FAMOUS DAVE'S OF AMERICA, INC.
12701 Whitewater Drive, Suite 200
Minnetonka, Minnesota 55343

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 2, 2017

TO THE SHAREHOLDERS OF FAMOUS DAVE'S OF AMERICA, INC.:

Please take notice that the annual meeting of shareholders of Famous Dave's of America, Inc. (the "Annual Meeting") will be held, pursuant to due call by the Board of Directors of the Company, at the Company's office at 12701 Whitewater Drive, Minnetonka, Minnesota, on Tuesday, May 2, 2017, at 3:00 p.m., or at any adjournment or adjournments thereof, for the purpose of considering and taking appropriate action with respect to the following:

1. The election of six directors;
2. The ratification of the appointment of Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2017;
3. Advisory approval of the Company's executive compensation ("say-on-pay"); and
4. The transaction of any other business as may properly come before the Annual Meeting or any adjournments thereof.

Pursuant to due action of the Board of Directors, shareholders of record on March 7, 2017 will be entitled to vote at the Annual Meeting or any adjournments thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 2, 2017.

The proxy statement for the Annual Meeting and the Annual Report to Shareholders for the fiscal year ended January 1, 2017, each of which is included with this Notice, are also available to you on the Internet. We encourage you to review all of the important information contained in the proxy materials before voting. To view the proxy statement and Annual Report to Shareholders on the Internet, visit www.famousdaves.com/proxymaterials.

By Order of the Board of Directors

/s/ Michael W. Lister

Michael W. Lister
Chief Executive Officer and
Chief Operating Officer

March 23, 2017

FAMOUS DAVE'S OF AMERICA, INC.
12701 Whitewater Drive, Suite 200
Minnetonka, Minnesota 55343

PROXY STATEMENT

Annual Meeting of Shareholders to be Held
May 2, 2017

VOTING AND REVOCATION OF PROXY

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Famous Dave's of America, Inc. to be used at the annual meeting of shareholders of the Company (the "Annual Meeting") to be held on Tuesday, May 2, 2017, at 3:00 p.m., at the Company's office at 12701 Whitewater Drive, Minnetonka, Minnesota. Throughout this Proxy Statement, the terms "the Company," "Famous Dave's," "we," "our," "us," and similar terms refer to Famous Dave's of America, Inc.

The Annual Meeting is being held for the purpose of considering and taking appropriate action with respect to the following:

1. The election of six directors;
2. The ratification of the appointment of Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2017;
3. Advisory approval of the Company's executive compensation ("say-on-pay"); and
4. The transaction of any other business as may properly come before the Annual Meeting or any adjournments thereof.

The approximate date on which this Proxy Statement and the accompanying proxy were first sent or provided to shareholders was March 23, 2017.

PROXIES AND VOTING

Registered shareholders may vote in one of three ways: By completing and returning the enclosed proxy card via regular mail or by voting via the Internet or telephone. Specific instructions for using these methods are set forth on the enclosed proxy card. The Internet and telephone procedures are designed to authenticate the shareholder's identity and to allow shareholders to vote their shares and confirm that their instructions have been properly recorded.

The Board of Directors has set the close of business on March 7, 2017 as the "Record Date" for the Annual Meeting. Only holders of the Company's common stock as of the Record Date, or their duly appointed proxies, are entitled to notice of and will be entitled to vote at the Annual Meeting or any adjournments thereof. On the Record Date, there were 6,957,628 shares of the Company's common stock outstanding. Each such share entitles the holder thereof to one vote upon each matter to be presented at the Annual Meeting. A quorum, consisting of a majority of the outstanding shares of the Company's common stock entitled to vote at the Annual Meeting, must be present in person or represented by proxy before action may be taken at the Annual Meeting.

Each proxy returned to the Company will be voted in accordance with the instructions indicated thereon. If no direction is given by a shareholder, the shares will be voted as recommended by the Company's Board of Directors. If any nominee for the Board of Directors should withdraw or otherwise become unavailable for reasons not presently known, the proxies that would have otherwise been voted for such nominee will be voted for such substitute nominee as may be selected by the Board of Directors. If a shareholder abstains from voting on any matter, the abstention will be counted for purposes of determining whether a quorum is present at the Annual Meeting for the transaction of business as well as shares entitled to vote on that matter. On matters other than the election of directors, an action of the shareholders generally requires the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Accordingly, an abstention on any matter other than the election of directors will have the same effect as a vote against that matter. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the Annual Meeting, but are not considered entitled to vote on that particular matter. Consequently, non-votes generally do not have the same effect as a negative vote on the matter.

A shareholder giving a proxy may revoke it at any time before it is exercised by (i) giving written notice of revocation to the Secretary of the Company, (ii) delivering a duly executed proxy bearing a later date, or (iii) voting in person at the Annual Meeting. Presence at the Annual Meeting of a shareholder who has signed a proxy does not, alone, revoke that proxy; revocation must be announced by the shareholder at the time of the Annual Meeting. Unless so revoked, the shares represented by each proxy will be voted at the Annual Meeting and at any adjournments thereof.

NOTICE TO BENEFICIAL OWNERS OF SHARES HELD IN BROKER ACCOUNTS:

New York Stock Exchange Rule 452 prohibits NYSE member organizations from giving a proxy to vote with respect to an election of directors (Proposal No. 1) without receiving voting instructions from a beneficial owner. Because NYSE Rule 452 applies to all brokers that are members of the NYSE, this prohibition applies to the Annual Meeting even though the Company is not listed on the New York Stock Exchange. Therefore, brokers will not be entitled to vote shares at the Annual Meeting with respect to Proposal No. 1 without instructions by the beneficial owner of the shares. **AS A RESULT, BENEFICIAL OWNERS OF SHARES HELD IN BROKER ACCOUNTS ARE ADVISED THAT, IF THEY DO NOT TIMELY PROVIDE INSTRUCTIONS TO THEIR BROKER, THEIR SHARES WILL NOT BE VOTED IN CONNECTION WITH THESE PROPOSALS.**

PROPOSALS

PROPOSAL No. 1 – Election of Directors

The shareholders have set the size of the Board of Directors at eight and we currently have seven directors. Six of these directors have been nominated for re-election at the Annual Meeting, leaving two vacancies. If elected, each nominee has consented to serve as a director of the Company and to hold office until the next annual shareholders' meeting, and until his or her successor is elected and shall have qualified, or until his or her earlier death, resignation, removal or disqualification.

The following paragraphs provide information as of the date of this Proxy Statement about each nominee. The information presented includes information that each nominee has given us about his or her age, all positions he or she holds within the Company, his or her principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, our director nominees have experience in developing and overseeing businesses and implementing near term and long range strategic plans. We also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. Collectively, they have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to our Company and our Board. Although we don't believe that share ownership alone qualifies any person to serve as a director of our Company, we believe that the beneficial ownership of our Board nominees (collectively 27% as of the Record Date) aligns their interests with those of our shareholders and will drive our Board's focus on maximizing shareholder value.

Name and Age of Director and/or Nominee	Principal Occupation, Business Experience For the Past Five Years and Directorships of Public Companies	Director Since
Anand D. Gala Age 43	Mr. Gala has been a director of our Company since July 2015. Mr. Gala is the Founder, President and Chief Executive Officer of Gala Holdings International, a diversified holding company that conducts consulting, restaurant development and management operations. Current portfolio brands under Gala Holdings International ownership and operation include the Company (Famous Dave's) and Fresh Griller. Since 2007, Mr. Gala has also been Founder and Managing Partner of Gala Development Partners, LLC, a firm focused on the acquisition, development and management of commercial real estate comprising retail and office properties. From February 1998 until May 2014, Mr. Gala served as Founder, President and Chief Executive Officer of Golden West Restaurants, Inc., a franchise developer of Applebee's restaurants throughout California. From 2000 until 2010, Mr. Gala served as Founder, President and Chief Executive Officer of Gala AZ Holdings, a developer of Del Taco restaurants in Arizona. Mr. Gala graduated from the University of Southern California with a B. S. in Biology. **Mr. Gala's background in the restaurant industry and his substantial experience in franchise operations, including as a Famous Dave's franchisee, qualify him to serve as a director of our Company. We believe that maintaining good relationships with our franchisees is extremely important to our organization given the impact that franchise operations have on the results of our operations. As a well-respected Famous Dave's franchisee, Mr. Gala is uniquely positioned to advise the Company on matters related to both franchise relations and operations.**	2015
Joseph M. Jacobs Age 64	Mr. Jacobs has been a director on our Board of Directors since July 2015 and served as Chairman of the Board from July 2015 to March 2017. Mr. Jacobs co-founded Wexford Capital LP in 1994 and serves as its President. Mr. Jacobs has primary responsibility for overseeing the activities of Wexford Capital LP's private equity funds. He has also served on the boards and creditors' committees of a number of public and private companies in which Wexford has held investments. From 1982-94, Mr. Jacobs was employed by Bear Stearns & Co., Inc., where he attained the position of Senior Managing Director. While at Bear Stearns, Mr. Jacobs was active in bankruptcies and restructurings and was responsible for all real estate investment banking activities, including debt and equity financing of real estate on both a private and public basis, real estate investment, and advisory services. From 1979-82, he was employed as a commercial lending officer at Citibank, N.A. Mr. Jacobs holds an MBA from Harvard Business School and a BS in economics from the Wharton School of the University of Pennsylvania. **Mr. Jacobs is affiliated with investment funds that collectively hold the largest beneficial ownership stake in the Company (19.2% as of the Record Date). Mr. Jacobs brings the perspective of a professional institutional shareholder to Board discussions, which we believe adds a strategic resource to a Board seeking to maximize shareholder value. Mr. Jacobs' broad knowledge of corporate governance and management, obtained though his experience in overseeing portfolio companies, is also a valuable resource to the Board.**	2015

Charles W. Mooty Age 56	Mr. Mooty joined the Board in December 2016 and began serving as our Chairman of the Board in March 2017. Mr. Mooty currently serves as the president and chief executive officer of Jostens, Inc., a position he has held since January 2014. Prior to his work at Jostens, Inc., from June 2012 to December 2013, Mr. Mooty was employed at Fairview Health Services as the interim president and chief executive officer, as well as chairman of the board of trustees until December 2016. Mr. Mooty has also served as the president and chief executive officer of the Faribault Woolen Mill, starting in May 2011. For twenty-one years, Mr. Mooty was employed by International Dairy Queen, where he held many different positions; among them, the position of president and chief executive officer, as well as chairman of the board. **The Board believes that Mr. Mooty's twenty-one years of experience in the restaurant industry uniquely qualifies him to lead our Board in his role as a non-executive Chairman. In addition, Mr. Mooty brings leadership and insight to our Board from his many years of experience in serving in the role of a board chairman in other organizations.**	2016
Richard A. Shapiro Age 46	Mr. Shapiro joined our Board in July 2015. Mr. Shapiro joined Wexford Capital LP in 2011 and became a Partner in 2014. Mr. Shapiro serves as Portfolio Manager and Co-Head of Equities and is a member of the hedge fund investment committee. From 2007-2011, Mr. Shapiro was a Managing Director and Portfolio Manager at Millennium Management, managing a long-short portfolio. From 2004-2006, Mr. Shapiro was Managing Director and Portfolio Manager in the equities division of Amaranth Advisors. From 1997-1999 and 2001-2004, Mr. Shapiro also gained investment experience at Putnam Investments, 1 to 1 Venture Partners and Lee Munder Capital. Mr. Shapiro holds an MBA from Georgetown University and a BS in Business Administration from the University of California. **Mr. Shapiro offers the perspective of a professional institutional shareholder. Further, Mr. Shapiro's experience in overseeing the management of positions in various investments position him to assist the Board in analyzing strategic opportunities and advise with respect to executing on the Company's overall goals and objectives.**	2015
Patrick D. Walsh Age 40	Mr. Walsh has been a director of our Company since May 2013. Since August 2012, Mr. Walsh has been Managing Member and Chief Executive Officer of PW Partners, LLC and PW Partners Atlas Funds, LLC, each the general partner of PW Partners Master Fund LP and PW Partners Atlas Fund LP, respectively. Each of PW Partners Master Fund LP and PW Partners Atlas Fund LP is a value-oriented, fundamentally-driven, private investment fund. In addition, since September 2012, Mr. Walsh has served as Managing Member of PW Partners Capital Management LLC, the management company with respect to each of PW Partners Atlas Fund LP and PW Partners Master Fund LP. From December 2011 to August 2012, Mr. Walsh was Managing Partner of PWK Partners, LLC, a value-oriented, private investment firm. From September 2011 to December 2011, Mr. Walsh was engaged in activities relating to the formation of PWK Partners, LLC and its affiliated funds. From March 2008 to September 2011, Mr. Walsh was a Partner at Oak Street Capital Management, LLC, a long-short, value-oriented, private investment management firm. From August 2004 to February 2008, Mr. Walsh was a Vice President in the Real Estate, Gaming, Lodging and Leisure Investment Banking Group of Deutsche Bank Securities, Inc., a subsidiary of Deutsche Bank AG conducting investment banking and securities activities in the United States. Mr. Walsh is a Chartered Financial Analyst. He received a B.S. in accountancy from Boston College. *Committees: Audit and Compensation (Chair).* **Mr. Walsh is a sophisticated investor who has an extensive background in financial analysis, a broad understanding of the operational, financial and strategic issues facing public companies, and significant experience in the restaurant industry through past investments. In light of his education, background and experience, and his significant beneficial ownership stake in the Company (5.4% beneficial ownership as of the Record Date), the Board believes that Mr. Walsh brings the perspective of a professional institutional shareholder to Board discussions, and provides the Board with a strategic focus on maximizing shareholder value.**	2013

Bryan L. Wolff Age 38	Mr. Wolff has served as a director of the Company since July 2015. Since August 2015, he has served as Chief Financial Officer of ThriveMarket, Inc., a healthy and organic food ecommerce company. From September 2014 to August 2015, he served as Chief Financial Officer of DogVacay, Inc., an online service connecting pet owners with sitters across the U.S. and Canada. From January 2012 until August 2014, Mr. Wolff served as Chief Financial Officer of Bonobos, Inc., a men's fashion and accessories retailer. From March 2010 through December 2011, Mr. Wolff was an Analyst at Luxor Capital, LP. Mr. Wolff earned a Masters of Business Administration from Stanford Graduate School of Business. *Committees: Audit (Chair), Compensation, and Corporate Governance and Nominating (Chair).* **Mr. Wolff's has served as Chief Financial Officer and led the finance and accounting functions at multiple companies, qualifying him to serve on the Company's Board of Directors and its Audit Committee as an "audit committee financial expert." Based on his background and experience, Mr. Wolff is qualified to assist the Board in overseeing the Company's financial and accounting functions and evaluating the Company's internal controls over financial reporting.**	2015

Vote Required

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the six nominees named above. If you do not vote for a particular nominee, or you withhold authority for one or all nominees, your vote will not count either "for" or "against" the nominee, although it will be counted for purposes of determining whether there is a quorum. If any director nominee should withdraw or otherwise become unavailable for reasons not presently known, the proxies which would have otherwise been voted for that director nominee may be voted for a substitute director nominee selected by the Company's Board of Directors.

The Board recommends that you vote FOR the election of each named nominee.

PROPOSAL No. 2 – Ratification of the Appointment of Independent Registered Public Accounting Firm

The Board of Directors and management of the Company are committed to the quality, integrity and transparency of the Company's financial reports. In accordance with the duties set forth in its written charter, the Audit Committee of the Company's Board of Directors has appointed Grant Thornton LLP as the Company's independent registered public accounting firm for the 2017 fiscal year. A representative of Grant Thornton LLP is expected to attend this year's Annual Meeting and be available to respond to appropriate questions from shareholders, and will have the opportunity to make a statement if he or she desires to do so.

Fees Billed to Company by Its Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and 401(k) audit services, tax services and other services rendered by Grant Thornton LLP during fiscal years 2016 and 2015:

	2016	2015
Audit Fees (1)	$361,643	$303,342
Audit-Related Fees (2)	$ 19,500	$ 16,353
Tax Fees (3)	—	—
All Other Fees (4)	—	—
Total Fees	$381,143	$319,695

(1) Audit Fees consist of fees for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees consist principally of assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements but not reported under the caption *Audit Fees* above, including the 401(k) audit.

(3) Tax Fees consist of fees for tax compliance, tax advice, and tax planning.

(4) All Other Fees typically consist of fees for permitted non-audit products and services provided.

The Audit Committee of the Board of Directors has reviewed the services provided by Grant Thornton LLP during fiscal year 2016 and the fees billed for such services. After consideration, the Audit Committee has determined that the receipt of these fees by Grant Thornton LLP is compatible with the provision of independent audit services. The Audit Committee discussed these services and fees with Grant Thornton LLP and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the Securities and Exchange Commission to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

Pre-Approval Policy

The Company's Audit Committee charter (a copy of which is available at the Company's website at www.famousdaves.com) provides that all audit and non-audit accounting services that are permitted to be performed by the Company's independent registered public accounting firm under applicable rules and regulations must be pre-approved by the Audit Committee or by designated members of the Audit Committee, other than with respect to de minimus exceptions permitted under the Sarbanes-Oxley Act of 2002. During fiscal 2016, all services performed by Grant Thornton LLP were pre-approved in accordance with the Audit Committee charter.

Prior to or as soon as practicable following the beginning of each fiscal year, a description of the audit, audit-related, tax, and other services expected to be performed by the independent registered public accounting firm in the following fiscal year is presented to the Audit Committee for approval. Following such approval, any requests for audit, audit-related, tax, and other services not presented and pre-approved must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the chairman of the Audit Committee. The chairman must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval. In addition, the Audit Committee has granted pre-approval for the Chief Executive Officer and the Chief Financial Officer to spend up to $5,000 annually in additional permitted audit fees with Grant Thornton LLP, which authority and amount will be reviewed and approved annually.

Vote Required

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal 2017. If the shareholders do not ratify the appointment of Grant Thornton LLP, the Audit Committee may reconsider its selection, but is not required to do so. Notwithstanding the proposed ratification of the appointment of Grant Thornton LLP by the shareholders, the Audit Committee, in its discretion, may direct the appointment of new independent auditors at any time during the year without notice to, or the consent of, the shareholders, if the Audit Committee determines that such a change would be in the best interests of the Company and its shareholders.

The Board recommends that you vote FOR the ratification of Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2017.

PROPOSAL No. 3 – Advisory Vote on Executive Compensation

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, our shareholders are entitled to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the rules of the Securities and Exchange Commission. This "say-on-pay" vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy and policies described in this Proxy Statement.

At the Company's 2013 annual shareholders' meeting, the shareholders were asked to cast an advisory vote on how frequently we should seek an advisory "say-on-pay" vote. In particular, we asked whether the "say-on-pay" vote should occur every three years, every two years, or every one year. As stated in the proxy statement for our 2013 annual shareholders' meeting, our Board recommended that shareholders vote for an annual "say-on-pay" vote to best enable the Board and the Compensation Committee to understand and incorporate the views of our shareholders in structuring our executive compensation programs. At the 2013 annual shareholders' meeting, the option of an annual "say-on-pay" vote received the highest number of votes cast by shareholders. Consistent with this desire for an annual "say-on-pay" vote, we are asking shareholders to indicate their support at the Annual Meeting for the compensation of our named executive officers as described in this Proxy Statement by casting an advisory vote "FOR" the following resolution:

> "RESOLVED, that the shareholders approve the compensation of the "named executive officers" of Famous Dave's of America, Inc., as disclosed in the section entitled "Executive Compensation" in the Proxy Statement for the Famous Dave's of America, Inc. 2017 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission."

The compensation of our named executive officers is disclosed in the section entitled "Executive Compensation" below.

Vote Required

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve, on an advisory basis, the compensation of our named executive officers as described herein. Because the vote is advisory, it will not be binding on the Company, the Board or the Compensation Committee. Nevertheless, the views expressed by our shareholders, whether through this vote or otherwise, are important to us and, accordingly, the Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

The Board recommends that you vote FOR the proposal to approve the compensation of our named executive officers, as described in this Proxy Statement.

Other Matters

The Board of Directors is not aware of any matter to be presented for action at the Annual Meeting other than the three proposals described above. Although the Board of Directors knows of no other matters to be presented at the Annual Meeting, all proxies returned to the Company will be voted on any such matter in accordance with the judgment of the proxy holders.

EXECUTIVE OFFICERS OF THE COMPANY

Name and Title	Age	Principal Occupation, Business Experience for the Past Five Years and Directorships of Public Companies
Michael W. Lister Chief Executive Officer and Chief Operating Officer	56	Michael Lister has served as our Chief Executive Officer and Chief Operating Officer since October 1, 2016. Since 2001, Mr. Lister has been an owner and the president of Famous Five Dining, Inc., which operates five Famous Dave's franchised restaurants in Tennessee. He has served four terms as Chairman of the Franchise Advisory Board prior to his appointment as Chief Executive Officer and Chief Operating Officer. Prior to becoming a franchise owner, he served as the Company's senior vice president of operations from 1997 to 2001.
Dexter A. Newman Chief Financial Officer	37	Mr. Newman has served as our Chief Financial Officer since April 11, 2016. From November 2015 until March 2016, he was an independent business consultant. From November 2013 until October 2015, Mr. Newman served as Vice President and a Division Chief Financial Officer at Bloomin' Brands, a casual dining company with more than 1,400 restaurants in 49 states and 21 countries and territories. He was formerly Bloomin' Brands Vice President and Treasurer, and Head of Risk Management from October 2012 through October 2013. From February 2002 to August 2012 he was employed in numerous roles with Best Buy Co., Inc., a consumer electronics retailer, most recently serving as Senior Director and Chief Financial Officer of Best Buy's Private Brands and Global Sourcing Group, and previously serving as Senior Director and Deputy Treasurer. Prior to his role within Treasury at Best Buy, Mr. Newman worked as Director, Strategy Development and Operations for Best Buy International and held numerous other roles within the company's finance function.

EXECUTIVE COMPENSATION

The following summary compensation table reflects cash and non-cash compensation for the 2015 and 2016 fiscal years awarded to or earned by (i) each individual serving as the principal executive officer of the Company during the 2016 fiscal year ended January 1, 2017; (ii) the other two highest paid individuals who served as executive officers of the Company at the end of such fiscal year; and (iii) the other individual who would have qualified as one of the two highest paid executive officers but for the fact that he was not serving as an executive officer as of the end of the fiscal year (the "named executive officers").

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Options Awards ($)[7]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) [14]	All Other Compensation ($)	Total ($)
Michael W. Lister [1] Chief Executive Officer and Chief Operating Officer	2016	$62,308	$18,750	$—	$100,527[8]	$—	$10,099	$191,684
Dexter A. Newman [2] Chief Financial Officer	2016	$192,115	$98,654	$—	$156,088[9]	$—	$—	$446,857
Alfredo V. Martel[3] Former Chief Marketing Officer	2016	$238,846	$—	$—	$64,812[10]	$—	$—	$303,658
Adam J. Wright [4] Former Chief Executive Officer	2016	$238,846	$—	$—	$21,002[11]	$—	$77,596[5]	$337,444
	2015	$158,077	$—	$—	$149,476[12]	$—	$—	$307,553
Abelardo Ruiz[6] Former Chief Operating Officer	2016	$250,000	$29,167	$—	$—	$177	$41,107	$320,451
	2015	$86,538	$20,833	$—	$319,045[13]	$11	$—	$426,427

(1) Mr. Lister became an employee and was appointed Chief Executive Officer and Chief Operating Officer on October 11, 2016.

(2) Mr. Newman became an employee and was appointed Chief Financial Officer on April 11, 2016.

(3) Mr. Martel became an employee and was appointed Chief Marketing Officer on February 12, 2016. He ceased being Chief Marketing Officer on January 12, 2017.

