includes interest expense for our term loan until its extinguishment in May of 2015, financing lease obligations, line of credit, and interest for deferrals made under our non-qualified deferred compensation plan.

Interest expense was approximately \$435,000, or 0.6% of total revenue, for the first six months of fiscal 2015 and approximately \$500,000, or 0.6% of total revenue, for the first six months of fiscal 2014.

***Provision for Income Taxes***

For the second quarter of 2015, we recorded an estimated tax provision of approximately \$283,000, or 30.2% of income before income taxes. This compares to an estimated tax expense of approximately \$1.4 million, or 32.8% of income before income taxes, for the second quarter of 2014. For the six months ended June 28, 2015, our tax provision was approximately \$392,000, or 31.5% of income before income taxes. This compares to an estimated tax expense of approximately \$1.7 million, or 32.9% of income before income taxes, for the six months ended June 29, 2014.

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

Net income for the three months ended June 28, 2015 was approximately \$654,000, or \$0.09 per basic and diluted share, respectively, on approximately 6,974,000 weighted average basic shares outstanding and 6,993,000 weighted average diluted shares outstanding, respectively. Net income for the three months ended June 29, 2014 was approximately \$2.9 million, or \$0.39 per basic and diluted on approximately 7,219,000 weighted average basic shares outstanding and 7,250,000 weighted average diluted shares outstanding, respectively.

Net income for the six months ended June 28, 2015 was approximately \$851,000, or \$0.12 per basic and diluted share, respectively, on approximately 7,016,000 weighted average basic shares outstanding and approximately 7,037,000 weighted average diluted shares outstanding, respectively. Net income for the six months ended June 29, 2014 was approximately \$3.4 million, or \$0.47 per basic share and \$0.46 per diluted share, respectively, on approximately 7,229,000 weighted average basic shares outstanding and approximately 7,260,000 weighted average diluted shares outstanding, respectively.

***Financial Condition, Liquidity and Capital Resources***

Our balance of unrestricted cash and cash equivalents was approximately \$1.8 million at June 28, 2015 and approximately \$2.1 million at December 28, 2014.

Our current ratio, which measures our immediate short-term liquidity, was 1.26 at June 28, 2015 and 0.96 at December 29, 2014. The current ratio is computed by dividing total current assets by total current liabilities. The increase in our current ratio was primarily due to an increase in assets held for sales as well as in accounts receivable and prepaid expenses, combined with a reduction in accrued compensation. As is true with most restaurant companies, we often operate in a negative working capital environment due to the fact that we receive payment at the point of sale from customers and then pay our vendors on a delayed basis.

Net cash provided by operating activities for the six months ended June 28, 2015 was approximately \$3.1 million and reflects net income of approximately \$851,000, depreciation and amortization of approximately \$2.7

**Table of Contents**

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

million, and amortization of \$1.0 million of deferred financing costs, offset by a \$938,000 reduction in accrued compensation and a \$815,000 increase in accounts receivable.

Net cash provided by operating activities for the six months ended June 29, 2014 was approximately \$7.1 million, reflecting net income of approximately \$3.4 million, depreciation and amortization of approximately \$3.0 million, asset impairment and estimated lease termination and other closing costs of \$562,000, and a net loss on disposal of property of \$421,000. These were partially offset by a decrease in accounts payable of \$1.2 million, a tax benefit for equity awards issued of \$848,000, and a recapture of stock-based compensation of \$780,000.

Net cash used for investing activities was approximately \$2.8 million for the first six months of fiscal 2015, used for capital expenditures for our existing restaurants and other infrastructure projects. During the first six months of 2014, we used approximately \$1.1 million for capital expenditures for our existing restaurants and for other infrastructure projects, offset by approximately \$95,000 in proceeds from the sale of décor located in our warehouse.

Net cash used by financing activities was approximately \$598,000 in the first six months of fiscal 2015. Net cash used by financing activities was approximately \$5.1 million for the comparable period in fiscal 2014. During the first six months of 2015, we made draws of \$14.2 million on our line of credit and made repayments of \$8.7 million. We used approximately \$5.7 million to repurchase 195,899 shares in the first six months of fiscal 2015. During the six months ended June 29, 2014, we made draws of \$10.2 million on our line of credit and made repayments of \$14.6 million. We also used approximately \$869,000, excluding commissions, to repurchase 45,063 shares. We paid an additional \$81,000 for shares repurchased at the end of fiscal 2013 under the May 2012 share repurchase program.