(4) Mr. Wright was appointed interim Chief Executive Officer on June 18, 2015 and Chief Executive Officer on December 27, 2015. He ceased being the Chief Executive Officer on October 11, 2016.

(5) This amount includes the severance payments paid to Mr. Wright pursuant to the terms of his employment agreement, as well as accrued but unused paid time off.

(6) Mr. Ruiz transitioned from his role as Chief Operating Officer to a different role within the Company, focusing on international franchise sales and development, effective August 19, 2016. He ceased employment with the Company on February 24, 2017.

(7) Amounts shown reflect the grant date fair value of stock option awards granted for the respective year pursuant to the Company's equity incentive plans, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (See Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC).

(8) Represents a five-year, 70,000 share stock option award granted to Mr. Lister on October 11, 2016. The option vests in monthly installments commencing on the one-month anniversary of the grant date and continuing on each of the subsequent 47 monthly anniversaries thereof; monthly installments consist of 1,486 shares on each of the first 47 vesting dates and 1,482 shares on the final (48th) vesting date. The option exercise price is $5.25, which was the closing price of the Company's common stock on the date of grant.

(9) Represents a ten-year, 70,000 share stock option award granted to Mr. Newman on April 11, 2016. The option vests in monthly installments commencing on the one-month anniversary of the grant date and continuing on each of the subsequent 47 monthly anniversaries thereof; monthly installments consist of 1,486 shares on each of the first 47 vesting dates and 1,482 shares on the final (48th) vesting date. The option exercise price is $5.67, which was the closing price of the Company's common stock on the date of grant.

[10] Represents a five-year, 35,000 share stock option award granted to Mr. Martel on February 12, 2016. The option vests in monthly installments commencing on the one-month anniversary of the grant date and continuing on each of the subsequent 47 monthly anniversaries thereof; monthly installments consist of 729 shares on each of the first 47 vesting dates and 737 shares on the final (48th) vesting date. The option exercise price was $5.62, which was the closing price of the Company's common stock on the date of grant.

[11] Represents a ten-year, 10,000 share stock option award granted to Mr. Wright on May 3, 2016. The option vested immediately as to 1,680 shares and the remaining 8,320 in monthly installments starting on May 31, 2016 and ending on December 31, 2017. The option exercise price is $5.42, which was the closing price of the Company's common stock on the date of grant. This vested portion of this option grant expired 90 days after his resignation as a Chief Executive Officer.

[12] Represents a ten-year, 50,000 share stock option award granted to Mr. Wright on January 1, 2016. The option was scheduled to vest in approximately equal monthly installments over two years. The option exercise price is $6.94, which was the closing price of the Company's common stock on the date of grant. This vested portion of this option grant expired 6 months days after his resignation as a Chief Executive Officer.

[13] Represents a five-year, 71,324 share stock option award granted to Mr. Ruiz on August 31, 2015. The option vests in monthly installments commencing on the one-month anniversary of the grant date and continuing on each of the subsequent 47 monthly anniversaries thereof; monthly installments consist of 1,486 shares on each of the first 47 vesting dates and 1,482 shares on the final (48th) vesting date. The option exercise price is $14.61, which was the closing price of the Company's common stock on the date of grant.

[14] The Company sponsors a 401(k) retirement savings plan but does not maintain a pension plan. Amounts shown were earned under the Company's Non-qualified Deferred Compensation Plan and represent the difference between the interest rate earned during the applicable year (6.0% for 2015 and 2016) under that plan and 120% of the long-term applicable federal rate (3.10% in 2015 and 2.69% in 2016). A description of the Company's Non-qualified Deferred Compensation Plan is included in this Proxy Statement under the heading "Description of Additional Compensation Plans and Practices – Deferred Compensation Plan."

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning stock options and stock awards held by the named executive officers at January 1, 2017:

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Michael W. Lister	2,916	67,084	—	$5.25	10/11/2026
Dexter A. Newman	11,664	58,336	—	$5.67	4/11/2026
Alfred V. Martel	7,290	27,710	—	$5.62	2/12/2021
Adam J. Wright	3,760	3,760	—	$5.42	5/3/2026
	18,750	18,750	—	$6.94	1/1/2026
Abelardo Ruiz	23,776	47,548	—	$14.61	8/31/2020

Employment Agreements

Employment Agreement with Michael W. Lister

The Company entered into a four-year written employment agreement with Mr. Lister to be effective as of October 11, 2016. Under the employment agreement, Mr. Lister is entitled to receive an annual base salary of $300,000 and is eligible for annual bonus compensation in the discretion of the Board based upon his achievement of milestones to be determined by the Board prior to the commencement of each fiscal year. The targeted amount of each annual bonus will be determined by the Board, but is expected to be 50% of Mr. Lister's base salary. If Mr. Lister is employed with the Company through December 31, 2016, he is entitled to a minimum guaranteed bonus of $18,750. Mr. Lister may participate in the Company's benefit plans that are currently and hereafter maintained by the Company and for which he is eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Mr. Lister has agreed not to compete with the Company during the term of his employment and for a period thereafter the length of which will depend on the circumstances on which his employment is terminated. If Mr. Lister's employment is terminated by the Company other than for "Cause" or by Mr. Lister for "Good Reason" (each as defined in the employment agreement), Mr. Lister has agreed not to compete with the Company in certain respects (as outlined in the employment agreement) during the period in which he is entitled to receive or receives severance payments (as outlined below). If Lister's employment is terminated by the Company for Cause or by Mr. Lister other than for Good Reason, Mr. Lister has agreed not to compete with the Company for 12 months following the date of such termination. Mr. Lister has also agreed not to solicit employees of the Company during the employment term and for 18 months thereafter.

Under the employment agreement, if Mr. Lister's employment is terminated by the Company for any reason other than Cause (including any termination by the Company following a "Change in Control" (as defined in the employment agreement)), death or disability, or if Mr. Lister resigns for Good Reason, so long as he has signed and has not revoked a release agreement, he will be entitled to receive severance comprised of continuing payments of his base salary for the lesser of (a) a six month period following the termination date and (b) the remainder of the four year employment term.

Pursuant to the employment agreement, on October 11, 2016, the Company granted Mr. Lister a five-year, 70,000 share non-qualified stock option under the Company's 2015 Equity Incentive Plan (the "2015 Plan") that will vest in approximately equal monthly installments over four years. The stock option has an exercise price equal to the fair market value of the Company's common stock on the grant date. In the event of a Change of Control (as defined in the 2015 Plan) during the employment term in which the acquiring company or successor company opts not to assume Mr. Lister's employment agreement, the Stock Option will accelerate and become fully vested and exercisable immediately prior to such Change of Control. In the event of a Corporate Transaction (as defined in the 2015 Plan), at the option of the Board, Mr. Lister must exercise the stock option or such failure to exercise will result in termination of the stock option. Also in the event of a Corporate Transaction, in exchange for the termination of the stock option, the Board may make a cash payment to Mr. Lister in an amount equal to the product obtained by multiplying (i) the amount (if any) by which the transaction proceeds per share exceed the exercise price per share covered by the stock option by (ii) the number of shares of common stock covered by the stock option. If Mr. Lister terminates his employment without Good Reason and fails to give the Company 90 days' prior notice, the stock option will automatically terminate with respect to 50% of the underlying shares. The stock option will terminate in its entirety if not exercised within six months of Mr. Lister's termination from the Company for any reason.

Employment Agreement with Dexter A. Newman

On April 7, 2016, the Company entered into a written employment agreement with Mr. Newman to be effective as of April 11, 2016. Under the employment agreement, Mr. Newman is entitled to receive an annual base salary of $270,000 and is eligible for annual bonus compensation in the discretion of the Board based upon his achievement of milestones to be determined by the Board prior to the commencement of each fiscal year. The targeted amount of the annual bonus in 2016 was the prorated portion of 50% of his base salary and each subsequent annual bonus target will be determined by the Board, but is expected to be 50% of Mr. Newman's base salary. Mr. Newman may participate in the Company's benefit plans that are currently and hereafter maintained by the Company and for which he is eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Mr. Newman has agreed not to compete with the Company during the term of his employment and for a period of 12 months thereafter. Mr. Newman has also agreed not to solicit employees of the Company during the employment term and for 18 months thereafter.

Under the employment agreement, if Mr. Newman's employment is terminated by the Company for any reason other than Cause (including any termination by the Company following a "Change in Control" (as defined in the employment agreement)), death or disability, or if Mr. Newman resigns for Good Reason, so long as he has signed and has not revoked a release agreement, he will be entitled to receive severance comprised of continuing payments of his base salary for a period of 12 months following the termination date.

Pursuant to the employment agreement, on April 11, 2016, the Company granted Mr. Newman a ten-year, 70,000 share non-qualified stock option under the Company's 2015 Plan) that will vest in approximately equal monthly installments over four years. The stock option has an exercise price equal to the fair market value of the Company's common stock on the grant date. In the event of a Change of Control (as defined in the 2015 Plan) during the employment term, the Stock Option will accelerate and become fully vested and exercisable immediately prior to such Change of Control. In the event of a Corporate Transaction (as defined in the 2015 Plan), at the option of the Board, Mr. Newman must exercise the stock option or such failure to exercise will result in termination of the stock option, provided, in the event of such "forced" exercise, Mr. Newman may elect to exercise the option by a net exercise or broker assisted cashless exercise procedure. Also in the event of a Corporate Transaction, in exchange for the termination of the stock option, the Board may make a cash payment to Mr. Newman in an amount equal to the product obtained by multiplying (i) the amount (if any) by which the transaction proceeds per share exceed the exercise price per share covered by the stock option by (ii) the number of shares of common stock covered by the stock option. The stock option will terminate in its entirety if not exercised within 90 days of Mr. Newman's termination from the Company for any reason.

Employment Agreement with Abelardo Ruiz, the Former Chief Operating Officer

Abelardo Ruiz became the Company's Chief Operating Officer effective as of August 31, 2015. Mr. Ruiz's employment with the Company was governed by an employment agreement effective as of August 31, 2015, that had a four-year term. Under the employment agreement, Mr. Ruiz was entitled to receive an annual base salary of $250,000 and is eligible for annual bonus compensation in the discretion of the Board in amounts expected to be in the range of 20%-30% of his base salary.

Pursuant to the employment agreement, at the commencement of his employment term, the Company granted Mr. Ruiz a five-year, 71,324 share non-qualified stock option under the 2015 Plan that vests in equal monthly installments over the employment term. The stock option will have an exercise price equal to the fair market value of the Company's common stock on the grant date.

Mr. Ruiz agreed not to complete with the Company during the term of his employment and for a period thereafter the length of which will depend on the circumstances on which his employment is terminated. If Mr. Ruiz's employment is terminated by the Company other than for "Cause" or by Mr. Ruiz for "Good Reason" (each as defined in the employment agreement), Mr. Ruiz has agreed not to compete with the Company in certain respects (as outlined in the employment agreement) during the period in which he is entitled to or receives severance payments (as outlined below). If Ruiz's employment is terminated by the Company for Cause or by such termination, Mr. Ruiz has also agreed not to solicit employees of the Company during the employment term and for 18 months thereafter.

Mr. Ruiz's employment was terminated without cause and under his employment agreement, as amended, received a severance comprised of continuing payments of his salary for a six month period following the termination date.

Employment Agreement with Alfredo V. Martel, the Former Chief Marketing Officer

On February 12, 2016, the Company entered into a written employment agreement with Mr. Martel to be effective as of February 11, 2016. Under the employment agreement, Mr. Martel was entitled to receive an annual base salary of $270,000 and was eligible for a discretionary annual bonus to be determined by the Board based upon his achievement of milestones determined by the Board prior to the commencement of each fiscal year. The targeted amount of the annual bonus in 2016 was the prorated portion of 50% of his base salary with each subsequent annual bonus target set at 50%. Mr. Martel was entitled to participate in the Company's benefit plans maintained by the Company and for which he was eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Mr. Martel agreed not to compete with the Company during the term of his employment and for a period of 12 months thereafter. Mr. Martel also agreed not to solicit employees of the Company during the employment term and for 18 months thereafter.

Pursuant to the employment agreement, on February 12, 2016, the Company granted Mr. Martel a five-year, 35,000 share non-qualified stock option under the Company's 2015 Plan) that will vest in approximately equal monthly installments over four years. The stock option has an exercise price equal to the fair market value of the Company's common stock on the grant date. In the event of a Change of Control (as defined in the 2015 Plan) during the employment term, the Stock Option will accelerate and become fully vested and exercisable immediately prior to such Change of Control. In the event of a Corporate Transaction (as defined in the 2015 Plan), at the option of the Board, Mr. Martel must exercise the stock option or such failure to exercise will result in termination of the stock option, provided, in the event of such "forced" exercise, Mr. Martel may elect to exercise the option by a net exercise or broker assisted cashless exercise procedure. Also in the event of a Corporate Transaction, in exchange for the termination of the stock option, the Board may make a cash payment to Mr. Martel in an amount equal to the product obtained by multiplying (i) the amount (if any) by which the transaction proceeds per share exceed the exercise price per share covered by the stock option by (ii) the number of shares of common stock covered by the stock option. The stock option will terminate in its entirety if not exercised within 90 days of Mr. Martel's termination from the Company for any reason.

Mr. Martel was terminated without cause on January 12, 2017 and received severance comprised of continuing payments of his base salary for a period of six months following the termination date.

Employment Agreement with Adam J. Wright, the Former Chief Executive Officer

On June 18, 2015, Adam J. Wright, a member of the Company's Board of Directors, was appointed to serve as interim Chief Executive Officer while the Board conducted a search for a permanent Chief Executive Officer. Upon his appointment, Mr. Wright received a base salary of $25,000 per month in accordance with the Company's standard payroll practices.

On December 28, 2015, the Company announced the appointment of Mr. Wright as Chief Executive Officer, removing his prior interim title, and the Company entered into a two-year written employment agreement with Mr. Wright, effective as of January 1, 2016. Under the employment agreement, Mr. Wright was entitled to receive an annual base salary of $300,000 and was eligible for annual bonus compensation in the discretion of the Board based upon his achievement of milestones to be determined by the Board prior to the commencement of each fiscal year. The targeted amount of each annual bonus was to be determined by the Board, but was expected be 50% of Mr. Wright's base salary. Mr. Wright was entitled to participate in the Company's benefit plans maintained by the Company and for which he was eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Pursuant to the employment agreement, on January 1, 2016, the Company also granted Mr. Wright a ten-year, 50,000 share non-qualified stock option under the Company's 2015 Plan that was scheduled to vest in approximately equal monthly installments over two years. The stock option had an exercise price equal to the fair market value of the Company's common stock on the grant date. The terms of the stock option provided that it would terminate in its entirety if not exercised within six months of Mr. Wright's termination from the Company for any reason. On May 3, 2016, the Company also granted Mr. Wright a ten-year, 10,000 share non-qualified stock option under the Company's 2015 Plan that was scheduled to vest immediately as to 1,680 shares and the remaining 8,320 in monthly installments starting on May 31, 2016 and ending on December 31, 2017. By its terms, this stock option provided that it would terminate in its entirety if not exercised within 90 days of Mr. Wright's termination for any reason.

Pursuant to his January 1, 2016 employment agreement, Mr. Wright agreed not to compete with the Company in certain respects (as outlined in the employment agreement) during the period in which he is entitled to receive or receives severance payments (as outlined below). Mr. Wright also agreed not to solicit employees of the Company for 18 months following his separation from the Company.

Effective as of October 12, 2016, Mr. Wright resigned from his position as Chief Executive Officer and director on the Board of Directors and received severance comprised of continuing payments of his base salary for a six-month period following the termination date.

Description of Additional Compensation Plans and Practices

Deferred Stock Unit Plan

We maintain an Executive Elective Deferred Stock Unit Plan (the "Deferred Stock Unit Plan"), in which executives can elect to defer all or part of their annual incentive compensation or commissions, or their receipt of any compensation in the form of stock grants under the Company's equity incentive plans or otherwise, for a specified period of time. During 2015 and 2016, no executives elected to defer amounts under the Deferred Stock Unit Plan. To the extent elections are made, the amount of compensation that is deferred is converted into a number of stock units, as determined by the share price of our common stock on the effective date of the election. These units are converted back into a cash amount at the expiration of the deferral period based on the share price of our common stock on the expiration date and paid to the executive in cash in accordance with the payout terms of the plan. Accordingly, we recognize compensation expense throughout the deferral period to the extent that the share price of our common stock increases, and reduce compensation expense throughout the deferral period to the extent that the share price of our common stock decreases.

Deferred Compensation Plan

We maintain a Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan") in which employees who are at the "director" level and above are eligible to participate. Participants must complete a deferral election each year and submit it to the Company, prior to the beginning of the fiscal year for which the compensation pertains, indicating 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's administrator, and the applicable regulations promulgated by the Internal Revenue Service. For fiscal 2015 and 2016, the Company matched 25.0% of the first 4.0% contributed by participants and paid declared interest rates of 6.0% on balances contributed during fiscal 2015 and 2016. For fiscal 2017, the Company will again match 25% of the first 4.0% contributed by participants and will pay a declared interest rate of 6.0% on contributions. The Board of Directors or the Compensation Committee administers the Deferred Compensation Plan and can change the Company match, interest rate or any other aspects of the plan at any time.

Deferral periods are defined as the earlier of termination of employment or not less than three calendar years following the end of the applicable Deferred Compensation Plan Year. Extensions of the deferral period for a minimum of five years are allowed, provided the election 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, any future payments would have no greater rights than that of an unsecured general creditor of the Company and they confer no legal rights for interest or claim on any assets of the Company. Benefits provided by the Deferred Compensation Plan are not insured by the Pension Benefit Guaranty Corporation (PBGC) under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), because the pension insurance provisions of ERISA do not apply to the Deferred Compensation Plan.

For the plan year ended December 31, 2016, named executive officers contributed $7,500 to the Deferred Compensation Plan and the Company provided matching funds and interest of $936.

Stock Ownership Expectations

In accordance with the desire to better align the long-term objectives of our executives and the Board with our shareholders, our Board has adopted minimum stock ownership guidelines that set forth the levels of ownership expected of Board members and top executives of the Company. Board members are expected to own shares of our common stock equal in value to at least three times their annual Board of Directors compensation. Our Chief Executive Officer is expected to own shares of our common stock and vested options equal in value to at least four times his annual salary, while our Chief Financial Officer is expected to own shares of our common stock and vested options equal in value to at least two times his annual salary. Other Vice Presidents are expected to own shares of our common stock and vested options equal in value to at least their respective annual salaries. For purposes of determining compliance with the minimum stock ownership guidelines, share ownership is defined to include stock owned directly by the director or executive and vested stock options. The Board acknowledges that the value of directors' and executives' share ownership will fluctuate based on the market price of our stock and, therefore, deficiencies in share ownership levels may exist from time to time. The Board also acknowledges that newly elected directors and newly hired executives may require a transition period to build share ownership in compliance with the guidelines. Shares owned directly by directors and executives in compliance with the minimum ownership guidelines represent investments in our common stock. Therefore, gains or losses resulting from appreciation or depreciation of these shares are not taken into account when calculating compensation amounts reported in this Proxy Statement.

Other Benefits

We provide additional benefit plans to employees, including the named executive officers, such as medical, dental, life insurance and disability coverage, flex benefit accounts, 401(k) plan, and an employee assistance program and. We also provide vacation and other paid holidays to employees, including the named executive officers, which are comparable to those provided at other companies of comparable size.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, places a limit of $1,000,000 on the amount of compensation that the Company may deduct in any one year with respect to each of its five most highly paid executive officers. There is an exception to the $1,000,000 limitation for performance-based compensation meeting certain requirements. Incentive compensation, including equity incentive awards, has not generally been structured to meet all of such requirements and, as such, may not be fully deductible.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board of Directors

The size of our Board of Directors is set at eight by the shareholders. We currently have seven members serving as directors, with one vacancy and will have two vacancies after this 2017 Annual Meeting of Shareholders. The following directors, constituting a majority of the Board, are "independent directors" as such term is defined in Rule 5605(a)(2) of the NASDAQ Stock Market's Marketplace Rules: Joseph M. Jacobs, Jonathan P. Lennon, Charles W. Mooty, Richard A. Shapiro, Patrick D. Walsh, and Bryan L. Wolff. The Board of Directors held five formal meetings during fiscal 2016 and took action by written consent in lieu of a meeting on eight occasions.

Currently, the Company has appointed an independent director, Charles W. Mooty, as non-executive Chairman of the Company's Board of Directors, a position he has held since March 2017, after joining the Board in December 2016. The Board separates the Board chair function from that of the Chief Executive Officer, who serves as the Company's principal executive officer, based on to a belief that separating these functions, and empowering an independent director to chair the Board meetings, will result in increased Board oversight of management activities.

Board of Directors Role in Risk Oversight

The Audit Committee of the Board of Directors has been delegated the responsibility for risk oversight. In overseeing the Company's risk management, the Audit Committee adheres to a detailed committee responsibilities calendar that addresses various risk-related matters. These matters include but are not limited to:

- meeting with management and the Company's independent registered public accountant in separate executive sessions;
- interacting with management and the internal audit function;
- considering and reviewing with the Company's independent registered public accountant the Company's assessment and any related attestation (including related reports) on internal control over financial reporting, the adequacy of such controls and recommendations for improvements;
- inquiring of the Company's finance and accounting function managers and the Company's independent registered public accountant about significant risks or exposures, and any significant accounts that require management judgment;
- reviewing the Company's policies for risk assessment and risk management, and assessing steps taken or to be taken to control such risk;
- assessing the oversight and management of the information risks, including those related to Company Information Technology projects; and
- overseeing the Company's investment policies.

Committees of the Board of Directors

The Company has a standing Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. During fiscal 2016, each member of the Board of Directors attended at least 75% of the Board meetings and meetings of committees to which they belong during the period in which such member served as a director. Although the Company has no formal policy regarding directors' attendance at the Company's annual shareholders meetings, the Company encourages such attendance by members of the Board of Directors. All seven of the Company directors serving on the Board of Directors at the time of the Company's most recent annual shareholders' meeting, held May 3, 2016, were in attendance at that meeting.

Below is a summary of the Company's board committee structure and current committee membership information. Effective as of the date of the Annual Meeting, Jonathan P. Lennon will no longer be a director or member of any committee and Charles W. Mooty will become a member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Anand D. Gala			
Joseph M. Jacobs			
Jonathan P. Lennon	Member	Member	Member
Richard A. Shapiro			
Patrick D. Walsh	Member	Chairman	
Bryan L. Wolff (Financial Expert)	Chairman	Member	Chairman

Chairman
Member
Financial Expert

Audit Committee of the Board of Directors

The Company has established a three-member Audit Committee within the Board of Directors that currently consists of Chairman Bryan L. Wolff, Jonathan P. Lennon and Patrick D. Walsh. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is available at the Company's website at www.famousdaves.com. The charter reflects the Audit Committee's increased responsibilities as a result of the Sarbanes-Oxley Act of 2002, as well as the NASDAQ Stock Market corporate governance standards. As set forth in the charter, the primary responsibilities of the Audit Committee include: (i) serving as an independent and objective party to monitor the Company's financial reporting process and internal control system; (ii) reviewing and appraising the audit performed by the Company's independent registered public accounting firm; and (iii) providing an open avenue of communication among the independent registered public accounting firm, financial and senior management and the Board of Directors. The charter also requires that the Audit Committee review and pre-approve the performance of all audit and non-audit accounting services to be performed by the Company's independent registered public accounting firm, as well as tax work performed by the Company's tax firm, other than certain de minimus exceptions permitted by Section 202 of the Sarbanes-Oxley Act of 2002.

The Board of Directors has determined that at least one member of the Audit Committee, Bryan L. Wolff, qualifies as an "audit committee financial expert" as that term is defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended. In addition, each member of the Audit Committee is an "independent director," as such term is defined in Rule 5605(a)(2) of the NASDAQ Stock Market's Marketplace Rules, and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. The Board of Directors has also determined that each of the Audit Committee members is able to read and understand fundamental financial statements and that at least one member of the Audit Committee has past employment experience in finance or accounting. The Audit Committee held four formal meetings during fiscal 2016 and took action by written consent in lieu of a meeting on one occasion.

Report of the Audit Committee

The Company's management has primary responsibility for the Company's internal controls and preparing the Company's consolidated financial statements. The Company's independent registered public accounting firm, Grant Thornton LLP, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board. The primary function of the Audit Committee is to assist the Board of Directors in its oversight of the Company's financial reporting, internal controls, and audit functions.

The Audit Committee has reviewed the Company's audited consolidated financial statements for the last fiscal year and discussed them with management.

The Audit Committee has discussed with the Company's independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, as amended, Communications with Audit Committees (AICPA, Professional Standards, Vol. 1. AU section 380) as Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding such firm's communications with the Audit Committee concerning independence, and has discussed with the independent accountants their independence.

The Audit Committee, based on the review and discussions described above, has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2017 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE
BRYAN L. WOLFF, Chairman
JONATHAN P. LENNON
PATRICK D. WALSH

Compensation Committee of the Board of Directors

The Company has established a Compensation Committee within the Board of Directors that currently consists of Chairman Patrick D. Walsh, Jonathan P. Lennon and Bryan L. Wolff. The Compensation Committee operates under a written charter adopted by the Board of Directors, a copy of which is available at the Company's website at www.famousdaves.com. The Compensation Committee reviews the Company's remuneration policies and practices, makes recommendations to the full Board in connection with all compensation matters affecting the Company and administers the Company's incentive compensation plans. The Compensation Committee of the Board of Directors has direct oversight and responsibility for the Company's executive compensation policies and programs. The Compensation Committee has the authority to obtain advice and assistance from internal or external legal, accounting or other advisors, and has the authority to retain, terminate and approve the fees payable to any external compensation consultant to assist in the evaluation of director, and senior executive compensation. The Compensation Committee assesses the independence of any compensation consultant that it elects to engage.

Compensation Philosophy

Our executive compensation philosophy has been based on adopting compensation programs driven by short and long-term financial performance metrics designed to ensure management is incented to increase shareholder value over time. The Company's executive compensation policies and programs are designed to provide:

- a means for the Company to attract, motivate, reward and retain qualified executives in a competitive environment;
- competitive levels of compensation that integrate with the Company's annual objectives and long-term goals;
- incentives that promote sustained short- and long-term financial growth and return in order to increase intrinsic value per share;
- a reward system for extraordinary performance that recognizes individual initiative and achievements; and
- a means to optimize performance without encouraging unreasonable risks or incentivizing behavior that would be reasonably likely to result in a material adverse effect on the Company.

The Compensation Committee believes that the total compensation program for executives should consist of the following elements, each determined by individual and corporate performance:

- Base salary compensation; and
- Incentive compensation, both in the form of annual cash bonus and long-term stock-based incentive awards.

In addition to the compensation program elements listed above, we have established a Deferred Stock Unit Plan and a Non-Qualified Deferred Compensation Plan in which our executives are entitled to participate. The Compensation Committee believes that the availability of these plans, each of which are discussed below, adds to the attractiveness of the Company's overall compensation program and positively impacts the Company's ability to hire and retain qualified executives.

Compensation Procedures

Our Compensation Committee approves, on an annual basis, the competitiveness of our overall executive compensation programs, including the appropriate mix between cash and non-cash compensation as well as annual and long-term incentives. As set forth in its written charter, our Compensation Committee has access to resources it deems appropriate to accomplish its responsibilities, including the sole authority to retain (with funding provided by the Company) legal counsel and experts in the field of executive compensation after taking into consideration the independence related factors required under applicable NASDAQ listing standards. The Compensation Committee has the sole authority to retain and to terminate such advisors, and to approve the fees and other retention terms. During fiscal 2016, the Compensation Committee primarily relied upon internal Company resources to generate information on which to benchmark the Company's compensation practices.

Generally, our Chief Executive Officer has provided input to our Compensation Committee regarding executive compensation and participated in the ultimate determination of compensation for the Company's other executives. However, our Chief Executive Officer does not have direct involvement in the determination of his own compensation, the determination and structure of which is the sole responsibility of the Compensation Committee.

The Compensation Committee held two meetings during fiscal 2016 and took action by written consent in lieu of a meeting on seven occasions.

Corporate Governance and Nominating Committee of the Board of Directors

The Company has established a Corporate Governance and Nominating Committee within the Board of Directors that consists of Chairman Bryan L. Wolff and Jonathan P. Lennon. Messrs. Wolff and Lennon satisfy the independence requirements of the NASDAQ Stock Marketplace Rules. The Corporate Governance and Nominating Committee operates under a written charter adopted by the Board of Directors, a copy of which is available at the Company's website at www.famousdaves.com. The primary role of the Corporate Governance and Nominating Committee is to consider and make recommendations to the full Board of Directors concerning the appropriate size, function and needs of the Board, including establishing criteria for Board membership and considering, recruiting and recommending candidates (including those recommended by shareholders) to fill new Board positions. The Corporate Governance and Nominating Committee also considers and advises the full Board on matters of corporate governance and monitors and recommends the functions of, and membership on, the various committees of the Board.

The Corporate Governance and Nominating Committee (or a subcommittee thereof) recruits and considers director candidates and presents all qualified candidates to the full Board for consideration. Qualified candidates will be considered without regard to race, color, religion, sex, ancestry, national origin, disability, marital or veteran status, or any other legally protected status.

In identifying and evaluating potential candidates to be nominees for directors, the Corporate Governance and Nominating Committee has the flexibility to consider such factors as it deems appropriate under relevant circumstances. These factors may include education, general business and industry experience, ability to act on behalf of shareholders and build long term shareholder value, potential concerns regarding independence or conflicts of interest and other factors relevant in evaluating Board nominees. The Corporate Governance and Nominating Committee believes that a Board comprised of directors with diverse skills and experiences relevant to the Company's industry will result in efficient and competent oversight of the Company's various core competencies, which include restaurant operations, franchise operations, real estate, marketing and financial and accounting. As such, the Corporate Governance and Nominating Committee considers the interplay of a director candidate's experience with that of other members of the Board of Directors.

If the Corporate Governance and Nominating Committee approves a candidate for further review following an initial screening, the Corporate Governance and Nominating Committee will establish an interview process for the candidate. Generally, the candidate will meet with at least a majority of the members of the Corporate Governance and Nominating Committee, along with the Company's Chief Executive Officer. Contemporaneously with the interview process, the Corporate Governance and Nominating Committee will conduct a comprehensive conflicts-of-interest assessment of the candidate. The Corporate Governance and Nominating Committee will consider reports of the interviews and the conflicts-of-interest assessment to determine whether to recommend the candidate to the full Board of Directors. The Corporate Governance and Nominating Committee will also take into consideration the candidate's personal attributes, including, without limitation, personal integrity, loyalty to the Company and concern for its success and welfare, willingness to apply sound and independent business judgment, awareness of a director's vital part in the Company's good corporate citizenship and image, time available for meetings and consultation on Company matters and willingness to assume broad, fiduciary responsibility.

The Corporate Governance and Nominating Committee will consider recommendations by shareholders of candidates for election to the Board of Directors. Any shareholder who wishes that the Corporate Governance and Nominating Committee consider a candidate must follow the procedures set forth in our Bylaws. Under our Bylaws, if a shareholder plans to nominate a person as a director at a meeting, the shareholder is required to place a proposed director's name in nomination by written request delivered to or mailed and received at our principal executive offices not less than 60 nor more than 120 calendar days prior to the first anniversary of the date on which we first mailed proxy materials for the preceding year's annual meeting. For our 2018 annual shareholders' meeting, notices must be delivered to or mailed and received not prior to November 23, 2017 and not later than January 22, 2018. If the date of our 2018 annual meeting is advanced more than 30 calendar days prior to or delayed by more than 30 calendar days after the anniversary of the Annual Meeting, timely notice by a shareholder may be delivered to or mailed and received at our principal executive offices not later than the close of business on the 10th calendar day following the earlier of the date that we mail notice to our shareholders that the 2018 annual shareholders' meeting will be held or the date on which we issue a press release, filed a periodic report with the Securities and Exchange Commission or otherwise publicly disseminated notice that the 2018 annual shareholders' meeting will be held. To enable the Corporate Governance and Nominating Committee to evaluate the candidate's qualifications, shareholder recommendations must include the following information:

- As to each person the shareholder proposes to nominate for election or reelection as a director:
  - the name, age, business address and residence address of such individual;
  - the class, series and number of any shares of our stock that are beneficially owned or owned of record by such individual;
  - the date such shares were acquired and the investment intent of such acquisition;
  - all other information relating to such individual that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules thereunder (the "Exchange Act") (including such individual's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);
  - all information with respect to such individual that would be required to be set forth in a shareholder's notice pursuant to Section 4.3 of our Bylaws if such proposed individual were a Nominating Person (as such term is defined in our Bylaws and summarized below); and
  - a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the proposed nominee, his or her respective affiliates and associates and any other persons with whom the proposed nominee (or any of his or her respective affiliates and associates) is "Acting in Concert" (as such term is defined in our Bylaws), on the one hand, and any Nominating Person, on the other hand;
- As to each "Nominating Person" (which our Bylaws define as the nominating shareholder, the beneficial owner(s), if different, on whose behalf the notice of proposed nomination is made, any affiliate or associate of such shareholder or beneficial owner(s), and any other person with whom such shareholder or beneficial owner (or any of their respective affiliates or associates) is Acting in Concert):
  - the class, series and number of all shares of our stock which are, directly or indirectly, owned of record or beneficially owned by such Nominating Persons;
  - the full notional amount of any Synthetic Equity Position (as such term is defined in our Bylaws);
  - any Short Interests (as such term is defined in our Bylaws); and
  - any Performance-Related Fees (as such term is defined in our Bylaws);
- The name and address of such Nominating Person, as they appear on our stock ledger;
- To the extent known by the nominating shareholder or any other Nominating Person, the name and address of any other shareholder supporting the nominee for election or reelection as a director or the proposal of other business on the date of such shareholder's notice; and
- Any other information relating to such Nominating Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Nominating Person in support of the nominees proposed to be nominated for election or reelection as a director at the meeting pursuant to Section 14(a) of the Exchange Act.

The above description is only a summary of the procedures required to be followed by shareholders who wish nominate a proposed director candidate for election to our Board. Please refer to our Bylaws for a complete description of such procedures.

The Corporate Governance and Nominating Committee held one meeting during fiscal 2016.

Corporate Governance, Ethics and Business Conduct

The Company's Board of Directors firmly believes that the commitment to sound corporate governance practices is essential to obtaining and retaining the trust of investors, team members, guests and suppliers. The Company's corporate governance practices reflect the requirements of applicable securities laws, including the Sarbanes-Oxley Act of 2002, the NASDAQ Stock Market listing requirements and the Company's own vision of good governance practices. As part of its adherence to these corporate governance practices, the Company has adopted the Famous Dave's of America, Inc. Corporate Governance Principles and Practices.

The Company is committed to conducting business lawfully and ethically. All of its employees, including its Chief Executive Officer and other executives are required to act at all times with honesty and integrity. The Company's Code of Ethics and Business Conduct covers areas of professional conduct, including workplace behavior, conflicts of interest, fair dealing with competitors, guests and vendors, the protection of Company assets, trading in Company securities and confidentiality, among others. The Code of Ethics and Business Conduct requires strict adherence to all laws and regulations applicable to our business and also describes the means by which any employee can provide an anonymous report of an actual or apparent violation of our Code of Ethics and Business Conduct. In addition to the Code of Ethics and Business Conduct, the Company has adopted a separate Code of Ethics specifically applicable to the Company's Chief Executive Officer, Chief Financial Officer, and Key Financial and Accounting Management.

The full text of the Famous Dave's of America, Inc. Corporate Governance Principles and Practices, the Code of Ethics and Business Conduct and the Code of Ethics specifically applicable to the Company's Chief Executive Officer, Chief Financial Officer and Key Financial and Accounting Management are each available online at www.famousdaves.com (click on Investors, Corporate Governance, Code of Ethics and Business Conduct Policy, or Code of Ethics specific to CEO, CFO, and Key Financial & Accounting Management, as applicable).

Ability of Shareholders to Communicate with the Company's Board of Directors

The Company's Board of Directors has established several means for shareholders and others to communicate with the Company's Board of Directors. If a shareholder has a concern regarding the Company's financial statements, accounting practices or internal controls, the concern should be submitted in writing to the chairman of the Company's Audit Committee in care of the Company's Secretary at the Company's headquarters address. If the concern relates to the Company's governance practices, business ethics or corporate conduct, the concern should be submitted in writing to the chairman of the Corporate Governance and Nominating Committee in care of the Company's Secretary at the Company's headquarters address. If a shareholder wishes to provide input with respect to the Company's executive compensation policies and programs, input should be submitted in writing to the chairman of the Company's Compensation Committee in care of the Company's Secretary at the Company's headquarters address or by email address to compensationcommittee@famousdaves.com. If a shareholder is unsure as to which category the concern relates, the shareholder may communicate it to any one of the independent directors in care of the Company's Secretary at the Company's headquarters address. All shareholder communications sent in care of the Company's Secretary will be forwarded promptly to the applicable director(s).

Policies and Procedures for the Consideration and Determination of Director Compensation

Each year, the Corporate Governance and Nominating Committee reviews the Board's compensation in relation to other companies nationwide and recommends any changes in Board compensation to the full Board of Directors for approval. As needed, the Compensation Committee will also review and make recommendations to the Board. The Compensation Committee also approves any grants of equity incentives to directors under the Company's equity incentive plans.

Director Compensation

Non-employee Board members earned a cash retainer for their service on the Board during fiscal 2016. In May 2016, the annual retainer paid to non-employee directors who are not affiliated with significant shareholders was set at $60,000 (or a pro rata portion thereof for directors who did not serve for the entire year). In addition, during fiscal 2016 Messrs. Gala and Wolff were each granted an option to purchase 20,000 shares of common stock.

The following table sets forth information concerning director compensation earned during the fiscal year ended January 1, 2017:

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)[1]	Total ($)
Anand D. Gala	$ 52,250	$ 44,667	$ 96,917
Joseph M. Jacobs	$ —	$ —	$ —
Jonathan P. Lennon	$ —	$ —	$ —
Charles W. Mooty	$ —	$ —	$ —
Richard A. Shapiro	$ —	$ —	$ —
Patrick D. Walsh	$ —	$ —	$ —
Bryan L. Wolff	$ 51,250	$ 44,667	$ 95,917
*Adam J. Wright [2]	$ —	$ —	$ —

* Former director

(1) Amounts shown reflect the grant date fair value of stock option awards granted during fiscal 2016, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.

(2) Excludes cash compensation and stock option awards granted to employee directors as compensation for serving as employees of the Company.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company has one class of voting securities outstanding, Common Stock, $0.01 par value, of which 6,957,628 shares were outstanding as of the close of business on the Record Date. Each share of Common Stock is entitled to one vote on all matters put to a vote of shareholders.

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of the Record Date by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) each director or director nominee, (iii) each named executive officer identified in the Summary Compensation Table, and (iv) all named executive officers and directors as a group. Unless otherwise indicated, the address of each of the following persons is 12701 Whitewater Drive, Suite 200, Minnetonka, Minnesota 55343, and each such person has sole voting and investment power with respect to the shares of Common Stock set forth opposite each of their respective names.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage of Total
Executive Officers:		
Michael W. Lister (Chief Executive Officer)	8,748[(1)]	*
Alfredo V. Martel (Chief Marketing Officer)	8,020	*
Dexter A. Newman (Chief Financial Officer)	17,496[(2)]	*
Abelardo Ruiz (Chief Operating Officer)	25,260	*
Adam J. Wright (Former Chief Executive Officer and Director)	18,750	*
Non-Employee Directors:		
Anand D. Gala	4,000	*
Joseph M. Jacobs	1,332,711[(3)]	19.2%
Jonathan P. Lennon	8,000	*
Charles W. Mooty	67,000	1.0%
Richard A. Shapiro	10,000	*
Patrick D. Walsh	374,965[(4)]	5.4%
Bryan L. Wolff	4,020	*
All Directors and Executive Officers as a group (12 people)	1,878,973[(5)]	27.0%
Other 5% Beneficial Owners		
Wexford Capital LP 411 West Putnam Avenue, Suite 125 Greenwich, CT 06830	1,332,711[(6)]	19.2%
Bandera Master Fund L.P. Broad Street, Suite 1820 New York, New York 10004	834,372[(7)]	12.0%
Raging Capital Management, LLC Ten Princeton Avenue P.O. Box 228 Rocky Hill, NJ 08553	537,617[(8)]	7.7%
Blue Clay Capital Management, LLC 800 Nicollet Mall, Ste. 2870 Minneapolis, MN 55402	429,521[(9)]	6.2%

* less than 1%

(1) Includes 2,916 shares that Mr. Lister has the right to acquire within 60 days.

(2) Includes 2,916 shares that Mr. Newman has the right to acquire within 60 days.

(3) Represents 1,332,711 shares held by Debello Investors LLC, Wexford Focused Investors LLC, and Wexford Spectrum Investors LLC (collectively, the "Purchasing Entities"). Mr. Jacobs disclaims beneficial ownership of the shares held by the Purchasing Entities except to the extent of his actual pecuniary interest therein. See Note 8 below.

(4) Based upon joint Statement of Changes in Beneficial Ownership on Form 4 filed with the SEC on November 21, 2016. Includes 52,575 shares owned directly by Patrick D. Walsh and 319,675 shares owned by PW Partners Atlas Fund LP (“Atlas Fund”). Mr. Walsh serves as the Managing Member of PW Partners Capital Management LLC (“PW Capital Management”) and the Managing Member and Chief Executive Officer of PW Partners Atlas Funds, LLC (“Atlas Fund GP”) and PW Partners, LLC (“Master Fund GP”). PW Capital Management serves as the investment manager of Atlas Fund. Atlas Fund GP serves as the general partner of Atlas Fund. Atlas Fund and Atlas Fund GP share voting and dispositive power over 319,675 shares; and Mr. Walsh and PW Capital Management share voting and dispositive power over 319,675 shares. The 319,675 shares owned directly by Atlas Fund are held in margin accounts

(5) Without duplication of shares beneficially owned by more than one director or officer. Includes 10,262 shares that such individuals have the right to acquire within 60 days.

(6) Based upon joint statements on Schedule 13D filed with the SEC on June 22, 2015. Includes 29,785 shares that are directly owned by Debello Investors LLC (“DI”), 61,973 shares that are directly owned by Wexford Focused Investors LLC (“WFI”), and 1,240,953 shares that are directly owned by Wexford Spectrum Investors LLC (“WSI”, and together with DI and WFI, the “Purchasing Entities”). Wexford Capital LP (“Wexford Capital”) may, by reason of its status as manager of the Purchasing Entities, be deemed to own beneficially the securities of which the Purchasing Entities possess beneficial ownership. Wexford GP LLC (“Wexford GP”) may, as the General Partner of Wexford Capital, be deemed to own beneficially the securities of which the Purchasing Entities possess beneficial ownership. Each of Charles E. Davidson (“Davidson”) and Joseph M. Jacobs (“Jacobs”) may, by reason of his status as a controlling person of Wexford GP, be deemed to own beneficially the securities of which the Purchasing Entities possess beneficial ownership. Each of Wexford Capital, Wexford GP, Davidson and Jacobs shares the power to vote and to dispose of the securities beneficially owned by the Purchasing Entities. Each of Wexford Capital, Wexford GP, Davidson and Jacobs disclaims beneficial ownership of the securities owned by the Purchasing Entities and the joint statements on Schedule 13D are not an admission that they are the beneficial owners of such securities except, in the case of Davidson and Jacobs, to the extent of their personal ownership interests in any of the members of the Purchasing Entities.

(7) Based upon a statement on Schedule 13D/A filed with the SEC on July 21, 2016. Bandera Partners LLC (“Bandera Partners”) is the investment manager of Bandera Master Fund L.P. (“Bandera Master Fund”). Bandera Master Fund has granted to Bandera Partners the sole and exclusive authority to vote and dispose of the shares held directly by Bandera Master Fund. Each of Gregory Bylinsky and Jefferson Gramm are Managing Partners, Managing Directors and Portfolio Managers of Bandera Partners. By virtue of these relationships, each of Bandera Partners and Messrs. Bylinsky and Gramm may be deemed to beneficially own the shares owned directly by Bandera Master Fund.

(8) Based upon a statement on Schedule 13D/A filed with the SEC on February 14, 2017. Raging Capital Management, LLC (“Raging Capital”) is the investment manager of Raging Capital Master Fund, Ltd., a Cayman Islands exempted company (“Raging Master”) in whose name the shares are held. William C. Martin is the Chairman, Chief Investment Officer and Managing Member of Raging Capital. Raging Master has delegated to Raging Capital the sole authority to vote and dispose of the securities held by Raging Master pursuant to an investment management agreement (“IMA”). The IMA may be terminated by any party thereto effective at the close of business on the last day of any fiscal quarter by giving the other party not less than 61 days’ written notice. As a result, each of Raging Capital and William C. Martin may be deemed to beneficially own the shares held by Raging Master.

(9) Based upon a statement on Schedule 13D/A filed with the SEC on December 28, 2015. Blue Clay Capital Management, LLC (“Blue Clay Capital”) is the investment manager for certain private funds (together, the “Funds”). Each of Gary Kohler and Brian Durst, through their roles at Blue Clay Capital, exercises investment discretion over the Funds and has shared power to vote and dispose of these shares.

Based on information provided to the Company by its directors, director nominees and executive officers, no director, director nominee or named executive officer holds shares beneficially owned by him or her in a margin account as collateral for a margin loan, and no shares beneficially owned by the Company's directors and named executive officers have been pledged as collateral for a loan.

CERTAIN TRANSACTIONS

In accordance with our Audit Committee charter, our Audit Committee is responsible for reviewing policies and procedures with respect to related party transactions required to be disclosed pursuant to Item 404(a) of the Securities and Exchange Commission's Regulation S-K (including transactions between the Company and its officers and directors, or affiliates of such officers or directors), and approving the terms and conditions of such related party transactions.

Anand D. Gala currently serves as a director of the Company and has been nominated for re-election at the Annual Meeting. Mr. Gala is the Founder, President and Chief Executive Officer of Gala Holdings International, a diversified holding company that conducts consulting, restaurant development and management operations. As a Company franchisee, Gala Holdings International paid approximately $2.1 million in franchise royalties and contributions to the Company's system-wide marketing fund for the Company's 2016 fiscal year.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of such securities with the Securities and Exchange Commission and NASDAQ. Officers, directors and greater than ten percent shareholders are required by Securities and Exchange Commission regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on review of the copies of Forms 3 and 4 and amendments thereto furnished to the Company during the fiscal year ended January 1, 2017 and Forms 5 and amendments thereto furnished to the Company with respect to such fiscal year, or written representations that no Forms 5 were required, the Company believes that all of its officers, directors and greater than ten percent beneficial owners complied with all applicable Section 16(a) filing requirements during the fiscal year ended January 1, 2017.