On May 8, 2015, the Company and certain of its subsidiaries (collectively known as the Borrower ) entered into a Third Amended and Restated Credit Agreement (the Amendment ), which amended and restated the Company s Second Amended and Restated Credit Agreement with Wells Fargo Bank, National Association. Pursuant to the Amendment, the Credit Agreement was amended and restated, providing an aggregate maximum loan commitment of \$35.0 million, with loans consisting of a \$5.0 million revolving Facility and a \$30.0 million term loan facility utilizing development loans having a 10-year, mortgage-style amortization. It continues to have up to \$3.0 million of letters of credit which reduce the availability of the Facility. The Credit Agreement will expire on May 8, 2020. At June 28, 2015, the principal amount outstanding under the Facility was \$14.2 million, along with approximately \$455,000 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. We expect to use any borrowings under the Credit Agreement for general working capital purposes as needed. Under the Credit Agreement, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate or Base Rate plus an applicable margin. The applicable margin depends on the Company s Adjusted Leverage Ratio, as defined in the Credit Agreement at the end of the previous quarter. For the six months ended June 28, 2015 and June 29, 2014, our weighted average interest rate for the Facility was 2.67% and 2.87%, respectively. Unused portions of the Facility are subject to a fee, which was 0.375% of the unused amount at June 28, 2015.

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 various financial covenants and customary affirmative and negative covenants, please refer to the full text of the Amendment filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the period ended March 29, 2015 and the audited consolidated financial statement and notes thereto included our Annual Report on Form 10-K for the fiscal year ended December 28, 2014. We were in compliance with all covenants as of June 28, 2015.



**Table of Contents**

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

**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 December 28, 2014.

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

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 December 28, 2014. The accounting policies used in preparing our interim 2015 consolidated financial statements are the same as those described in our Fiscal 2014 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 , estimate projects , believes , expects , intends , target , goal , plans , objective , should or similar expressions identify forward-looking statements 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 I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014. 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.

---

**Table of Contents**

**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, 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 June 28, 2015 was approximately \$17.6 million, including our line of credit, and financing lease obligations. The terms of our credit facility with Wells Fargo Bank, National Association, as administrative agent and lender are discussed above under *Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources*.

Some of the food products purchased by us are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors that are outside our control. To control this risk in part, we have fixed-priced purchase commitments for food from vendors. In addition, we believe that substantially all of our food is available from several sources, which helps to control food commodity risks. We have secondary source suppliers for certain items and in 2015 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.

**Table of Contents****FAMOUS DAVES OF AMERICA, INC. AND SUBSIDIARIES**

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

**PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

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

**Item 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS**

On May 1, 2012, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to 1.0 million additional shares of our common stock in both the open market or through privately negotiated transactions. We repurchased 77,689 shares during the three months ended June 28, 2015 for approximately \$2.0 million at an average market price per share of \$28.82, excluding commissions. Since the program was adopted in May 2012, we have repurchased 1.0 million shares for approximately \$18.6 million at an average market price per share of \$18.57, excluding commissions.

| <b>Period</b>                              | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share<sup>(1)</sup></b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(2)</sup></b> | <b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs</b> |
|--|---|---|---|---|
| Month #4 (March 30, 2015 - April 26, 2015) |   |   |   | 77,689  |
| Month #5 (April 27, 2015 - May 24, 2015)   | 77,689                                  | 26.26   | 77,689  |   |
| Month #6 (May 25, 2015 - June 28, 2015)    |   |   |   |   |

<sup>(1)</sup> Excluding commissions.

<sup>(2)</sup> Shares purchased under the publically announced 1.0 million share repurchase plan adopted May 1, 2012.

**Table of Contents**

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

**Item 5. Other Information.**  
None.

- 29 -

**Table of Contents**

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

**Item 6. EXHIBITS**

|         |  |
|---------|--|
| 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   |

**Table of Contents**

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

**SIGNATURES**

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

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

**( Registrant )**

Dated: August 7, 2015

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

Dated: August 7, 2015

/s/ Richard A. Pawlowski  
Richard A. Pawlowski  
Chief Financial Officer  
  
(Principal Financial Officer)

**Table of Contents**

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

**Exhibit**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 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   |