PROPOSALS OF SHAREHOLDERS

Proposals by shareholders (other than director nominations) that are submitted for inclusion in our proxy statement for our 2018 annual shareholders' meeting must follow the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934 and our Bylaws. To be timely under Rule 14a-8, a shareholder proposal must be received by our Corporate Secretary at Famous Dave's of America, Inc., 12701 Whitewater Drive, Suite 200, Minnetonka, Minnesota, 55343, by November 23, 2017.

Under our Bylaws, if a shareholder does not submit a proposal for inclusion in our proxy statement but does wish to propose an item of business to be considered at an annual shareholders' meeting (other than director nominations), that shareholder must deliver notice of the proposal at our principal executive offices not less than 60 nor more than 120 calendar days prior to the first anniversary of the date on which we first mailed proxy materials for the preceding year's annual meeting. For our 2018 annual shareholders' meeting, notices must be received not prior to November 23, 2017 and not later than January 22, 2018.

If a shareholder plans to nominate a person as a director at an annual shareholders' meeting, our Bylaws require that the shareholder place a proposed director's name in nomination by written request delivered to or mailed and received at our principal executive offices not less than 60 nor more than 120 calendar days prior to the first anniversary of the date on which we first mailed proxy materials for the preceding year's annual meeting. For our 2018 annual shareholders' meeting, notices must be delivered to or mailed and received not prior to November 23, 2017 and not later than January 22, 2018.

If the date of our 2018 annual shareholders' meeting is advanced more than 30 calendar days prior to or delayed by more than 30 calendar days after the anniversary of the Annual Meeting, timely notice of shareholder proposals and shareholder nominations for directors may be delivered to or mailed and received at our principal executive offices not later than the close of business on the 10th calendar day following the earlier of the date that we mail notice to our shareholders that the 2018 annual shareholders' meeting will be held or the date on which we issue a press release, filed a periodic report with the Securities and Exchange Commission or otherwise publicly disseminated notice that the 2018 annual shareholders' meeting will be held.

Notices of shareholder proposals and shareholder nominations for directors must comply with the informational and other requirements set forth in our Bylaws as well as applicable statutes and regulations. Due to the complexity of the respective rights of the shareholders and the Company in this area, any shareholder desiring to propose actions or nominate directors is advised to consult with his or her legal counsel with respect to such rights. The Company suggests that any such proposal be submitted by certified mail return receipt requested.

HOUSEHOLDING

The SEC permits a procedure called "householding" for the delivery of proxy information to shareholders. Under this procedure, certain shareholders who share the same last name and address and do not participate in electronic delivery will receive only one copy of the proxy materials unless one or more of such shareholders notifies us that they would like to receive individual copies. Shareholders who participate in householding will continue to receive separate proxy cards. We initiated householding to reduce printing costs and postage fees.

We will promptly deliver, upon written or oral request, a separate copy of the proxy statement and annual report in a separate envelope, as applicable, to a shareholder at a shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the proxy materials in a separate envelope either now or in the future, please contact Broadridge Financial Solutions, Inc. at (800) 542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently receiving separate copies and wish to receive only one copy of future proxy materials for your household, in one envelope, please contact Broadridge at the above phone number or address.

SOLICITATION

The Company will bear the cost of preparing, assembling and mailing the Proxy, Proxy Statement, Annual Report and other material which may be sent to the shareholders in connection with this solicitation. Brokerage houses and other custodians, nominees and fiduciaries may be requested to forward soliciting material to the beneficial owners of stock, in which case they may be reimbursed by the Company for their expenses in doing so. Proxies may be solicited personally, by telephone, by telegram or by special letter.

The Board of Directors does not intend to present to the meeting any other matter not referred to above and does not presently know of any matters that may be presented to the meeting by others. However, if other matters come before the meeting, it is the intent of the persons named in the enclosed proxy to vote the proxy in accordance with their best judgment.

By Order of the Board of Directors

/s/ Michael W. Lister

Michael W. Lister
Chief Executive Officer and Chief Operating Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the Fiscal Year Ended January 1, 2017

Commission File No. 0-21625

FAMOUS DAVE'S of AMERICA, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-1782300**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12701 Whitewater Drive, Suite 200
Minnetonka, MN 55343

(Address of principal executive offices) (Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**The NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes☐ No ☑

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☑

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

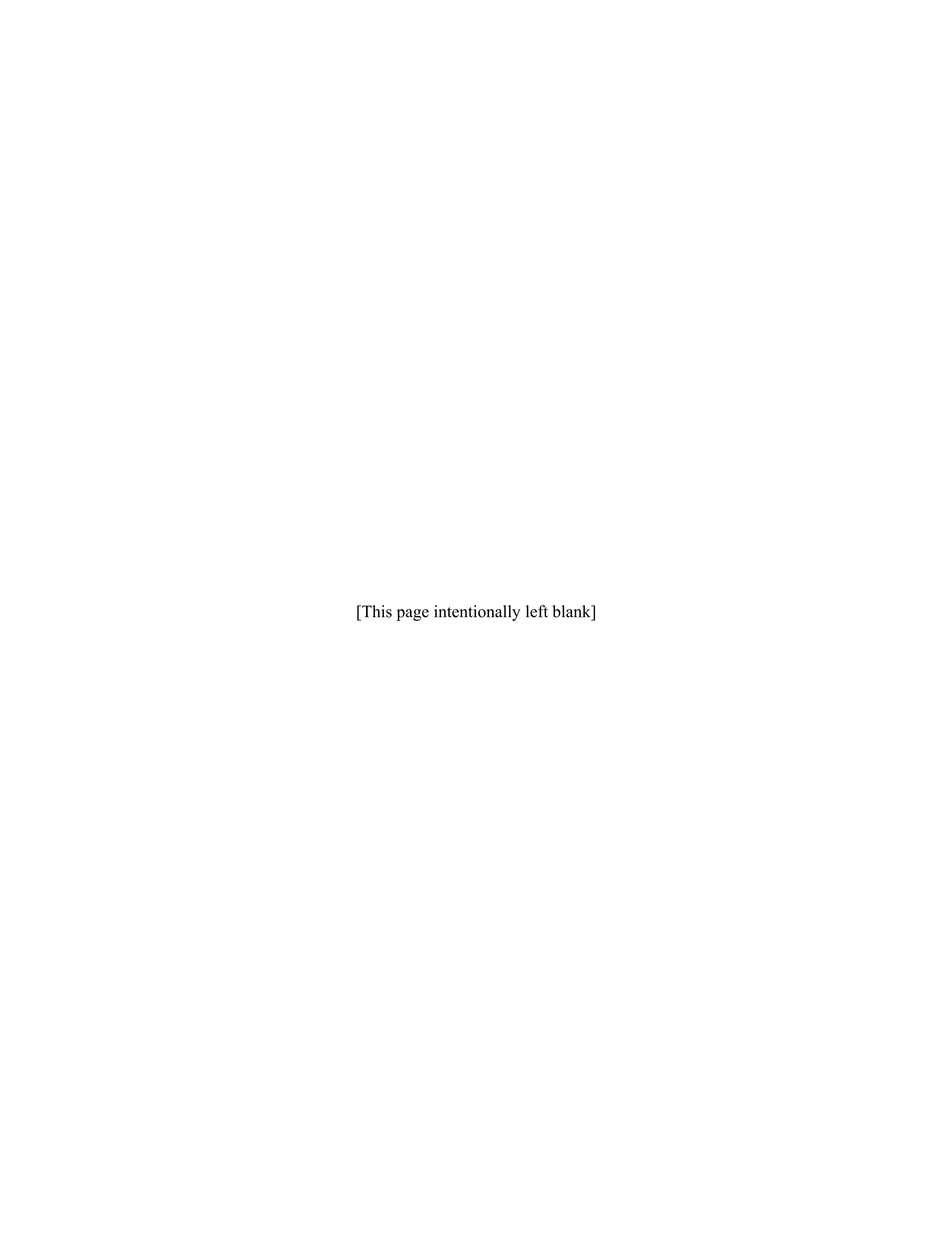
Large Accelerated Filer ☐	Accelerated Filer ☐
Non- Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $23.9 million as of July 1, 2016, (the last business day of the registrant's most recently completed second quarter), assuming solely for the purpose of this calculation that all directors, officers, and more than 10% shareholders of the registrant are affiliates. The determination of affiliate status for this purpose is not necessarily conclusive for any other purpose. As of March 7, 2017, 6,957,628 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for our 2017 Annual Meeting of Shareholders which is to be filed within 120 days after the end of the fiscal year ended January 1, 2017, are incorporated by reference into Part III of this Form 10-K, to the extent described in Part III.



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SIGNATURES

PART I

ITEM 1. BUSINESS

Summary of Business Results and Plans

Famous Dave's of America, Inc. ("Famous Dave's", the "Company," "we," "us" or "our") was incorporated as a Minnesota corporation in March 1994 and opened its first restaurant in Minneapolis, Minnesota in June 1995. As of January 1, 2017, there were 176 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, including 37 Company-owned restaurants and 139 franchise-operated restaurants. An additional 62 franchise restaurants were committed to be developed through signed area development agreements at January 1, 2017.

The Company's total revenue declined from $114.2 million in fiscal 2015 to $99.2 million in fiscal 2016. This decline was primarily the result of refranchising five, and the closure of one, company-owned restaurants in fiscal 2015, the loss of the 53rd operating week which occurred in fiscal 2015, a Company-owned comparable sales decline of 5.0% and a decline in royalty revenue primarily driven by 4.7% franchise-operated comparable sales decline.

Fiscal 2016 loss per basic share was $0.42, which included approximately $4.8 million or $0.41 per basic share, of asset impairment and estimated lease terminations and other closing costs. Approximately $4.4 million of these charges were associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. Additionally, there was a lease termination charge for a previously refranchised restaurant. Finally, operating performance declined as a result of a year over year increase in food and beverage, labor and benefit, and restaurant operating and occupancy costs partially offset by a decline in general and administrative expenses.

In first quarter of fiscal 2016, the Company refranchised seven company-owned restaurants in the Chicago area (located in Addison, Algonquin, Bolingbrook, Evergreen Park, North Riverside, Orland Park, and Oswego, Illinois). This transaction resulted in classifying these restaurants as "Discontinued Operations" for all years reported and excluding them from the operating results.

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

The Company continues to be focused on four key priorities: revitalizing sales and traffic, reducing costs, elevating organizational effectiveness, and rebuilding culture. The Company plans to revitalize sales and traffic through the continued focus on the totality of the Guest experience; food and beverage innovation that concentrates on value; the continued optimization of marketing platforms; restaurant refresh and remodel packages; and digital services to drive To Go and Catering sales.

The Company plans on reducing costs through continued investment in its labor model, based on time and motion studies that will allow the Company to achieve greater, sustained levels of labor efficiencies. Additionally, the Company is driving simplification on the menu, thereby removing operational complexity and allowing it to leverage supply chain efficiencies. The Company will maintain a continued focus on theoretical food costs versus actual food costs and on reducing waste in its restaurants. Also, the focus on reducing general and administrative expenses through the removal of redundant and unproductive costs and systems will continue.

Finally, the Company continues to work on improving organizational effectiveness through its allocation of time to more value enhancing activities such as continued operations teach-backs of food execution and Guest services throughout the Company and franchise field organization. The Company is focused on improving its franchise relationships through improved data analytics and the sharing of best practices, and is improving employee engagement throughout the organization.

The Company continues to execute on its restaurant optimization plan. The Company will aim to sell some of its existing restaurants to existing and new franchisees that have the ability to not only acquire these restaurants but also to develop additional restaurants. The Company believes refranchising focuses the organization on serving its franchisees.

Financial Information about Segments

Since inception, the Company's revenue, operating income and assets have been attributable to the single industry segment of the foodservice industry. The Company's revenue and operating income for each of the last three fiscal years, and our assets for each of the last two fiscal years, are set forth elsewhere in this Annual Report on Form 10-K under Item 8, Financial Statements and Supplementary Data.

Narrative Description of Business

Famous Dave's restaurants, a majority of which offer full table service, feature wood-smoked and off-the-grill entrée favorites that fit into the broadly defined barbeque category. We seek to differentiate ourselves by providing high-quality food in distinctive and comfortable environments with signature décor and signage. As of January 1, 2017, 32 of our Company-owned restaurants were full-service and five were counter-service. Generally, our prototypical design includes the following elements: a designated bar, a signature exterior smokestack, a separate entrance for our To Go business and a patio (where available). We have designs that can be adapted to fit various location sizes and desired service styles such as full-service or counter-service.

In 2016, four franchise openings were a mixture of conversions of existing full-service casual dining restaurants to our concept as well as new construction, including two restaurants opened in the United Arab Emirates. In fiscal 2016 and 2015, we did not open any Company-owned restaurants. In fiscal 2014, the Company completed a significant remodel of two Chicago-area restaurants.

We offer conversion packages that provide our franchisees with the flexibility to convert existing restaurants as well as existing retail footprints into a Famous Dave's restaurant. Due to the flexibility and scalability of our concept, we believe that there are a variety of development opportunities available now and in the future.

We pride ourselves on the following:

High Quality Food – Each restaurant features a distinctive selection of authentic hickory-smoked and off-the-grill barbecue favorites, such as flame-grilled St. Louis-style and baby back ribs, Texas beef brisket, Georgia chopped pork, country-roasted chicken, and signature sandwiches and salads. Also, enticing side items, such as corn bread, potato salad, coleslaw, Shack Fries™ and Wilbur Beans™, accompany the broad entrée selection. Homemade desserts, including Famous Dave's Bread Pudding and Hot Fudge Kahlua Brownies, are another specialty. To complement our entrée and appetizer items and to suit different customer tastes, we offer six regional barbeque sauces: Rich & Sassy®, Texas Pit™, Georgia Mustard™, Devil's Spit®, Sweet and Zesty™ and Wilbur's Revenge™. These sauces, in addition to a variety of seasonings, rubs, marinades, and other items are also distributed in retail grocery stores throughout the country under licensing agreements.

We believe that high quality food, a menu that is over 85% "scratch cooking" and the fact that we smoke our meats daily at each of our restaurants are principal points of differentiation between us and other casual dining competitors and are a significant contributing factor to repeat business. We also feel that our focus on barbecue being a noun, a verb and a culture allows for product innovation without diluting our brand. As a noun, barbeque refers to the art of the smoke and sauce. As a verb, barbeque refers to the act of grilling. As a culture, barbeque refers to the competitive spirit. As a result, we see few geographic impediments to scaling our concept and brand.

Focus on Guest Experience – We believe that a renewed focus on enhancing our Guests' experience and listening to their feedback is an essential pillar of the Company. In 2017, we will continue to test and further enhance our guests experience by focusing on hospitality, food execution and training. We believe a positive guest experience, combined with our high-quality food, makes Famous Dave's appeal to families, children, teenagers and adults of all ages and socio-economic and demographic backgrounds.

Distinctive Environment - Décor and Music – Our original décor theme was a nostalgic roadhouse shack ("Original Shack"), as defined by the abundant use of rustic antiques and items of Americana. This format was used for both full-service and counter-service restaurant formats. In late 1997, we introduced the "Lodge" format which featured décor reminiscent of a comfortable "Northwoods" hunting lodge with a full-service dining room and small bar. In addition, we developed a larger "Blues Club" format that featured authentic Chicago Blues Club décor and live music seven nights a week. We have evolved our format to that of a full-service concept with several "prototypical" designs that incorporate the best attributes of the past restaurants while providing a consistent brand image.

Operating Strategy

We believe that our ability to achieve sustainable profitable growth is dependent upon us delivering high-quality experiences in terms of both food and hospitality to every guest, every day, and to enhance brand awareness in our markets. Key elements of our strategy include the following:

Operational Excellence – During fiscal 2016, we continued to focus on operational excellence and integrity, and on creating a consistently enjoyable guest experience, both in terms of food and hospitality, across our system. We define operational excellence as also meaning an unyielding commitment to superior service for our Guests during every visit. In our restaurants, we strive to emphasize value and speed of service by employing a streamlined operating system based on a focused menu and simplified food preparation techniques while remaining true to authentic barbeque. Operational excellence is also an uncompromising attention to the details of our recipes, preparation and cooking procedures, handling procedures, rotation, sanitation, cleanliness and safety.

Our menu focuses on a number of popular smoked, barbequed, grilled meats, entrée items and delicious side dishes which are prepared using easy-to-operate kitchen equipment and processes that use proprietary seasonings, sauces and mixes. This streamlined food preparation system helps manage the cost of operation by requiring fewer staff, lowering training costs, and eliminating the need for highly compensated chefs. Additionally, barbeque has the ability to be batch cooked and held, which enables our award winning food to get to our Guests quickly, whether in the restaurant, at their homes, or at a catering event. In order to enhance our appeal, expand our audience, increase frequency, and feature our cravable products, we have assembled a research and development product pipeline designed to generate new, delicious and exciting menu items that allow us to regularly update our menu.

During 2016, we offered our Guests several new products as well as featured several signature menu items. Early in 2016, and in support of the Lenten season, we featured several fish entrée's such as catfish, salmon, cod, and buffalo shrimp. We also offered an Easter holiday meal program with our own Signature Smoked Hams. In the spring, we launched a promotion that featured "our House-Smoked Turkey", on a platter, a sandwich or as the main protein on a salad. In the fall, the Company featured items showcased by Dave Anderson on the Destination America's hit TV series SMOKED which included St. Louis Spare-Ribs, zesty pork loin, boar sausage, and blue ribbon broccoli salad. Finally, during the holiday season, we featured system-wide a Signature Smoked Ham and Signature Smoked Turkey product available for off-premise occasions.

Human Resources and Training/Development - A key ingredient to our success lies with our ability to hire, train, engage and retain employees at all levels of our organization. We place a great deal of importance on creating an exceptional working environment for all of our employees. Through our Human Resource and Training/Development resources, tools and programs, we continually enhance and support superior performance within our restaurants and Support Center. Our foundational guiding principle is doing the right thing for the organization and our guests while ensuring we have the right people in the right roles with the right resources and tools.

We are a performance-based organization, committed to recognizing and rewarding performance at all levels of the organization. Our performance management process includes performance calibration at the organizational level as a means of providing measurable, comparative employee evaluations relative to peer contribution, taking into account specific core competencies and goals. It is designed to provide a complete picture of performance that is consistent across the organization. We offer a total rewards program that is benchmarked closely against the industry and includes health and welfare coverage, 401(k) and non-qualified deferred compensation with a company match, base pay and incentive pay programs developed to sustain our market competitive position. Our Human Resource and Training organization focuses on the selection and retention of talent through programs in overall workforce planning, performance management, development, safety and risk reduction, and continued enhancements in our organizational structures for all positions in the business.

In the Training and Development arena, we offer a variety of ongoing on-the-job and classroom training programs for the operations teams (hourly employees, Restaurant Managers, and Multi-Unit Managers) in an effort to create defined career paths. Our Management Trainee program provides new restaurant managers a foundational based training for restaurant operations, including ServSafe Food and Alcohol Certification, and several learning sessions focused on the basic behaviors and skills of a Famous Dave's Manager. We also offer a Famous Dave's Leadership Series program which provides a library of workshop offerings focused on building and strengthening core skills in the areas of communication, teamwork, coaching, change management and performance management. In addition, we have incorporated e-learning training tasks, skills and processes on-demand.

Restaurant Operations

Our ability to manage multiple restaurants in geographically diverse locations is central to our overall success. In each market, we place specific emphasis on the positions of Area Director and General Manager, and seek talented individuals that bring a diverse set of skills, knowledge, and experience to the Company. We strive to maintain quality and consistency in each of our restaurants through the careful training and supervision of employees and the establishment of, and adherence to, high standards relating to performance, food and beverage preparation, and maintenance of facilities.

All Managers must complete an eight-week training program, during which they are instructed in areas such as food quality and preparation, customer service, hospitality, and employee relations. We have prepared operations manuals relating to food and beverage quality and service standards. New employees participate in training under the close supervision of our Management. Each General Manager reports to an Area Director, who manages from six to nine restaurants, depending on the region. Our Area Directors have all served as General Managers, either for Famous Dave's or for other restaurants, and are responsible for ensuring that operational standards are consistently applied in our restaurants, communicating Company focus and priorities, and supporting the development of restaurant management teams. In addition to the training that the General Managers are required to complete as noted above, our Area Directors receive additional training through Area Director Workshops that focus specifically on managing multiple locations, planning, time management, staff and management development skills.

We have a Vice President of Company Operations who is responsible for overseeing all Company-owned restaurants. This individual works closely with the Area Directors to support day-to-day restaurant operations. In addition, the Vice President of Company Operations assists in the professional development of our multi-unit supervisors and general managers and is also instrumental in driving our vision of operational integrity and contributing to the improvement of results achieved at our restaurants, including building sales, developing personnel and growing profits. The Vice President of Company Operations reports to the Chief Executive Officer/Chief Operating Officer.

Staffing levels at each restaurant vary according to the time of day and size of the restaurant. However, in general, each restaurant has approximately 40 to 60 employees.

Off-Premise Occasions - Focus on Convenience – In addition to our lively and entertaining dine-in experience, we provide our guests with maximum convenience by offering an expedient take-out service along with catering. We believe that Famous Dave's entrées and side dishes are viewed by Guests as traditional American "picnic foods" that maintain their quality and travel particularly well, making them an attractive choice to replace a home-cooked meal. Also, the high quality, fair prices and avoidance of preparation time make take-out of our product particularly attractive. Our off-premise sales provide us with revenue opportunities beyond our in-house seating capacity and we continue to seek ways to leverage these segments of our business.

Catering accounted for approximately 13.0% of our net sales for fiscal 2016, as compared to 12.3% in fiscal 2015 and 9.8% in fiscal 2014. We see catering as an opportunity for new consumers to sample our product who would not otherwise have had the opportunity to visit our restaurants, and each restaurant has a dedicated vehicle to support our catering initiatives.

To Go accounted for approximately 30.0% of net restaurant sales for fiscal 2016, as compared to 28.2% in fiscal 2015 and 26.5% in Fiscal 2014. Our restaurants have been designed specifically to accommodate a significant level of To Go sales, including a separate To Go entrance with prominent and distinct signage, and for added convenience, we separately staff the To Go counter. To further enhance To Go sales, we offer our Guest the ability to order online to improve convenience. We believe our focus on To Go enables Famous Dave's to capture a greater portion of the "take-out" market by allowing consumers to "trade within our brand," when dining in is not always an option. We pursue efforts to increase awareness of To Go in all Company-owned and franchise-operated restaurants by featuring signage and merchandising both inside and outside the restaurants.

Guest Satisfaction – We believe that we achieve a significant level of repeat business by providing high-quality food, efficient friendly service, and warm caring hospitality in an entertaining environment at moderate prices. We strive to maintain quality and consistency in each of our restaurants through the purposeful hiring, training and supervision of personnel and the establishment of, and adherence to, high standards of performance, food preparation and facility maintenance. We have also built family-friendly strategies into each restaurant's food, service and design by providing children's menus, smaller-sized entrees at reduced prices and changing tables in restrooms.

Value Proposition and Guest Frequency – We offer high quality food and a distinctive atmosphere at competitive prices to encourage frequent patronage. Lunch and dinner entrees range from $6.99 to $26.99, resulting in a per person dine-in and To Go average of $15.38 during fiscal 2016. During fiscal 2016, per person average tickets for lunch averaged $13.29 and per person average ticket for dinner averaged $17.48. We intend to use value priced offerings, new product introductions, and the convenience of connecting with guests on their own terms, to drive new and infrequent guests into our restaurants for additional meal occasions.

Marketing, Promotion and Sales

We believe that by specializing in unique and distinctive smoked meats, poultry & fish, our menu specialty helps set the brand apart from the rest of the crowded field in casual dining. To further develop the advertising and promotional materials and programs designed to create brand awareness and increase the reach of the brand, we have a system-wide marketing fund. All Company-owned restaurants, and those franchise-operated restaurants with agreements signed after December 17, 2003 are generally required to contribute 1.0% of net sales to this fund. In fiscal 2016, the Marketing Ad Fund contribution was 1.0% of net sales and will continue to be so in fiscal 2017.

The marketing team, working with outside consultants and other resources, is responsible for the advertising, promotion, creative development, and branding for Famous Dave's. Franchise-operated restaurants place the advertising and marketing programs in their local markets based on contractual requirements, while the Famous Dave's marketing team plans and executes the advertising and marketing for Company-owned restaurants. Famous Dave's uses industry standard marketing efforts that include broadcast media, digital, online & social media platforms, public relations and out-of-home vehicles. During 2016, we had approximately 1.7 million Famous Nation members.

The strategic focus for marketing and promotion is to ensure that Famous Dave's is recognized as the category–defining brand in BBQ, to create and sustain attractive differentiation in consumer's mind, and to continue to strengthen the brand's positioning and consistency. To help drive top-line sales, we are implementing a guest research driven innovation process to create its rolling 18-month marketing calendar with specific strategic goals. Additionally, a number of new initiatives were planned around enhancing the menu, the guest experience, events marketing and social media.

In 2016, we highlighted value and affordability in our menu along with promoting additional value offerings through LTO's and day of the week offerings such as "Wednesday Slowdown Lowdown" or a Sunday fried chicken offering as well as featuring a lunch menu. Famous Dave's also continued to promote its To Go and Catering offering. This has allowed us to connect with Guests on their terms and offer unique and often compelling sources of growth, and each occasion is growing at a different rate. Leveraging this occasions matrix, we are uniquely poised to offer more immediate relevancy and sales opportunities by solving the guest's daily dinner dilemma and address these differences in our marketing, including menu, promotional outreach, pricing, and new product news.

Location Strategy

We believe that the barbeque segment of the casual dining niche of the restaurant industry continues to offer strong growth opportunities, and we see few impediments to our growth on a geographical basis. Our geographical concentration, as of January 1, 2017, was 38% Midwest, 11% Middle Atlantic, 8% South, 31% West, 8% Northeast, 1% in Canada, 2% in Puerto Rico and 1% in the United Arab Emirates. We were located in 32 states, the Commonwealth of Puerto Rico, Canada and the United Arab Emirates as of January 1, 2017.

We prepare an overall market development strategy for each market. The creation of this market strategy starts with identifying trade areas that align demographically with the target guest profile. The identified trade areas are then assessed for viability and vitality and prioritized as initial, second tier, or future development. Since markets are dynamic, the market strategy includes a continual and ongoing assessment of all existing restaurant locations. If financially feasible, a restaurant may be relocated as the retail or residential focus in a trade area shifts.

We have a real estate site selection model to assist in assessing the site and trade area quality of new locations. This process involves consumer research in our existing restaurants, the results of which are captured in a target guest profile that is regularly updated. Each location is evaluated based on three primary sales drivers that include: sales potential from the residential base (home quality), employment base (work quality), and retail activity (retail quality). Locations are also evaluated on their site characteristics that includes seven categories of key site attributes, including, but not limited to, access, visibility, and parking.

As part of our development strategy, we have engaged design firms to redesign and reimage the traditional full-service prototype. These firms have assisted in developing plans for future service style models such as an updated counter-service, line-service and hybrid flex-service models. The future service-style models will allow us access new markets or strategically locate restaurants in existing markets where a full-service restaurant is unlikely to be financially viable. The surrounding trade area will determine which service style is appropriate. Site selection will focus on newly developed green-field retail developments or existing retail projects being re-developed. Conversion opportunities will be considered on a case by case basis. We intend to finance company restaurant development through the use of cash on hand, cash flow generated from operations, and through availability on our revolving line of credit.

Company-Owned Restaurant Development – In fiscal 2017, we do not expect to open a Company-owned restaurant. In the future we expect to continue to build in our existing markets in high profile, heavy traffic retail locations. Our plan is to focus on sustainable, controlled growth, primarily in markets where multiple restaurants can be opened, thereby expanding consumer awareness, and creating opportunities for operating, distribution, and marketing efficiencies.

Franchise-Operated Restaurant Development – We expect to continue to grow the franchise program. Our goal is to continue to improve the economics of our current restaurant prototypes, while providing more cost-effective development options for our franchisees. As of January 1, 2017, we had signed franchise area development agreements with aggregate commitments for 61 additional units that are expected to open over approximately the next five years, including an additional two units in the United Arab Emirates. However, there can be no assurance that these franchisees will fulfill their commitments or fulfill them within the anticipated timeframe. Our franchise system is a significant part of our brand's success. As such, another one of our goals is to be a valued franchisor; to enhance communication and recognition of best practices throughout the system and to continue to expand our franchisee network here and outside of the United States.

Generally, we find franchise candidates with prior franchise casual-dining restaurant experience in the markets for which they will be granted. In the past, area development agreements generally ranged from 3 to 15 restaurants, however, we have been willing to discuss smaller unit agreements as well as individual franchise restaurants in the right markets where it makes sense. Additionally, we have begun to focus on certain strategic international markets where it makes sense. We do believe that the additional service-style formats will allow us to bring new franchisees, with diverse restaurant experience, into the system.

Purchasing

To provide the freshest ingredients and in order to maximize operational efficiencies for our food products, we strive to obtain consistent quality items at competitive prices from reliable sources, including identifying secondary suppliers for many of our key products. Additionally, our secondary suppliers help us assure supply chain integrity and better logistics. Finally, to reduce freight costs, we continually aim to optimize our distribution networks, where the products are shipped directly to the restaurants through our foodservice distributors. Each restaurant's management team determines the daily quantities of food items needed and orders such quantities to be delivered to their restaurant.

Approximately 85% of our food and non-alcoholic beverage purchases are on contract, with the majority being proteins. Pork represents approximately 32% of our total purchases, while beef, which includes hamburger and brisket, is approximately 13%, chicken is approximately 13%, and seafood is approximately 2%. Our purchasing department contracts, as well as our food and beverage costs and trends associated with each, are discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our purchasing team is also responsible for managing the procurement of non-food items for our restaurants, including restaurant equipment, small wares and restaurant supplies. Also, they contract many of our restaurants repair and maintenance services along with managing our utility costs.

Information Technology

Famous Dave's recognizes the importance of leveraging information and technology to support and extend our competitive position in the restaurant industry. We continue to invest in capabilities that provide secure and efficient operations, maximize the guest experience, and provide the ability to analyze data that describes our operations.

We have implemented a suite of restaurant and general headquarter systems which support operations by providing transactional functions (ordering, card processing, etc.) and reporting at both the unit and support center level. Interfaces between Point-of-Sale (POS), labor management, inventory management, menu management, key suppliers, and employee screening/hiring and financial systems all contribute to the following operator and corporate visibility:

- Average guest check broken down by location, by server, by day part, and by revenue center;
- Daily reports of revenue and labor (both current and forecasted);
- Weekly reports of selected controllable restaurant expenses;
- Monthly reporting of detailed revenue and expenses; and
- Ideal vs. actual usage variance reporting for critical restaurant-level materials

Trademarks

Our Company has registered various trademarks, makes use of various unregistered marks, and intends to vigorously defend these marks. "Famous Dave's" and the Famous Dave's logo are registered trademarks of Famous Dave's of America, Inc. The Company highly values its trademarks, trade names and service marks and will defend against any improper use of its marks to the fullest extent allowable by law.

Franchise Program

We are currently authorized to offer and sell franchises in 48 of 50 states, the Commonwealth of Puerto Rico, the United Arab Emirates, and have a Canadian franchise disclosure document available. Our growth and success depends in part upon our ability to attract, contract with and retain qualified franchisees. It also depends upon the ability of those franchisees to successfully operate their restaurants with our standards of quality and promote and develop Famous Dave's brand awareness.

Although we have established criteria to evaluate prospective franchisees, and our franchise agreements include certain operating standards, each franchisee operates his/her restaurants independently. Various laws limit our ability to influence the day-to-day operation of our franchise restaurants. We cannot assure you that franchisees will be able to successfully operate Famous Dave's restaurants in a manner consistent with our standards for operational excellence, service and food quality.

At January 1, 2017, we had 35 ownership groups operating 139 Famous Dave's franchise restaurants. Signed area development agreements, representing commitments to open an additional 62 franchise restaurants, were in place as of January 1, 2017. There can be no assurance that these franchisees will fulfill their commitments or fulfill them within the anticipated timeframe.

As of January 1, 2017, we had franchise-operated restaurants in the following locations:

United States	Number of Franchise-Operated Restaurants
Arizona	6
California	19
Colorado	6
Delaware	2
Florida	3
Idaho	2
Illinois	10
Indiana	4
Iowa	3
Kansas	2
Kentucky	2
Maine	1
Maryland	1
Michigan	7
Minnesota	4
Missouri	2
Montana	4
Nebraska	4
Nevada	6
New Jersey	1
New York	2
North Dakota	3
Oregon	2
Ohio	2
Pennsylvania	4
South Dakota	2
Tennessee	5
Texas	3
Utah	3
Washington	7
Wisconsin	10
United States Total	132
The Commonwealth of Puerto Rico	4
Canada	1
United Arab Emirates	2
Total franchise-operated restaurants	139

Our Franchise Operations Department is led by the Chief Executive and Operating Officer, who guides the efforts of a Sr. Vice President of Franchise Operations, supported by four Franchise Business Consultants. The Sr. Vice President of Franchise Operations has the responsibility of supporting our franchisees throughout the system and plays a critical role for us as well as for our franchise community. The Sr. Vice President of Franchise Operations as well as the Franchise Business Consultants manages the relationship between the franchisee and the franchisor and provides an understanding of the roles, responsibilities, differences, and accountabilities of that relationship. They are an active participant towards enhancing performance, as they partner in strategic and operations planning sessions with our franchise partners and review the individual strategies and tactics for obtaining superior performance for the franchisee. They ensure compliance with obligations under our area development and franchise agreements. Franchisees are encouraged to utilize all available assistance from the Sr. Vice President of Franchise Operations and the Franchise Business Consultants and the Support Center but are not required to do so.

The Company has a comprehensive operations scorecard and training tool that helps us measure the operational effectiveness of our Company-owned and franchise-operated restaurants. This scorecard is used to evaluate, monitor and improve operations in areas such as guest satisfaction, health and safety standards, community involvement, and local store marketing effectiveness, among other operating metrics. Also, we generally provide support as it relates to all aspects of franchise operations including, but not limited to, store openings and operating performance. Finally, the Company solicits feedback from our franchise system by having an active dialogue with all franchisees throughout the year.

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 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 agreement basis and is determined based on the costs incurred to sell that development agreement. 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 a potential franchise background investigation, 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 in full upon receipt. 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 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.

The franchisee's investment depends primarily upon restaurant size. This investment includes the area development fee, initial franchise fee, real estate and leasehold improvements, fixtures and equipment, POS systems, business licenses, deposits, initial food inventory, small wares, décor and training fees as well as working capital. In 2016, franchisees were required to contribute 1.0% of net sales to a marketing fund dedicated to building system-wide brand awareness. In 2017, franchisees will be required to contribute 1.0% of net sales to the marketing fund. Additionally, franchisees have historically spent 1.5% to 2.0% of their net sales annually on local marketing activities. Currently, franchisees are required to spend approximately 1.5% of their net sales annually on local marketing activities.

Seasonality

Our restaurants typically generate higher revenue in the second and third quarters of our fiscal year as a result of seasonal traffic increases and high catering sales experienced during the summer months, and lower revenue in the first and fourth quarters of our fiscal year, due to possible adverse weather which can disrupt guest and team member transportation to our restaurants.

Government Regulation

Our Company is subject to extensive state and local government regulation by various governmental agencies, including state and local licensing, zoning, land use, construction and environmental regulations and various regulations relating to the sale of food and alcoholic beverages, sanitation, disposal of refuse and waste products, public health, safety and fire standards. Our restaurants are subject to periodic inspections by governmental agencies to ensure conformity with such regulations. Any difficulty or failure to obtain required licensing or other regulatory approvals could delay or prevent the opening of a new restaurant, and the suspension of, or inability to renew a license, could interrupt operations at an existing restaurant, any of which would adversely affect our operations. Restaurant operating costs are also affected by other government actions that are beyond our control, including increases in minimum hourly wage requirements, worker's compensation insurance rates, health care insurance costs, property and casualty insurance, and unemployment and other taxes. We are also subject to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

As a franchisor, we are subject to federal regulation and certain state laws that govern the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Bills have been introduced in Congress from time to time that would provide for federal regulation of substantive aspects of the franchisor-franchisee relationship. As proposed, such legislation would limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise, and the ability of a franchisor to designate sources of supply.

The 1990 Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. We could be required to incur costs to modify our restaurants in order to provide service to, or make reasonable accommodations for, disabled persons. Our restaurants are currently designed to be accessible to the disabled, and we believe we are in substantial compliance with all current applicable regulations relating to this Act.

Team Members

As of January 1, 2017, we employed approximately 1,645 team members of which approximately 173 were salaried full-time employees. None of our team members are covered by a collective bargaining agreement. We consider our relationships with our team members to be good.

ITEM 1A. RISK FACTORS

Famous Dave's makes written and oral statements from time to time, including statements contained in this Annual Report on Form 10-K 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 Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements containing the words or phrases "will likely result," "anticipates," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "intends," "target," "goal," "plans," "objective," "should" or similar expressions identify forward-looking statements which may appear in documents, reports, filings with the Securities and Exchange Commission, 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, 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. 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 our management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. In addition, forward-looking statements may reflect 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. Except as otherwise required by applicable law, 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.

In addition to other matters identified or described by us from time to time in filings with the SEC, including the risks described below and elsewhere in this Annual Report on Form 10-K, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement that may be made by us or on our behalf.

Challenging economic conditions may have a negative effect on our business and financial results.

The restaurant industry is affected by macro-economic factors, including changes in national, regional, and local economic conditions, employment levels and consumer spending patterns. Challenging economic conditions may negatively impact consumer spending and thus cause a decline in our financial results. For example, international, domestic and regional economic conditions, consumer income levels, financial market volatility, social unrest, governmental, political and budget matters and a slow or stagnant pace of economic growth generally may have a negative effect on consumer confidence and discretionary spending. In recent years, we believe these factors and conditions have affected consumer traffic and comparable restaurant sales for us and throughout our industry and may continue to result in a challenging sales environment in the casual dining sector. A decline in economic conditions or negative developments with respect to any of the other factors mentioned above, generally or in particular markets in which we or our franchisees operate, and our Guests' reactions to these trends could result in increased pressure with respect to our pricing, traffic levels, commodity and other costs and the continuation of our innovation and productivity initiatives, which could negatively impact our business and results of operations. These factors could also cause us or our franchisees to, among other things, reduce the number and frequency of new restaurant openings, impair the assets of or close restaurants as well as delay remodeling of existing restaurant locations. Further, poor economic conditions may force nearby businesses to shut down, which could cause our restaurant locations to be less attractive.

A failure to maintain continued compliance with the financial covenants of our credit facility may result in termination of the credit facility and may have a material adverse effect on our ability to accomplish our business objectives.

At April 3, 2016, July 3, 2016, and October 2, 2016, we were not in compliance with financial covenants under our Credit Agreement (the "Credit Agreement") with Wells Fargo, National Association as administrative agent and lender ("Wells Fargo").

As a result of breaches of our financial covenants in the first, second, and third quarters of fiscal 2016 with Wells Fargo, National Association as administrative agent and lender ("Wells Fargo"), the Company refinanced its Credit Facility with Venture Bank (the "Lender") with three separate loans. The First Loan agreement is a $3.7 million loan and is evidenced by a promissory note (the "Loan 1"). The Second Loan agreement provides for two separate loans from the Lender to the borrowers set forth therein in aggregate principal amount of $7.3 million, one in the principal amount of $6.3 million ("Loan 2") and other principal amount of $1.0 million ("Loan 3"). At the end of the fiscal 2016, the Company had additional borrowing capacity with Loan 3.

Depending on the duration of the Company's recovery, our ability to comply with financial covenants under our credit facility on a continuing basis may be adversely affected. These financial covenants include, among other things, a minimum debt service coverage ratio.

In the event we fail to comply with these or other financial covenants in the future and are unable to obtain similar amendments or waivers, our lender will have the right to demand repayment of all principal amounts outstanding under the Loan 1, Loan 2, or Loan 3. At January 1, 2017, principal amounts outstanding on Loan 1 was $3.7 million, principal amounts outstanding on Loan 2 was $6.3 million and there were no principal amounts outstanding for Loan 3. If we were unable to repay outstanding amounts, either using current cash reserves, a replacement facility or another source of capital, our lender would have the right to foreclose on our real estate and personal property, which serves as collateral for the loans. Replacement financing may be unavailable to us on similar terms or at all. Termination of our existing loans without adequate replacement, either through a similar facility or other sources of capital, would have a material and adverse impact on our ability to continue our business operations.

Our future revenue, operating income, and cash flows are dependent on consumer preference and our ability to successfully execute our plan.

Our Company's future revenue and operating income will depend upon various factors, including continued and additional market acceptance of the Famous Dave's brand, the quality of our restaurant operations, our ability to grow our brand, our ability to successfully expand into new and existing markets, our ability to successfully execute our franchise program, our ability to raise additional financing as needed, discretionary consumer spending, the overall success of the venues where Famous Dave's restaurants are or will be located, economic conditions affecting disposable consumer income, general economic conditions and the continued popularity of the Famous Dave's concept. An adverse change in any or all of these conditions would have a negative effect on our operations and the market value of our common stock.

In fiscal 2017, the Company does not anticipate opening a new Company-owned restaurant. There is no guarantee that any of the Company-owned or franchise-operated restaurants will open when planned, or at all, due to many factors that may affect the development and construction of our restaurants, including landlord delays, weather interference, unforeseen engineering problems, environmental problems, construction or zoning problems, local government regulations, modifications in design to the size and scope of the project, and other unanticipated increases in costs, any of which could give rise to delays and cost overruns. There can be no assurance that we will successfully implement our growth plan for our Company-owned and franchise-operated restaurants. In addition, we also face all of the risks, expenses and difficulties frequently encountered in the development of an expanding business.

Competition may reduce our revenue, operating income, and cash flows.

Competition in the restaurant industry is intense. The restaurant industry is affected by changes in consumer preferences, as well as by national, regional and local economic conditions, including real estate, and demographic trends, traffic patterns, the cost and availability of qualified labor, and product availability. Discretionary spending priorities, traffic patterns, tourist travel, weather conditions, and the type, number and location of competing restaurants, among other factors, will also directly affect the performance of our restaurants. Changes in any of these factors in the markets where we currently operate our restaurants could adversely affect the results of our operations.

Increased competition by existing or future competitors may reduce our sales. Our restaurants compete with moderately-priced restaurants primarily on the basis of quality of food and service, atmosphere, location and value. In addition to existing barbeque restaurants, we face competition from steakhouses and other restaurants featuring protein-rich foods. We also compete with other restaurants and retail establishments for quality sites.

Many of our competitors have substantially greater financial, marketing and other resources than we do. Regional and national restaurant companies continue to expand their operations into our current and anticipated market areas. We believe our ability to compete effectively depends on our ongoing ability to promote our brand and offer high quality food and hospitality in a distinctive and comfortable environment. If we are unable to respond to, or unable to respond in a timely manner, to the various competitive factors affecting the restaurant industry, our revenue and operating income could be adversely affected.

Our failure to execute our franchise program may negatively impact our revenue, operating income and cash flows.

Our growth and success depends in part upon increasing the number of our franchised restaurants, through execution of area development and franchise agreements with new and existing franchisees in new and existing markets. We are also pursuing a strategic "re-franchising" initiative to transition some of our Company-owned restaurants into franchised locations. Our ability to successfully franchise additional restaurants and re-franchise existing Company-owned restaurants will depend on various factors, including our ability to attract, contract with and retain quality franchisees, the availability of suitable sites, the negotiation of acceptable leases or purchase terms for new locations, the negotiation of acceptable terms for the re-franchising of existing Company-owned restaurants, permitting and regulatory compliance, the ability to meet construction schedules, the financial and other capabilities of our franchisees, our ability to manage this anticipated expansion, and general economic and business conditions. Many of the foregoing factors are beyond the control of the Company or our franchisees.

Our growth and success also depends upon the ability of our franchisees to operate their restaurants successfully to our standards and promote the Famous Dave's brand. Although we have established criteria to evaluate prospective franchisees, and our franchise agreements include certain operating standards, each franchisee operates his/her restaurant independently. Various laws limit our ability to influence the day-to-day operation of our franchise restaurants. We cannot assure you that our franchisees will be able to successfully operate Famous Dave's restaurants in a manner consistent with our concepts and standards, which could reduce their sales and correspondingly, our franchise royalties, and could adversely affect our operating income and our ability to leverage the Famous Dave's brand. In addition, there can be no assurance that our franchisees will have access to financial resources necessary to open the restaurants required by their respective area development agreements, which would negatively impact our growth plans.

We may not be successful in maintaining or expanding our international footprint.

Our current franchise program includes four restaurants in the Commonwealth of Puerto Rico, one restaurant in Manitoba, Canada, and two restaurants in the United Arab Emirates. Because there are a very limited number of international restaurants, we may not be completely aware of the development efforts involved and barriers to entry into new foreign markets. As a result, we may incur more expenses than originally anticipated and there is a risk that we may not be successful in expanding internationally. If we are successful in maintaining or expanding our international footprint, our future results could be materially adversely affected by a variety of uncontrollable and changing factors affecting international operations including, among others, regulatory, social, political, or economic conditions in a specific country or region, trade protection measures and other regulatory requirements, government spending patterns, and changes in the laws and policies. Furthermore, by maintaining or expanding our international footprint, our brand value could be harmed by factors outside of our control, including, among other things, difficulties in achieving the consistency of product quality and service compared to our U.S. restaurants and an inability to obtain adequate and reliable supplies of ingredients and products.

The restaurant industry is subject to extensive government regulation that could negatively impact our business.

The restaurant industry is subject to extensive federal, state, and local government regulation by various government agencies, including state and local licensing, zoning, land use, construction and environmental regulations and various regulations relating to the preparation and sale of food and alcoholic beverages, sanitation, disposal of refuse and waste products, public health, safety and fire standards, adjustments to tip credits, increases to minimum wage requirements, workers' compensation and citizenship requirements. Due to the fact that we offer and sell franchises, we are also subject to federal regulation and certain state laws which govern the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and termination or non-renewal of a franchise. We may also be subject in certain states to "dram-shop" statutes, which provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. In addition, our operating results would be adversely affected in the event we fail to maintain our food and liquor licenses.

Any change in the current status of such regulations, including an increase in team member benefits costs, any and all insurance rates, or other costs associated with team members, could substantially increase our compliance and labor costs. Because we pay many of our restaurant-level team members rates based on either the federal or the state minimum wage, increases in the minimum wage would lead to increased labor costs. In 2014, the general counsel's office of the National Labor Relations Board issued complaints naming the McDonald's Corporation as a joint employer of workers at its franchisees for alleged violations of the Fair Labor Standards Act. There can be no assurance that other franchisors will not receive similar complaints in the future which may result in legal proceedings based on the actions of its franchisees. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. Furthermore, restaurant operating costs are affected by increases in unemployment tax rates and similar costs over which we have no control.

During 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the United States. Our restaurants are governed by these laws. This legislation mandates menu labeling of certain nutritional aspects of restaurant menu items such as caloric, sugar, sodium, and fat content. There is a risk that consumers' dining preferences may be impacted by such menu labeling. If we elect to alter our recipes in response to such a change in dining preferences, doing so could increase our costs and/or change the flavor profile of our menu offerings which could have an adverse impact on our results of operations.

We are subject to the risks associated with the food services industry, including the risk that incidents of food-borne illnesses or food tampering could damage our reputation and reduce our restaurant sales.

Our industry is susceptible to the risk of food-borne illnesses. As with any restaurant operation we cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by third-party food suppliers and distributors outside of our control and/or multiple locations being affected rather than a single restaurant. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media or on social media of one or more instances of food-borne illness in one of our Company-owned restaurants, one of our franchise-operated restaurants or in one of our competitor's restaurants could negatively affect our restaurant sales, force the closure of some of our restaurants and conceivably have a national impact if highly publicized. This risk exists even if it were later determined that the illness had been wrongly attributed to the restaurant. Furthermore, other illnesses could adversely affect the supply of some of our food products and significantly increase our costs. A decrease in guest traffic as a result of these health concerns or negative publicity could materially harm our business, results of operations and financial condition.

Our ability to exploit our brand depends on our ability to protect our intellectual property, and if any third parties make unauthorized use of our intellectual property, our competitive position and business could suffer.

We believe that our trademarks and other intellectual proprietary rights are important to our success and our competitive position. Accordingly, we have registered various trademarks and make use of various unregistered marks. However, the actions we have taken or may take in the future to establish and protect our trademarks and other intellectual proprietary rights may be inadequate to prevent others from imitating our products and concept or claiming violations of their trademarks and proprietary rights by us. Although we intend to defend against any improper use of our marks to the fullest extent allowable by law, litigation related to such defense, regardless of the merit or resolution, may be costly and time consuming and divert the efforts and attention of our management.

Our financial performance is affected by our ability to contract with reliable suppliers at competitive prices.

In order to maximize operating efficiencies, we have entered into arrangements with food manufacturers and distributors pursuant to which we obtain approximately 85% of the products used by the Company, including, but not limited to, pork, poultry, beef, and seafood. Although we may be able to obtain competitive products and prices from alternative suppliers, an interruption in the supply of products delivered by our food suppliers could adversely affect our operations in the short term. Due to the rising market price environment, our food costs may increase without the desire and/or ability to pass that price increase to our customers.

Although we do contract for utilities in all available states, the costs of these energy-related items will fluctuate due to factors that may not be predictable, such as the economy, current political/international relations and weather conditions. Because we cannot control these types of factors, there is a risk that prices of energy/utility items will increase beyond our current projections and adversely affect our operations.

We could be adversely impacted if our information technology and computer systems do not perform properly or if we fail to protect our customers' credit card information or our employees' personal data.

We rely heavily on information technology to conduct our business, and any material failure or interruption of service could adversely affect our operations. Furthermore, we accept credit and debit card payments in our restaurants. Recently, retailers have experienced actual or potential security breaches in which credit and debit card information may have been compromised, including several highly-publicized incidents. Although we take it very seriously and expend resources to ensure that our information technology operates securely and effectively, any security breaches could result in disruptions to operations or unauthorized disclosure of confidential information. If our guests' consumer data or our team members' personal data are compromised, our operations could be adversely affected, our reputation could be harmed, and we could be subjected to litigation or the imposition of penalties and other remedial costs. In addition, as a franchisor, we are subject to additional reputation risk associated with data breaches that could occur at one of our franchise locations that could potentially harm the Famous Dave's brand reputation.

Failure to achieve our projected cost savings from our efficiency initiatives could adversely affect our results of operations and eliminate potential funding for growth opportunities.

In recent years as well as in the future, we have identified strategies and taken steps to reduce operating costs and free up resources to reinvest in our business. These strategies include supply chain efficiencies, reducing food waste, implementing labor scheduling tools and various information systems projects. We continue to evaluate and implement further cost-saving initiatives. However, the ability to reduce our operating costs through these initiatives is subject to risks and uncertainties, such as our ability to obtain improved supply pricing and the reliability of any new suppliers or technology, and we cannot assure that these activities, or any other activities that we may undertake in the future, will achieve the desired cost savings and efficiencies. Failure to achieve such desired savings could adversely affect our results of operations and financial condition and curtail investment in growth opportunities.

Litigation could have a material adverse impact on our business and our financial performance.

We are subject to lawsuits, administrative proceedings and claims that arise in the regular course of business. These matters typically involve claims by consumers, employees and others regarding issues such as food borne illness, food safety, premises liability, "dram shop" statute liability, compliance with wage and hour requirements, work-related injuries, promotional advertising, discrimination, harassment, disability and other operational issues common to the foodservice industry, as well as contract disputes and intellectual property infringement matters. Significant legal fees and costs in complex class action litigation or an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have a material adverse effect on our financial position and results of operations.

Significant adverse weather conditions and other disasters or unforeseen events could negatively impact our results of operations.

Adverse weather conditions and natural disasters and other unforeseen events, such as winter storms, severe temperatures, thunderstorms, floods, hurricanes and earthquakes, terror attacks, war and widespread/pandemic illness, and the effects of such events on economic conditions and consumer spending patterns, could negatively impact our results of operations. Temporary and prolonged restaurant closures may occur and consumer traffic may decline due to the actual or perceived effects from these events. For example, severe winter weather conditions have impacted our traffic and results of operations in the past.

We evaluate restaurant sites and long-lived assets for impairment and expenses recognized as a result of any impairment would negatively affect our financial condition and consolidated results of operations.

During fiscal 2016, we recognized asset impairment, lease termination and other closing costs of $4.8 million, which included approximately $4.4 million in asset impairment charges associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. As a result, we determined that the estimated fair value of these assets was less than the net book value and recognized an impairment charge to reduce the related assets to the estimated fair value. As we continue to evaluate the restaurant portfolio we anticipate addressing the ongoing operation of the 11 locations impaired over the next 3 years by way of lease restructuring, lease assignment, subleasing, or subsequent closure at the end of their natural lease term. Additionally, a lease termination reserve costs associated with a letter of credit provided to a landlord of a previously closed restaurant and costs associated with a software implementation project that was discontinued.

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 site 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 estimates change in the future, we may be required to take additional impairment charges for the related assets, which would negatively affect our financial condition and consolidated results of operations. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates.

Pursuant to its authority to designate and issue shares of our stock as it deems appropriate, our board of directors may assign rights and privileges to currently undesignated shares which could adversely affect the rights of existing shareholders.

Our authorized capital consists of 100,000,000 shares of capital stock. Our Board of Directors, without any action by the shareholders, may designate and issue shares in such classes or series (including classes or series of preferred stock) as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. As of March 7, 2017, we had 6,957,628 shares of common stock outstanding.

The rights of holders of preferred stock and other classes of common stock that may be issued could be superior to the rights granted to the current holders of our common stock. Our Board's ability to designate and issue such undesignated shares could impede or deter an unsolicited tender offer or takeover proposal. Further, the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The development cost of our restaurants varies depending primarily on the size and style of the restaurant, whether the property is purchased or leased, and whether it is a conversion of an existing building or a newly constructed restaurant. We have engaged a design firm to redesign and reimage the traditional full-service prototype and develop plans for three additional service style models including counter-service, line-service and hybrid flex-service models. The three-additional service-style models will allow us to access new markets or strategically locate restaurants in existing markets where a full-service restaurant is not sustainable. The surrounding trade area will determine which service style is appropriate. These new prototypes can be built as free standing buildings, as end caps of a building or as in-line locations. Additionally, we offer lower cost conversion packages that provide our franchisees with the flexibility to build in cost effective formats, such as opportunities to convert existing restaurants into a Famous Dave's restaurant.

In fiscal 2016, we did not open any new Company-owned locations and refranchised seven Company-owned restaurants in the Chicago-area (located in Addison, Algonquin, Bolingbrook, Evergreen Park, North Riverside, Orland Park, and Oswego, Illinois). In fiscal 2015, we did not open any new Company-owned locations, closed one location and refranchised five additional company-owned restaurants. In fiscal 2014, we did not open any new Company owned locations and closed four locations. Due to the flexibility and scalability of our concept, there are a variety of development opportunities available now and in the future. In fiscal 2017, we do not expect to open a Company-owned restaurant.

Our leased restaurant facilities are occupied under agreements with remaining terms ranging from 4 months to 31 years, including renewal options. Such leases generally provide for fixed rental payments plus operating expenses associated with the properties. Several leases also require the payment of percentage rent based on net sales.

Our Minnesota executive offices are currently located in approximately 28,600 square feet in Minnetonka, Minnesota. Our executive office lease expires November 2018, with two five-year renewal options. The minimum annual rent commitment remaining over the lease term, including renewal options, is approximately $3.8 million. During fiscal 2015, we sublet approximately 10,340 square feet to two subtenants. During 2015, our 8,400-square foot office in Lombard, IL was closed and sublet to another tenant. This office lease expires October 2022. The minimum annual rent commitment remaining over the lease term is approximately $715,000.

We believe that our properties will be suitable for our needs and adequate for operations for the foreseeable future. The following table sets forth certain information about our existing Company-owned restaurant locations, as of January 1, 2017, sorted by opening date:

	Location	Square Footage	Interior Seats	Owned or Leased	Date Opened/Acquired
1	Roseville, MN [3]	4,800	105	Leased	June 1996
2	Calhoun Square (Minneapolis, MN)	10,500	380	Leased	September 1996
3	Maple Grove, MN	6,100	146	Leased[1]	April 1997
4	Highland Park (St. Paul, MN)[3]	5,200	125	Leased	June 1997
5	Stillwater, MN	5,200	130	Leased[1]	July 1997
6	Apple Valley, MN[3]	3,800	90	Leased[1]	July 1997
7	Forest Lake, MN[3]	4,500	100	Leased	October 1997
8	Minnetonka, MN	5,500	140	Owned[2]	December 1997
9	Plymouth, MN[3]	2,100	49	Owned[2]	December 1997
10	West Des Moines, IA	5,700	150	Leased	April 1998
11	Des Moines, IA	5,800	150	Leased	April 1998
12	Bloomington, MN	5,400	140	Leased	October 1998
13	Woodbury, MN	5,900	180	Owned[2]	October 1998
14	Columbia, MD	7,200	270	Leased	January 2000
15	Annapolis, MD	6,800	219	Leased	January 2000
16	Frederick, MD	5,600	180	Leased	January 2000
17	Woodbridge, VA	6,000	219	Leased	January 2000
18	Sterling, VA	5,800	200	Leased	December 2000
19	Oakton, VA	4,400	184	Leased	May 2001
20	Laurel, MD	5,200	165	Leased	August 2001
21	Chantilly, VA	6,400	205	Leased	January 2006
22	Waldorf, MD	6,600	200	Leased	June 2006
23	Coon Rapids, MN	6,300	160	Owned[2]	December 2006
24	Fredericksburg, VA	6,500	219	Leased	September 2007
25	Owings Mills, MD	6,700	219	Leased	November 2007
26	Alexandria, VA	6,600	219	Leased	February 2008
27	Brick, NJ	5,200	181	Leased	March 2010
28	Mays Landing, NJ	6,400	237	Leased	March 2010
29	Westbury, NY	6,400	276	Leased	March 2010
30	New Brunswick, NJ	7,200	255	Leased	March 2010
31	Mountainside, NJ	8,800	253	Leased	March 2010
32	Metuchen, NJ	6,200	176	Leased	March 2010
33	Bel Air, MD	6,360	199	Leased	August 2010
34	Falls Church, VA	5,430	169	Leased	August 2011
35	Gainesville, VA	6,000	215	Leased	June 2012
36	Germantown, MD	5,000	160	Leased	September 2013
37	Timonium, MD	5,600	187	Leased	November 2013

All seat count and square footage amounts are approximate.

[1]Restaurant is collateral in a financing lease.
[2]Restaurant land and building are owned by the Company.
[3]Counter service restaurant

ITEM 3. LEGAL PROCEEDINGS

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

Famous Dave's of America, Inc. ("Famous Dave's") filed a complaint on July 14, 2015, against a group of former franchisees in California seeking injunctive relief and damages for: (1) Federal Trademark Infringement; (2) Federal Trademark Dilution; (3) Federal Unfair Competition; (4) Federal Trade Dress Dilution; (5) Trademark Infringement under California Business and Professions Code § 14200; (6) Trademark Dilution under California Business and Professions Code §14200; (7) Common Law Trademark Infringement; (8) Unfair Competition under California Business and Professions Code § 17200; (9) False Advertising; (10) Breach of Contract; (11) Breach of Implied Covenant of Good Faith and Fair Dealing; and (12) Intentional Interference with Contract. The claims stem from the former franchisees' breaches of their franchise agreements, including the failure to pay franchise fees and their continued operation of five restaurants utilizing Famous Dave's intellectual property without authorization. After two defendants in the case, Kurt Schneiter and M Mart 1, filed a demurrer to the Complaint, Famous Dave's filed an Amended Complaint on October 9, 2015, reasserting the same claims. The case is captioned Famous Dave's of America, Inc., v. SR El Centro FD, Inc., et al., Case No. BC589329, and is currently pending before the Honorable Elihu M. Berle in the Superior Court of Los Angeles. By court order, dated June 6, 2016, Famous Dave's successfully obtained a preliminary injunction, enjoining the former franchisee defendants from using Famous Dave's intellectual property, including its trademarks and restaurant system. The preliminary injunction is currently the subject of a pending interlocutory appeal which Famous Dave's intends to oppose vigorously.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The information required by Item 201(d) of Regulation S-K is hereby incorporated by reference to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Market Information

Our common stock has traded on the NASDAQ Stock Market since July 24, 1997 under the symbol DAVE. Currently, our common stock trades on the NASDAQ Global Market. The following table summarizes the high and low sale prices per share of our common stock for the periods indicated, as reported on the NASDAQ Global Market.

	2016		2015	
Period	High	Low	High	Low
1st Quarter	$ 7.05	$ 5.01	$ 34.72	$ 24.50
2nd Quarter	$ 6.14	$ 4.75	$ 30.94	$ 18.22
3rd Quarter	$ 6.73	$ 4.99	$ 20.97	$ 12.36
4th Quarter	$ 5.53	$ 4.42	$ 12.96	$ 6.70

Holders

As of March 7, 2017, we had approximately 332 shareholders of record and approximately 3,254 beneficial shareholders.

Dividends

Our Board of Directors has not declared any dividends on our common stock since our inception, and does not intend to pay out any cash dividends on our common stock in the foreseeable future. We presently intend to retain all earnings, if any, to provide for growth, reduce our debt levels, and repurchase our common stock. The payment of cash dividends in the future, if any, will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, loan agreement restrictions, our financial condition and other factors deemed relevant by our Board of Directors.

Stock Performance Graph

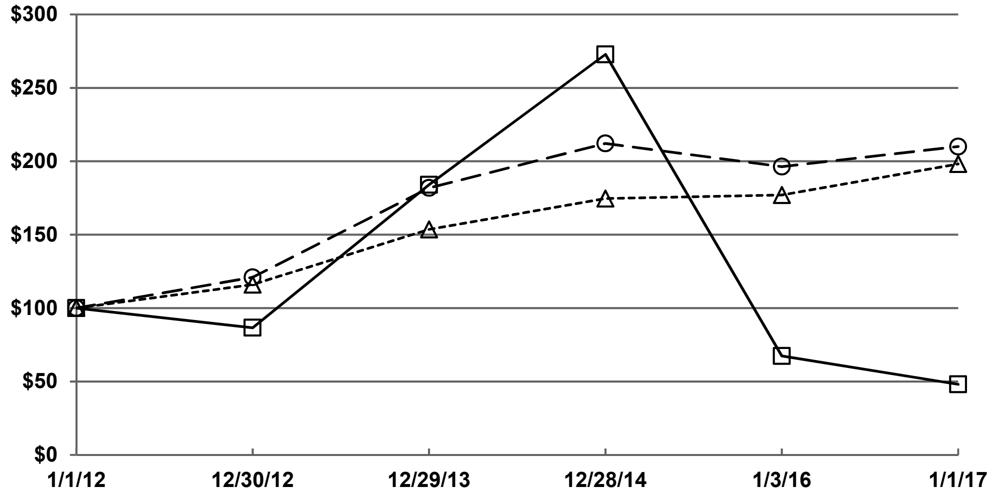
Below is a line-graph presentation that compares the cumulative, five-year return to the Company’s shareholders (based on appreciation of the market price of the Company’s common stock) on an indexed basis with (i) a broad equity market index and (ii) an appropriate published industry or line-of-business index, or Peer Group Index constructed by the Company. The following presentation compares the Company’s common stock price for the period from January 2, 2011 through January 1, 2017, to the S&P 500 Stock Index and to the S&P Small Cap Restaurant Index.

The Company has elected to use the S&P Small Cap Restaurant Index in compiling its stock performance graph because it believes the S&P Small Cap Restaurant Index represents a comparison to competitors’ with similar market capitalization to the Company.

The presentation assumes that the value of an investment in each of the Company's common stock, the S&P 500 Index and S&P Small Cap Restaurants was $100 on January 1, 2012, and that any dividends paid were reinvested in the same security.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Famous Dave's of America, Inc., the S&P 500 Index,
and S&P Small Cap Restaurants



Famous Dave's of America, Inc. S&P 500 S&P Small Cap Restaurants

*$100 invested on 1/1/12 in stock or 12/31/11 in index, including reinvestment of dividends. Fiscal year ending January 1, 2017 with previous specific fiscal year ends at January 1, 2012, December 30, 2012, December 29, 2013, December 28, 2014 and January 3, 2016.

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Purchases of Equity Securities by the Issuer

None

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below should be read in conjunction with the consolidated financial statements and notes included elsewhere in this Annual Report on Form 10-K, and in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

The selected financial data as of and for the fiscal years ended January 1, 2017 (fiscal 2016), January 3, 2016 (fiscal 2015), December 28, 2014 (fiscal 2014), December 29, 2013 (fiscal 2013), and, December 30, 2012 (fiscal 2012) have been derived from our consolidated financial statements as audited by Grant Thornton LLP, our independent registered public accounting firm.

FINANCIAL HIGHLIGHTS

FISCAL YEAR *($'s in 000's, except per share data and average weekly sales)*	**2016**	**2015**[1]	**2014**	**2013**	**2012**
STATEMENTS OF OPERATIONS DATA					
Revenue	$99,179	$114,226	$131,862	$137,282	$138,871
Asset impairment and estimated lease termination					
and other closing costs[2]	($4,788)	($1,520)	($4,517)	($1,181)	($370)
(Loss) income from operations	($4,090)	$2,144	$3,856	$6,584	$5,833
Income tax benefit (expense)	$2,000	($48)	($732)	($1,697)	($751)
Net (loss) income from continuing operations	($2,942)	$1,079	$2,255	$3,949	$4,062
Net income (loss) from discontinued operations	$511	($5,463)	$642	$818	$298
Net (loss) income	($2,431)	($4,384)	$2,897	$4,767	$4,360
Basic continuing net (loss) income per common share	($0.42)	$0.15	$0.31	$0.54	$0.54
Basic discontinued net income (loss) per common share	$0.07	($0.78)	$0.09	$0.11	$0.04
Basic net (loss) income per common share	($0.35)	($0.63)	$0.40	$0.65	$0.58
Diluted continuing net (loss) income per common share	($0.42)	$0.15	$0.31	$0.52	$0.53
Diluted discontinued net income (loss) per common share	$0.07	($0.78)	$0.09	$0.11	$0.04
Diluted net (loss) income per common share	($0.35)	($0.63)	$0.40	$0.62	$0.57
BALANCE SHEET DATA (at year end)					
Cash and cash equivalents	$4,450	$5,300	$2,133	$1,293	$2,074
Total assets	$50,945	$57,825	$66,677	$75,337	$76,253
Long-term debt less current maturities	$11,129	$12,957	$11,493	$18,924	$22,105
Total shareholders' equity	$19,968	$22,061	$31,802	$32,791	$33,767
OTHER DATA					
Restaurant Sales:					
Company-owned	$81,511	$95,475	$113,522	$118,780	$119,613
Number of restaurants open at year end:					
Company-owned restaurants	37	44	50	54	53
Franchise-operated restaurants	139	135	139	140	135
Total restaurants	176	179	189	194	188
Company-owned comparable sales					
Sales decrease [3]	(5.0)%	(9.3)%	(5.7)%	(0.7)%	(2.1)%
Average weekly sales: [4]					
Company-owned restaurants	$42,365	$44,366	$47,202	$49,514	$49,172

[1]Fiscal 2015 was 53 weeks. All other presented fiscal years consisted of 52 weeks.

[2]Fiscal 2016 reflects impairment charges for eleven restaurants slow to respond to several initiatives to turnaround operating performance, a lease termination reserve associated with a letter of credit provided to a landlord for a previously closed restaurant, and costs associated with a software implementation project that was discontinued. Fiscal 2015 reflects impairment charges for four refranchised restaurants and one closed restaurant, and lease costs for the closed Chicago field office and a cancelled restaurant relocation. Fiscal 2014 reflects non-cash impairment charges for six Company-owned restaurants, two lease restructurings charges at additional Company-owned restaurants and the décor warehouse, the write-off of décor due to a change in operating strategy and closing costs associated with Company owned restaurants. Fiscal 2013 reflects non-cash impairment charges for one Company-owned restaurant, a lease restructuring at another Company-owned restaurant, and residual closing costs for a restaurant relocated in 2013. Fiscal 2012 primarily reflects closing costs for three Company-owned restaurants as well as a lease reserve for one of the closed restaurants.

[3]Our comparable store sales includes Company-owned restaurants that are open year round and have been open more than 24 months.

[4]The Supplemental Sales Information excludes the impact of the seven Chicago restaurants that were refranchised in the first quarter of 2016, with the exception that the seven restaurants are included in the total number of Company-owned restaurants.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Annual Report on Form 10-K include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are based on information currently available to us as of the date of this Annual Report, and we assume no obligation to update any forward-looking statements except as otherwise required by applicable law. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors may include, among others, those factors listed in Item 1A of and elsewhere in this Annual Report and our other filings with the Securities and Exchange Commission. The following discussion should be read in conjunction with "Selected Financial Data" above (Item 6 of this Annual Report on Form 10-K) and our financial statements and related footnotes appearing elsewhere in this Annual Report.

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 January 1, 2017, there were 176 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, including 37 Company-owned restaurants and 139 franchise-operated restaurants. An additional 62 franchise restaurants were committed to be developed through signed area development agreements as of January 1, 2017.

Fiscal Year

Our fiscal year ends on the Sunday nearest December 31st of each year. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal years ended January 1, 2017 (fiscal 2016), consisted of 52 weeks while January 3, 2016 (fiscal 2015) consisted of 53 weeks, and December 28, 2014 (fiscal 2014) consisted of 52 weeks. Fiscal 2017, which ends on January 1, 2018, will consist of 52 weeks.

Basis of Presentation – The financial results presented and discussed herein reflect our results and the results of our wholly-owned and majority-owned consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

Application of Critical Accounting Policies and Estimates – The following discussion and analysis of the Company's financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities and expenses, and related disclosures. On an on-going basis, management evaluates its estimates and judgments. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. Management bases its estimates and judgments on historical experience, observance of trends in the industry, information provided by customers and other outside sources and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies reflect its more significant judgments and estimates used in the preparation of the Company's consolidated financial statements. Our Company's significant accounting policies are described in Note 1 to the consolidated financial statements included herein.

We have discussed the development and selection of the following critical accounting policies with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures relating to such policies in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recognition of Franchise-Related Revenue – Initial franchise fee revenue is recognized when we have performed substantially all of our obligations as franchisor. Franchise royalties are recognized when earned.

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 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 sell that development agreement. Substantially all of these services, which include, but are not limited to, a review of the potential franchisee's current operations, conducting market and trade area analysis, a meeting with Famous Dave's Executive Team, and performing a potential franchise background investigation, 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 in full upon receipt. 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 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.

Asset Impairment and Estimated Lease Termination and Other Closing Costs – We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant site 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.

Lease Accounting – We recognize lease expense for our operating leases over the entire lease term including lease renewal options where the renewal is reasonably assured and the build-out period takes place prior to the restaurant opening or lease commencement date. We account for construction allowances by recording a receivable when its collectability is considered probable, depreciating the leasehold improvements over the lesser of their useful lives or the full term of the lease, including renewal options and build-out periods, amortizing the construction allowance as a credit to rent expense over the full term of the lease, including renewal options and build-out periods, and relieving the receivable once the cash is obtained from the landlord for the construction allowance. We record rent expense during the build-out period and classify this expense in pre-opening expenses in our consolidated statements of operations.

Liquor licenses - The Company owns transferable liquor licenses in jurisdictions with a limited number of authorized liquor licenses. These licenses were capitalized as indefinite-lived intangible assets and are included in intangible assets, net in our consolidated balance sheets (see note 3 to our consolidated financial statements) at January 1, 2017 and January 3, 2016. We annually review the liquor licenses for impairment and in fiscal 2016 we impaired one license by $50,000 as we believe its value has experienced a long-term decline due to changes in the economic and demographic circumstances in the related area. In 2015 no impairment charges were required to be recorded. Additionally, the costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees are expensed over the renewal term.

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 $270,000 and $246,000, at January 1, 2017 and January 3, 2016, respectively. In fiscal 2015, the increase in the allowance for doubtful accounts was primarily due to the aging of receivables associated with certain franchisee groups. 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.

Stock-based compensation – We recognize compensation expense for share-based awards granted to team members based on their fair values at the time of grant over the requisite service period. Additionally, our board members receive share-based awards for their board service. Our pre-tax compensation expense for stock options and other incentive awards is included in general and administrative expenses in our consolidated statements of operations (see Note 9 to our financial statements).

Income Taxes – We provide for income taxes based on our estimate of federal and state income tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, allowable tax credits for items such as taxes paid on reported tip income, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. Our estimates are based on the information available to us at the time that we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state, and local governments, generally years after the tax returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. Accounting for uncertain tax positions requires significant judgment including estimating the amount, timing, and likelihood of ultimate settlement. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates. Additionally, uncertain positions may be re-measured as warranted by changes in facts or law.

Results of Operations

Revenue – Our revenue consists of four components: Company-owned restaurant sales, franchise-related revenue from royalties and franchise fees, licensing revenue from the retail sale of our sauces and rubs, and other revenue from the opening assistance we provide to franchise partners. We record restaurant sales at the time food and beverages are served. Our revenue recognition policies for franchising are discussed under "Recognition of Franchise-Related Revenue" above. Our franchise-related revenue consists of area development fees, initial franchise fees and continuing royalty payments. We record sales of merchandise items at the time items are delivered to the customer.

We have a licensing agreement for our retail products, with renewal options of five years, subject to the licensee's attainment of identified minimum product sales levels. Based on achievement of the required minimum product sales, the agreement will be in force until April 2020 at which time these levels will be re-evaluated.

Periodically, we provide additional services, beyond the general franchise agreement, to our franchise operations, such as new restaurant training and décor installation services. The cost of these services is billed to the respective franchisee, is recorded as other income when the service is provided, and is generally payable on net 30-day terms. Since 2010, the franchise agreements require a 50% deposit be paid in advance for these services.

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 corporate and 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 four months of operation. As restaurant management and team members 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.

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, including restaurant-level supervision, bonuses, team member benefits, legal fees, accounting fees, consulting fees, travel, rent, and general insurance are major items in this category. Additionally, we record expenses for Managers in Training ("MITs") in this category for approximately six weeks prior to a restaurant opening. We also provide franchise services, the revenue from which are included in other revenue and the expenses of which are included in general and administrative expenses.

The following table presents items in our consolidated statements of operations as a percentage of total revenue or net restaurant sales, as indicated, for the following fiscal years:[4]

	2016	2015	2014
Food and beverage costs[1]	31.0%	30.5%	29.5%
Labor and benefits costs[1]	34.6%	34.1%	32.5%
Operating expenses[1][3]	30.4%	29.1%	27.8%
Restaurant level operating margin[1]	4.0%	6.3%	10.2%
Depreciation and amortization expenses [2]	4.0%	4.1%	3.8%
General and administrative[2]	16.9%	16.7%	12.1%
(Loss) income from continuing operations[2]	(4.1)%	1.9%	2.9%

[1]As a percentage of restaurant sales, net

[2]As a percentage of total revenue

[3]Restaurant level cash operating margin is equal to restaurant sales, net, less food and beverage costs, labor and benefit costs, and operating expenses.

[4]Data regarding our restaurant operations as presented in this table includes sales, costs and expenses associated with our Rib Team, which netted a loss of $7,000 in fiscal year 2014. In fiscal years 2016 and 2015 we did not have any Rib Team operations. Our Rib Team traveled around the country introducing people to our brand of barbeque and building brand awareness.

Fiscal Year 2016 Compared to Fiscal Year 2015

Due to the strategic operational changes we continued throughout 2016 and 2015, we are continuing to evaluate and assess various aspects of our business that may impact our budgets and expected financial performance for fiscal 2017. As a result, we believe that it is premature to provide any guidance for fiscal 2017 in this report and have elected not to do so.

Total Revenue

Total revenue of approximately $99.2 million for fiscal 2016 decreased approximately $15.0 million, or 13.2%, from total revenue of $114.2 in fiscal 2015, reflecting the annualized impact of refranchising five Company-owned restaurants and closure of one Company-owned restaurants during 2015. Other factors included a Company-owned restaurant comparable sales decline of 5.0% in 2016, a reduction in royalty revenues due to 4.7% franchise-operated comparable sales decline, and the loss of Company sales and royalties from the 53rd operating week which occurred in fiscal 2015. Fiscal 2016 consisted of 52 weeks while 2015 consisted of 53 weeks.

Restaurant Sales, net

Restaurant sales, net for fiscal 2016 were approximately $81.5 million, compared to approximately $95.5 million for fiscal 2015 reflecting a 14.6% decrease. Total restaurant sales, net reflected the annualized impact of refranchising five Company-owned restaurants and closure of one Company-owned restaurant during 2015. During fiscal 2016 there was a 5.0% comparable sales decrease which, on a weighted basis, comprised a 4.3% comparable sales decrease for dine-in sales, a 0.7% comparable sales decrease for To Go and a 0.1% comparable sales decrease for catering.

Franchise-Related Revenue

Franchise-related revenue consists of royalty revenue and franchise fees, which includes initial franchise fees and area development fees. Franchise-related revenue was approximately $16.7 million for fiscal 2016 and $17.8 million for fiscal 2015. The franchise-related revenue reflected four franchise-operated openings and seven Company-owned restaurants that were refranchised during fiscal 2016 offset by the closure of seven franchise-operated restaurants in fiscal 2016 and the impact of the loss of the 53rd operating week which occurred in 2015. Additionally, franchise-operated restaurants experienced a 4.7% comparable sales decline. Fiscal 2016 included 7,215 franchise operating weeks, compared to 7,107 franchise operating weeks in fiscal 2015. There were 139 franchise-operated restaurants open at January 1, 2017, compared to 135 at January 3, 2016.

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. Licensing revenue was approximately $981,000 for fiscal 2016 as compared to $940,000 for fiscal 2015.

Other revenue for fiscal 2016 was approximately $22,000 compared to approximately $14,000 for fiscal 2015. The increase was primarily due to the increase in the number of franchise openings from three in 2015 to four in 2016.

Same Store Net Sales (or Comparable Net Sales)

It is our policy to include in our same store net sales base, restaurants that are open year-round and have been open at least 24 months. Same store net sales for Company-owned restaurants open at least 24 months ended January 1, 2017 decreased 5.0%, compared to fiscal 2015's decrease of 9.3%. For fiscal 2016 and fiscal 2015, there were 37 and 35 restaurants, respectively, included in the Company-owned 24 month comparable sales base.

Same store net sales on a 24 month basis for franchise-operated restaurants for fiscal 2015 decreased 4.7%, compared to fiscal 2015's comparable same store net sales which were down 2.5%. For fiscal 2016 and fiscal 2015, there were 116 and 115 restaurants, respectively, included in the franchise-operated 24 month comparable sales base.

Same store net sales for franchise-operated restaurants are not our revenues and are not included in our consolidated financial statements. Our management believes that disclosure of comparable restaurant net sales for franchise-operated restaurants provides useful information to investors because historical performance and trends of Famous Dave's franchisees relate directly to trends in franchise royalty revenues that the Company receives from such franchisees and have an impact on the perceived success and value of the Famous Dave's brand. It also provides a comparison against which management and investors can analyze the extent to which Company-owned restaurants are realizing their revenue potential.

Average Weekly Net Sales and Operating Weeks

The following table shows Company-owned and franchise-operated average weekly net sales for fiscal 2016 and fiscal 2015:

	Fiscal Years Ended	
	January 1, 2017	January 3, 2016
Average Weekly Net Sales (AWS):		
Company-Owned	$ 42,365	$ 42,661
Full-Service	$ 43,348	$ 43,330
Counter-Service	$ 36,073	$ 37,896
Franchise-Operated[1]	$ 48,194	$ 50,202

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

Food and Beverage Costs

Food and beverage costs for fiscal 2016 were approximately $25.3 million, or 31.0%, of net restaurant sales compared to approximately $29.1 million, or 30.5%, of net restaurant sales for fiscal 2015. This increase as a percent of sales was the result of investments in portion size to improve the Guest experience and a shift in product mix given additional affordable menu options presented to our Guest. These increases were partially offset by food contract deflation and a focus on reducing food waste.

Labor and Benefits Costs

Labor and benefits costs for fiscal 2016 were approximately $28.2 million, or 34.6%, of net restaurant sales, compared to approximately $32.6 million, or 34.1%, of net restaurant sales for fiscal 2015. This increase as a percent of sales was primarily due to sales deleverage on fixed and management labor costs and increased direct labor costs partially offset by a decline in management labor costs.

Operating Expenses

Operating expenses for fiscal 2016 were approximately $24.8 million, or 30.4%, of net restaurant sales, compared to approximately $27.8 million, or 29.1%, of net restaurant sales for fiscal 2015. This increase as a percent of sales was primarily related to sales deleverage on fixed operating and occupancy costs as well as a year over year increase in supplies and repairs and maintenance costs, and other operating costs partially offset by a decline in utility costs.

In fiscal 2016, advertising, as a percentage of sales, was approximately 2.5%, compared to fiscal 2015's percentage at 2.6%. For 2016 and 2015, the Marketing Fund contribution was 1.0%.

Depreciation and Amortization

Depreciation and amortization expense for fiscal 2016 and 2015 was approximately $3.7 million and $4.5 million, respectively, and was 3.7% and 3.9%, respectively, of total revenue. The decline in total expense reflects the reduction in total property, equipment and leasehold improvements due to the refranchising and closing of six restaurants during 2015.

General and Administrative Expenses

General and administrative expenses for fiscal 2016 were approximately $16.8 million, or 16.9%, of total revenue compared to approximately $19.0 million, or 16.7% of total revenue for fiscal 2015. Recurring core general and administrative expenses have decreased year over year, reflecting our continued, successful initiative to reduce use, redesign services, and restructure capabilities as we optimize our business model. This initiative serves to clarify what support functions are expected to deliver, focuses on eliminating nonessential activities, and scrutinizing the processes that deliver support services.

Asset Impairment and Estimated Lease Termination and Other Closing Costs

Following is a summary of events for fiscal 2016 and fiscal 2015:

Restaurant Optimization

During fiscal 2016, the Company recorded approximately $4.4 million in asset impairment charges associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. As a result, the Company determined that the estimated fair value of the assets was less than the net book value and recognized an impairment charge to reduce the related assets to their estimated fair value. As we continue to evaluate our restaurant portfolio we anticipate addressing the ongoing operation of the 11 locations impaired over the next 3 years by way of lease restructuring, lease assignment, subleasing or subsequent closure at the end of their natural lease term.

Richmond, VA Area Restaurant Closures

On December 29, 2014, the Company announced the closure of its three underperforming Company-owned restaurants located in and around Richmond, Virginia. The associated impairment charges primarily related to the write-off of the book value of the related property, plant and equipment, net of estimated proceeds from the sale of these assets (primarily derived from the sale of real property). Loss before taxes associated with these operations for the year ended December 28, 2014 totaled approximately $187,000.

On December 28, 2014, the remaining book values, were valued at the estimated proceeds from the sale and were recorded as assets held for sale in the consolidated balance sheets. Two of these properties were sold during the third quarter of fiscal 2015 and the first quarter of 2016, respectively. On January 3, 2016, the remaining property's fair value was reclassified to property, equipment and leasehold improvements, net because it was not probable that the assets would be sold in the next 12 months.

(dollars in thousands)	Fiscal Year Ended January 1, 2017	Fiscal Year Ended January 3, 2016
Asset Impairments		
Restaurant optimization	$ 4,376	$ ---
Software[1]	156	---
May's Landing, NJ	50	---
Smithtown, NY[2]	---	935
Total	$ 4,582	$ 935
Restaurant closure expenses		
Smithtown, NY[3]	200	---
Other[6]	6	(6)
N. Riverside, IL[4]	---	368
Richmond, VA area	---	143
N. Riverside, IL[5]	---	122
Eden Prairie, MN	---	(42)
Total restaurant closure expenses	$ 206	$ 585
Provision for impairment and restaurant closings	$ 4,788	$ 1,520

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

[2]Asset impairment calculated at June 28, 2015 based upon expected sale of Smithtown restaurant.

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

[4]Lease termination costs associated with the cancellation of a potential new restaurant location.

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

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

Pre-opening Expenses

Pre-opening expenses consist of labor, food, utilities, training and rent costs incurred prior to the opening of a restaurant. Included in pre-opening costs is pre-opening rent for approximately 16 weeks prior to opening but this will vary based on lease terms. During fiscal 2016 and 2015, we had $0 and $1,000, respectively, of pre-opening expenses which included pre-opening rent and other pre-opening expenses.

Interest Expense

Interest expense was approximately $855,000, or 0.9%, of total revenue for fiscal 2016, and $1.0 million, or 0.9%, of total revenue for fiscal 2015.

Interest Income

Interest income was approximately $2,000 for fiscal 2016 and $11,000 for fiscal 2015. Interest income reflects interest received on short-term cash and cash equivalent balances as well as on outstanding accounts receivable balances.

Provision for Income Taxes

For fiscal 2016, our tax provision was a benefit of approximately $2.0 million, or 40.5%, of loss before income taxes, compared to the prior year comparable period expense of approximately $48,000, or 4.3% of income before income taxes. Our effective tax rate for fiscal 2016 reflected year over year changes in pre-tax income (loss).

Income or loss from discontinued operations, net of taxes

For fiscal 2016, our income from discontinued operations was approximately $511,000 reflecting two months of operations prior to the disposal of discontinued operations offset by approximately $442,000 of tax expense. This compares to a loss from discontinued operations totaling approximately $5.5 million for fiscal 2015, reflecting a $2,000 operating loss combined with an $8.8 million asset impairment charge, offset by a $3.3 million tax benefit.

Basic and Diluted Net Income (Loss) Per Common Share

Net loss for fiscal 2016 was approximately $2.9 million, or $0.42 per basic and diluted share, respectively, on approximately 6,950,000 weighted average basic and diluted shares outstanding. Net income for fiscal 2015 was approximately $1.1 million, or $0.15 per basic and diluted share, respectively, on approximately 6,992,000 weighted average basic shares outstanding and approximately 7,013,000 weighted average diluted shares outstanding, respectively.

Fiscal Year 2015 Compared to Fiscal Year 2014

Total Revenue

Total revenue of approximately $114.2 million for fiscal 2015 decreased approximately $17.6 million, or 13.4%, from total revenue of $131.9 million in fiscal 2014, reflecting the refranchising of five Company-owned restaurants and the closure of one Company-owned restaurant as well as a comparable sales decline, partially offset by revenues from the 53rd week of fiscal 2015. Fiscal 2015 had 53 operating weeks while 2014 consisted of 52 weeks.

Restaurant Sales, net

Restaurant sales, net for fiscal 2015 were approximately $95.5 million, compared to approximately $113.5 million for fiscal 2014 reflecting a 15.9% decrease. Total restaurant sales reflected the refranchising of five Company-owned restaurants, closure of one Company-owned restaurant during 2015, and the annualized impact of three restaurants closed at the end of fiscal 2014. During fiscal 2015 there was a 9.3% comparable sales decrease which was, on a weighted basis, comprised of a 7.7% comparable sales decrease for dine-in sales, a 2.0% comparable sales decrease for To Go, and a 0.4% comparable sales increase for catering.

Franchise-Related Revenue

Franchise-related revenue consists of royalty revenue and franchise fees, which includes initial franchise fees and area development fees. Franchise-related revenue was approximately $17.8 million in fiscal 2015 and $17.4 million in fiscal 2014. The franchise-related revenue reflected three franchise-operated openings in fiscal 2015 and five Company-owned restaurants that were refranchised, combined with the impact of the 53rd week. These increases were partially offset by the closure of twelve franchise-operated restaurants in fiscal 2015 and a comparable sales decline of 2.5%. Fiscal 2015 included 7,107 franchise operating weeks, compared to 7,244 franchise operating weeks in fiscal 2014. There were 135 franchise-operated restaurants open at January 3, 2016, compared to 139 at December 28, 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. Licensing revenue was approximately $940,000 for fiscal 2015 as compared to $878,000 for fiscal 2014.

Other revenue for fiscal 2015 was approximately $14,000 compared to approximately $76,000 for the comparable period of fiscal 2014. The decrease was primarily due to a decrease in the number of franchise openings year over year and a corresponding decrease in the opening assistance required.

Same Store Net Sales

It is our policy to include in our same store net sales base, restaurants that are open year-round and have been open at least 24 months. Same store net sales for Company-owned restaurants open at least 24 months ended January 3, 2016 decreased 9.3%, compared to fiscal 2014's decrease of 5.7%. For fiscal 2015 and fiscal 2014, there were 35 and 42 restaurants, respectively, included in the Company-owned 24 month comparable sales base.

Same store net sales on a 24 month basis for franchise-operated restaurants for fiscal 2015 decreased 2.5%, compared to fiscal 2014's comparable same store net sales which were down 2.5%. For fiscal 2015 and fiscal 2014, there were 115 and 117 restaurants, respectively, included in the franchise-operated 24 month comparable sales base.

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

Average Weekly Net Sales and Operating Weeks

The following table shows Company-owned and franchise-operated average weekly net sales for fiscal 2015 and fiscal 2014:

	Fiscal Years Ended	
	January 3, 2016	**December 28, 2014**
Average Weekly Net Sales (AWS):		
Company-Owned	$ 42,661	$ 46,836
Full-Service	$ 43,330	$ 47,784
Counter-Service	$ 37,896	$ 39,034
Franchise-Operated[1]	$ 50,202	$ 51,059

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

Food and Beverage Costs

Food and beverage costs for fiscal 2015 were approximately $29.1 million, or 30.5%, of net restaurant sales compared to approximately $33.5 million, or 29.5%, of net restaurant sales for fiscal 2014. This increase as a percent of sales was the result of anticipated food contract inflation partially offset by a settlement of a class action suit.

Labor and Benefits Costs

Labor and benefits costs for fiscal 2015 were approximately $32.6 million, or 34.1%, of net restaurant sales, compared to approximately $36.9 million, or 32.5%, of net restaurant sales for fiscal 2014. This increase as a percent of restaurant sales, net was primarily due to sales deleverage on fixed and management labor costs and in efficiencies in direct labor controls as a result of the implementation of a new labor management system for part of fiscal 2015.

Operating Expenses

Operating expenses for fiscal 2015 were approximately $27.8 million, or 29.1%, of net restaurant sales, compared to approximately $31.5 million, or 27.8%, of net restaurant sales for fiscal 2014. This increase as a percent of sales was primarily related to sales deleverage on fixed operating costs as well as a year over year increase in repairs and maintenance.

In fiscal 2015, advertising, as a percentage of sales, was approximately 2.6% compared to fiscal 2014's percentage at 2.7%. For 2015, the Marketing Fund contribution returned to 1.0% and was 0.75% in fiscal 2014.

Depreciation and Amortization

Depreciation and amortization expense for fiscal 2015 and 2014 was approximately $4.5 million and $5.2 million, respectively, and was 3.9% and 3.9%, respectively, of total revenue. The decline in total expense reflects the reduction in total property, equipment and leasehold improvements due to the refranchising or closure of six restaurants during fiscal 2015.

General and Administrative Expenses

General and administrative expenses for fiscal 2015 were approximately $19.0 million or 16.7% of total revenue compared to approximately $15.9 million, or 12.1%, of total revenue for fiscal 2014. Recurring core general and administrative expenses have decreased year over year. However, these reductions were offset by expenses incurred for professional and consulting fees related to brand development, legal fees, a reserve for obsolete plate ware, and severance costs incurred for the closure of the Chicago office, compounded by revenue deleverage.

Asset Impairment and Estimated Lease Termination and Other Closing Costs

The following is a summary of events for fiscal 2015 and fiscal 2014:

Richmond, VA Area Restaurant Closures

On December 29, 2014, the Company announced the closure of its three underperforming Company-owned restaurants located in and around Richmond, Virginia. The associated impairment charges primarily related to the write-off of the book value of the related property, plant and equipment, net of estimated proceeds from the sale of these assets (primarily derived from the sale of real property). Loss before taxes associated with these operations for the year ended December 28, 2014 totaled approximately $187,000.

On December 28, 2014 the remaining book values, were valued at the estimated proceeds from the sale and were recorded as assets held for sale in the Consolidated Balance Sheet. Two of these properties were sold during the third quarter of fiscal 2015 and the first quarter of 2016, respectively. On January 3, 2016, the remaining property's fair value was reclassified to property, equipment and leasehold improvements, net because it was not probable that the assets would be sold in the next 12 months.

(dollars in thousands)	January 3, 2016	December 28, 2014
Asset Impairments		
Smithtown, NY[1]	$ 935	$ ---
May's Landing, NJ	---	766
Richmond, VA area	---	2,285
Two Minneapolis, MN area restaurants	---	544
Décor	---	342
Des Moines, IA	---	226
Total	$ 935	$ 4,163
Restaurant closure expenses		
N. Riverside, IL[2]	368	---
Richmond, VA area	143	54
N. Riverside, IL[3]	122	---
Other[4]	(6)	---
Eden Prairie, MN	(42)	---
Salisbury, MD	---	206
Décor Warehouse	---	94
Total restaurant closure expenses	$ 585	$ 354
Provision for impairment and restaurant closings	$ 1,520	$ 4,517

[1]Asset impairment calculated at June 28, 2015 based upon expected sale of Smithtown restaurant.

[2]Lease termination costs associated with the cancellation of a potential new restaurant location.

[3]Write off of development costs associated with the cancellation of a potential new restaurant location.

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

Pre-opening Expenses

Pre-opening expenses consist of labor, food, utilities, training and rent costs incurred prior to the opening of a restaurant. Included in pre-opening costs is pre-opening rent for approximately 16 weeks prior to opening but this will vary based on lease terms. During fiscal 2015 and 2014, we had $1,000 and $7,000, respectively, of pre-opening expenses which included pre-opening rent and other pre-opening expenses.

Interest Expense

Interest expense was approximately $1.0 million, or 0.9%, of total revenue for fiscal 2015 and approximately $867,000, or 0.7%, of total revenue for fiscal 2014. This year over year increase was the result of the write-off of deferred financing costs related to the December 2015 credit facility amendment.

Interest Income

Interest income was approximately $11,000 for fiscal 2015 and approximately $2,000 for fiscal 2014, respectively. Interest income reflects interest received on short-term cash and cash equivalent balances as well as on outstanding notes receivable and accounts receivable balances.

Provision for Income Taxes

For fiscal 2015, our tax provision was approximately $48,000, or 4.3%, of income before income taxes, compared to the fiscal 2014 tax provision of approximately $732,000, or 24.5%, of income before income taxes. Our effective tax rate for fiscal 2015 reflected year over year change in pre-tax income.

Income or loss from discontinued operations, net of taxes

For fiscal 2015, our income from discontinued operations totaled approximately $5.5 million reflecting an operating loss of approximately $2,000 combined with an $8.8 million asset impairment charge, offset by a $3.3 million tax benefit. This compares to income of approximately $642,000 from discontinued operations in 2014 reflecting operating income of $1.0 million offset by approximately $367,000 of income tax expense.

Basic and Diluted Net Income Per Common Share

Net income for fiscal 2015 was approximately $1.1 million, or $0.15 per basic and diluted share, respectively, on approximately 6,992,000 weighted average basic shares outstanding and approximately 7,013,000 weighted average diluted shares outstanding, respectively. Net income for fiscal 2014 was approximately $2.3 million, or $0.31 per basic and diluted share, respectively, on approximately 7,199,000 weighted average basic shares outstanding and approximately 7,226,000 weighted average diluted shares outstanding, respectively.

Financial Condition, Liquidity and Capital Resources

As of January 1, 2017, our Company held cash and cash equivalents of approximately $4.5 million compared to approximately $5.3 million as of January 3, 2016. Our cash balance primarily reflects net cash flows from operations of $1.3 million and $1.1 million generated from the sales of restaurant assets and décor, offset by net debt repayments of $2.7 million and the purchases of property, equipment, and leasehold improvements for approximately $758,000.

Our current ratio, which measures our immediate short-term liquidity, was 1.48 at January 1, 2017, compared to 1.18 at January 3, 2016. The current ratio is computed by dividing total current assets by total current liabilities. The change in our current ratio was primarily due to an $822,000 reduction in the current portion of long-term debt due to the long-term refinancing of the debt and a $579,000 increase in accounts receivable. This was partially offset by the disposal of $2.2 million of net assets held for sale in conjunction with the refranchising of our Chicago restaurants and the sale of land for a previously closed restaurant.

Net cash provided by (used for) operations for each of the last three fiscal years was approximately $1.3 million in fiscal 2016, $(1.9) million in fiscal 2015, and $11.1 million in fiscal 2014. Cash generated by operations in fiscal 2016 was primarily from depreciation and amortization of approximately $3.7 million, and asset impairment, lease reserve and closing costs of $4.8 million. These net increases were partially offset by a net loss of approximately ($2.9) million, an increase in accounts receivable of $1.2 million, and an increase in prepaid expense and other current assets of $1.9 million.

Cash used by operations in fiscal 2015 was primarily from net income of approximately $1.1 million, increased by depreciation and amortization of approximately $4.5 million, and asset impairment, lease reserve and closing costs of $1.5 million. These net increases were partially offset by a $2.3 million gain on the disposal of property, a decrease in accrued compensation and benefits of $2.2 million, and an increase in accounts receivable of $1.2 million.

Cash generated by operations in fiscal 2014 was primarily from net income of approximately $2.3 million, depreciation and amortization of approximately $5.2 million, and asset impairment, lease reserve and closing costs of $4.5 million and a $1.2 million increase in other liabilities. These net increases were partially offset by a decrease in accrued compensation and benefits of $1.2 million, a tax benefit for equity awards issued of $1.2 million, and a decrease in accounts payable of $866,000.

Net cash provided by investing activities for fiscal 2016 and 2015 was approximately $310,000 and $4.3 million, respectively. Net cash used for investing activities for fiscal 2014 was approximately $1.5 million. In fiscal 2016 we generated $1.1 million from the sale of real estate for one previously closed restaurant. In fiscal 2015 we generated $7.5 million from the refranchising of five company-owned restaurants and the sale of real estate for two previously closed restaurants. In fiscal 2014 we used approximately $1.4 million for capital expenditures for remodeling projects and various corporate infrastructure projects.

Net cash used for financing activities was approximately $2.7 million in fiscal 2016, $3.1 million in fiscal 2015, and $9.0 million in fiscal 2014. In fiscal 2016, we had draws on our line of credit of approximately $1.9 million. We had repayments of approximately $4.4 million on our long-term debt. The maximum balance on our line of credit during fiscal 2016 was $1.9 million. In fiscal 2015 we had draws on our line of credit of approximately $27.7 million and had repayments of approximately $24.4 million. The maximum balance on our line of credit during fiscal 2015 was $17.7 million. Additionally, in fiscal 2015, we used approximately $5.7 million to repurchase approximately 195,899 shares of our common stock at an average price of $28.92 per share, including commissions. In fiscal 2014, we had draws on our line of credit of approximately $22.4 million and had repayments of approximately $28.8 million. The maximum balance on our line of credit during fiscal 2014 was $14.9 million. Additionally, in fiscal 2014, we used approximately $2.7 million to repurchase approximately 101,000 shares of our common stock at an average price of $25.72 per share, including commissions.

On December 2, 2016 (the "Effective Date"), the Company entered into a Loan Agreement (the "First Loan Agreement") among the Company and Minwood Partners, Inc., as borrowers, and Venture Bank, as lender (the "Lender"). Also on the Effective Date, the Company entered into a loan agreement providing among the Company, as lead borrower, certain of its affiliates also as borrowers, and the Lender for two additional loans (the "Second Loan Agreement"). See "Long-Term Debt" under Note 7 of our Consolidated Financial Statements included in this Annual Report on Form 10-K.

The First Loan Agreement provides for a loan from the Lender to the borrowers set forth therein in the principal amount of $3.7 million and is evidenced by a promissory note (the "First Note") executed and delivered by the borrowers to the Lender on the Effective Date. The First Note has a maturity date of December 2, 2026 and shall be paid in monthly installments of principal and interest based on a twenty-year amortization period. Interest per annum shall be at a rate of 4.25% for years 1 through 5 and for years 6 through the end of the term LIBOR rate plus 375 basis points, subject to adjustment at the discretion of the Lender, as further set forth therein. The First Note may be prepaid, subject to certain prepayment premiums, provided, however, that during any calendar year the borrowers may prepay principal of up to 20% of the original principal amount without paying a prepayment premium.

The Second Loan Agreement provides for two separate loans from the Lender to the borrowers set forth therein in the aggregate principal amount of $7.3 million, one in the principal amount of $6.3 million ("Loan 2") and the other in the principal amount of $1 million ("Loan 3"). Loan 2 is evidenced by a promissory note in the principal amount of $6.3 million (the "Second Note"). The Second Note has a maturity date of December 2, 2023 and shall be paid in monthly installments of principal and interest based on a seven-year amortization period. Interest per annum shall be at a rate equal to the LIBOR rate plus 325 basis points (each of such terms as defined in the Second Note), subject to adjustment at the discretion of the Lender and as further set forth therein. The Second Note may be prepaid at any time without incurring a prepayment premium.

Loan 3 is evidenced by a promissory note in the principal amount of $1 million (the "Third Note"). The Third Note has a maturity date of December 2, 2019 and shall first be paid in monthly installments of the interest then accrued on the principal balance and then in full on the maturity date. Interest per annum shall be at a rate equal to the LIBOR rate plus 325 basis points (each of such terms as defined in the Third Note), subject to adjustment at the discretion of the Lender, as further set forth therein. The Third Note may be prepaid at any time without incurring a prepayment premium.

The weighted average interest rate of the First, Second and Third notes for the fiscal year ended January 1, 2017 was 4.0%. The weighted average interest rate of the Term Loans for fiscal years ended January 1, 2017 and January 3, 2016 was 3.69% and 2.66%, respectively.

The First and Second Loan Agreements contain customary representations and warranties and financial and other covenants and conditions, including, among other things, minimum debt service coverage ratio and a post-closing covenant to obtain certain letters of credit. The First Loan Agreement also places certain restrictions on, among other things, the borrowers' ability to incur additional indebtedness, to create liens or other encumbrances, to use funds for purposes other than as stated therein, to sell or otherwise dispose of assets and to expand on or erect any new material improvements, as such term is defined therein.

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

If, in the event of a default, the Lender were to call the debt prior to expiration, the Company believes there are multiple options available to obtain other sources of financing. Although possibly at different terms, the Company believes there would be other lenders available and willing to finance a new credit facility. However, if replacement financing were unavailable to us, termination of the Facility without adequate replacement would have a material and adverse impact on our ability to continue our business operations.

On December 2, 2016, the Company used approximately $9.9 million of the proceeds from borrowings under the First Loan Agreement and Second Loan Agreement to fund repayment of certain outstanding amounts under that certain Third Amended and Restated Credit Agreement dated as of May 8, 2015, as amended (the "Credit Agreement") by and among the Company and its subsidiaries and Wells Fargo Bank, National Association, as administrative agent on behalf of the Lenders under the Credit Agreement and the Lenders. For a period of up to 45 days following December 2, 2016, one letter of credit in the amount of $625,000 and a related cash collateral pledge remained outstanding under the Credit Agreement. Other than in respect of this letter of credit and related pledge, as well as certain breakage and treasury service management fees, the Company's obligations under the Credit Agreement were terminated on December 2, 2016. At January 1, 2017, the Company had $1.0 million of additional borrowing capacity in Loan 3. We expect to use any additional borrowings under the Loan 3 for general working capital purchases as needed.

The First Loan Agreement is secured by a mortgage and security agreement and fixture financing statement (the "First Mortgage") granting to the Lender a security interest in and title to certain real property in the state of Minnesota and as more fully described therein. Loan 2 is secured by a mortgage dated as of the Effective Date (the "Second Mortgage") which is subordinate to the First Mortgage, a security interest in substantially all of the personal property of the borrowers pursuant to a security agreement dated as of the Effective Date (the "Security Agreement") and a pledge of certain certificates of deposit pursuant to a pledge agreement also dated as of the Effective Date (the "Pledge Agreement"). Loan 3 is secured by a security interest on substantially all of the personal property of the borrowers pursuant to the Security Agreement and a pledge of certain certificates of deposit pursuant to the Pledge Agreement.

As of January 1, 2017, we were in compliance with all of our covenants.

Contractual Obligations

(In thousands)

Payments Due by Period (including interest)

	Total	2017	2018	2019	2020	2021	Thereafter
Long Term Debt[1]	$ 12,225	$ 1,308	$ 1,308	$ 1,308	$ 1,308	$ 1,308	$ 5,685
Financing Leases	3,245	700	707	1,838 [2]	---	---	---
Operating Lease Obligations	114,444	5,765	5,776	5,856	5,949	5,849	85,249
Total	$ 129,914	$ 7,773	$ 7,791	$ 9,002	$ 7,257	$ 7,157	$ 90,934

[1]This is variable interest rate debt and the interest expense assumption was based on projected interest rates averaging either 4.25% or 3.885% over the term of the loan at January 1, 2017.

[2]Includes $1.7 million of land to be conveyed at the end of the lease term.

See Notes 7 and 8 to our Consolidated Financial Statements included in this Annual Report on Form 10-K for details of our contractual obligations.

Off-Balance Sheet Arrangements

Our Company does not have any off-balance sheet arrangements (as such term is defined in Item 303 of regulation S-K) that are reasonably likely to have a current or future effect on our financial condition or changes in financial condition, operating results, or liquidity.

Income Taxes

In fiscal 2016, we had cumulative state net operating loss carry-forwards for tax reporting purposes of approximately $43.4 million which if not used, will begin to expire in fiscal 2018. This amount may be adjusted when we file our fiscal 2016 income tax returns in fiscal 2017.

Recent Accounting Guidance

Recently adopted accounting guidance

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

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

In November 2015, the FASB issued ASU 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes, which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities. The Company adopted this at fiscal year-end of 2016 but it did not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted this at fiscal year-end of 2016 but it did not have a material impact on its consolidated financial statements.

Recent accounting guidance not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" in March 2016, ASU 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" in April 2016, ASU 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" in May 2016 and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" in May 2016. These new standards provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017. It will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. It permits the use of either a retrospective or cumulative effect transition method and early adoption is not permitted. The Company has not yet selected a transition method and is currently evaluating the impact these standards will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting remains largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. As shown in Note 8, there are $114.4 million in future minimum rental payments for operating leases that are not currently on our balance sheet; therefore, we expect this will have a material impact on our balance sheet and related disclosures.

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

Inflation

The primary inflationary factors affecting our operations include food, beverage, and labor costs. In addition, our leases require us to pay taxes, maintenance, repairs and utilities and these costs are subject to inflationary increases. In some cases, some of our lease commitments are tied to consumer price index (CPI) increases. We are also subject to interest rate changes based on market conditions.

We believe that increasing inflation rates have contributed to some price instability. There is no assurance, however, that inflation rates will continue at their current levels or decrease.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Company's consolidated 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 that 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 or derivative commodity instruments included in our cash and cash equivalents. The total outstanding long-term debt of our Company as of January 1, 2017 was approximately $12.5 million, including our Loan 1, Loan 2, and Loan 3 with Venture Bank and financing lease obligations. The terms of our loans with Venture Bank, 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-price purchase commitments for food from vendors. In addition, we believe that substantially all of our food is available from several sources, which helps to manage food commodity risks. We now have secondary, and in some cases tertiary, source suppliers for key items in order to protect the supply chain and to ensure a competitive pricing environment. We believe we have some ability to increase menu prices, or vary the menu options offered, if needed, in response to a food product price increase.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Famous Dave's of America, Inc. are included herein, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure 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 as of such date our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of January 1, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control-Integrated Framework*. Our management has concluded that, as of January 1, 2017, our internal control over financial reporting is effective based on these criteria.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Famous Dave's of America have been detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during our most recently-completed fiscal quarter ended January 1, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 24, 2017, Abelardo Ruiz ceased his employment with the Company.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

The Company has adopted a Code of Ethics specifically applicable to its CEO, CFO and Key Financial & Accounting Management. In addition, there is a more general Code of Ethics applicable to all team members. The Code of Ethics is available on our website at www.famousdaves.com and a copy is available free of charge to anyone requesting it.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

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”). 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. Together, the 2015 Plan and 2005 Plan are referred to herein as the “Plans.” Under the 2015 Plan, an aggregate of 34,050 shares of our Company’s common stock remained unreserved and available for issuance at January 1, 2017.

The purpose of the 2015 Plan is to increase shareholder value and to advance the interests of the Company by furnishing a variety of economic incentives designed to attract, retain and motivate team members (including officers), certain key consultants and directors of the Company. The Plans have each been approved by the Company’s shareholders. The following table sets forth certain information as of January 1, 2017, with respect to the 2005 Plan and the 2015 Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by shareholders:			
2005 Stock Incentive Plan	25,850	$ 30.95	---
2015 Stock Incentive Plan	659,950	$ 8.30	34,050
TOTAL	685,800	$ 9.15	34,050

Additional information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets – January 1, 2017 and January 3, 2016

Consolidated Statements of Operations – Fiscal Years ended January 1, 2017, January 3, 2016 and December 28, 2014

Consolidated Statements of Shareholders' Equity – Fiscal Years ended January 1, 2017, January 3, 2016 and December 28, 2014

Consolidated Statements of Cash Flows – Fiscal Years ended January 1, 2017, January 3, 2016 and December 28, 2014

Notes to Consolidated Financial Statements

Financial Statement Schedule:

Schedule II. Schedule of Valuation and Qualifying Accounts

Exhibits:

See "exhibit index" on the page following the consolidated financial statements and related footnotes and the signature page to this Annual Report on Form 10-K

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Famous Dave's of America, Inc.

We have audited the accompanying consolidated balance sheets of Famous Dave's of America, Inc. (a Minnesota corporation) and subsidiaries (the "Company") as of January 1, 2017 and January 3, 2016, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 1, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Famous Dave's of America, Inc. and subsidiaries as of January 1, 2017 and January 3, 2016, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 21, 2017

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JANUARY 1, 2017 AND JANUARY 3, 2016
(in thousands, except per share data)

ASSETS	January 1, 2017	January 3, 2016
Current assets:		
Cash and cash equivalents	$ 4,450	$ 5,300
Restricted cash	1,714	1,087
Accounts receivable, net	5,257	4,678
Inventories	1,499	2,070
Prepaid expenses and other current assets	3,531	1,671
Assets held for sale	1	2,211
Total current assets	16,452	17,017
Property, equipment and leasehold improvements, net	25,912	32,491
Other assets:		
Intangible assets, net	2,565	2,902
Deferred tax asset	4,633	4,491
Other assets	1,383	710
	$ 50,945	$ 57,611

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 1, 2017	January 3, 2016
Current liabilities:		
Current portion of long-term debt and financing lease obligations	$ 1,371	$ 2,193
Accounts payable	5,311	5,685
Accrued compensation and benefits	1,321	1,390
Other current liabilities	3,140	3,406
Liabilities held for sale	---	1,747
Total current liabilities	11,143	14,421
Long-term liabilities:		
Long-term debt, less current portion	8,849	10,120
Financing lease obligations, less current portion	2,280	2,724
Other liabilities	8,705	8,285
Total liabilities	30,977	35,550
Shareholders' equity:		
Common stock, $.01 par value, 100,000 shares authorized, 6,958 shares issued and outstanding at January 1, 2017 and January 3, 2016	66	66
Retained earnings	19,902	21,995
Total shareholders' equity	19,968	22,061
	$ 50,945	$ 57,611

See accompanying notes to consolidated financial statements.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED
JANUARY 1, 2017, JANUARY 3, 2016, AND DECEMBER 28, 2014
(in thousands, except per share data)

	January 1, 2017	January 3, 2016	December 28, 2014
Revenue:			
Restaurant sales, net	$ 81,511	$ 95,475	$ 113,522
Franchise royalty revenue	16,375	17,542	17,196
Franchise fee revenue	290	255	190
Licensing and other revenue	1,003	954	954
Total revenue	99,179	114,226	131,862
Costs and expenses:			
Food and beverage costs	25,256	29,093	33,478
Labor and benefits costs	28,208	32,553	36,945
Operating expenses	24,780	27,780	31,540
Depreciation and amortization	3,681	4,452	5,183
General and administrative expenses	16,753	19,021	15,906
Asset impairment and estimated lease termination and other closing costs	4,788	1,520	4,517
Pre-opening expenses	---	1	7
Net (gain) loss on disposal of property	(197)	(2,337)	430
Total costs and expenses	103,269	112,083	128,006
(Loss) income from operations	(4,090)	2,143	3,856
Other expense:			
Interest expense	(855)	(1,027)	(867)
Interest income	2	11	2
Other income (expense), net	1	---	(4)
Total other expense	(852)	(1,016)	(869)
(Loss) income before income taxes	(4,942)	1,127	2,987
Income tax benefit (expense)	2,000	(48)	(732)
Net (loss) income from continuing operations	(2,942)	1,079	2,255
Net income (loss) from discontinued operations, net of taxes	511	(5,463)	642
Net (loss) income	$ (2,431)	$ (4,384)	$ 2,897
Income (loss) income per common share:			
Basic net (loss) income from continuing operations	$ (0.42)	$ 0.15	$ 0.31
Basic net income (loss) from discontinued operations	$ 0.07	$ (0.78)	$ 0.09
Basic net (loss) income	$ (0.35)	$ (0.63)	$ 0.40
Diluted net (loss) income from continuing operations	$ (0.42)	$ 0.15	$ 0.31
Diluted net income (loss) from discontinued operations	$ 0.07	$ (0.78)	$ 0.09
Diluted net (loss) income	$ (0.35)	$ (0.63)	$ 0.40
Weighted average common shares outstanding - basic	6,950	6,992	7,199
Weighted average common shares outstanding - diluted	6,950	7,013	7,226

See accompanying notes to consolidated financial statements.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED
JANUARY 1, 2017, JANUARY 3, 2016, AND DECEMBER 28, 2014

(in thousands)

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance - December 29, 2013	7,274	$ 70	$ ---	$ 32,721	$ 32,791
Exercise of stock options	24	---	(114)	---	(114)
Tax benefit for equity awards issued	---	---	1,153	24	1,177
Common stock issued, net of cancellations	(4)	(1)	---	---	(1)
Performance shares surrendered to cover payroll taxes incurred	(56)	---	(28)	(1,492)	(1,520)
Repurchase of common stock	(101)	(1)	---	(2,610)	(2,611)
Stock-based compensation	---	---	(1,011)	220	(791)
Deferred compensation	---	---	---	(26)	(26)
Net income	---	---	---	2,897	2,897
Balance - December 28, 2014	7,137	$ 68	$ ---	$ 31,734	$ 31,802
Tax benefit for equity awards issued	---	---	144	---	144
Common stock issued, net of cancellations	25	---	---	---	---
Performance shares surrendered to cover payroll taxes incurred	(9)	---	---	(215)	(215)
Repurchase of common stock	(195)	(2)	---	(5,670)	(5,672)
Stock-based compensation	---	---	(144)	470	326
Deferred compensation	---	---	---	60	60
Net loss	---	---	---	(4,384)	(4,384)
Balance - January 3, 2016	6,958	$ 66	$ ---	$ 21,995	$ 22,061
Exercise of stock options	---	---	---	(1)	(1)
Stock-based compensation	---	---	---	312	312
Deferred compensation	---	---	---	27	27
Net loss	---	---	---	(2,431)	(2,431)
Balance - January 1, 2017	6,958	$ 66	$ ---	$ 19,902	$ 19,968

See accompanying notes to consolidated financial statements.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
JANUARY 1, 2017, JANUARY 3, 2016, AND DECEMBER 28, 2014

(in thousands)

	January 1, 2017	January 3, 2016	December 28, 2014
Cash flows from operating activities:			
Net (loss) income from continuing operations	$ (2,942)	$ 1,079	$ 2,255
Adjustments to reconcile net (loss) income to cash flows provided by (used for) continuing operations:			
Depreciation and amortization	3,681	4,452	5,183
Amortization of deferred financing costs	115	212	84
Net (gain) loss on disposal of property	(149)	(2,337)	430
Asset impairment and estimated lease termination and other closing costs	4,788	1,520	4,517
Deferred income taxes	(142)	(4,255)	(728)
Deferred rent and net amortization of lease interest assets and liabilities	676	909	940
Stock-based compensation	339	386	(817)
Tax benefit for equity awards issued	---	(144)	(1,177)
Changes in operating assets and liabilities, net of acquisition:			
Restricted cash	(828)	(439)	453
Accounts receivable, net	(1,191)	(1,257)	483
Inventories	191	140	(40)
Prepaid expenses and other current assets	(1,876)	267	531
Deposits	(277)	9	(27)
Accounts payable	(696)	(305)	(866)
Accrued compensation and benefits	(184)	(2,165)	(1,224)
Other current liabilities	(311)	162	1,229
Other liabilities	105	(38)	31
Long-term deferred compensation	---	(74)	(135)
Cash flows provided by (used for) continuing operating activities	1,299	(1,878)	11,122
Cash flows (used for) provided by discontinued operating activities	(955)	3,862	1,557
Cash flows provided by operating activities	344	1,984	12,679
Cash flows from investing activities:			
Proceeds from the sale of restaurant assets and décor	1,068	7,502	95
Purchases of property, equipment and leasehold improvements	(758)	(3,197)	(1,568)
Cash flows provided by (used for) continuing investing activities	310	4,305	(1,473)
Cash flows provided by (used for) discontinued investing activities	1,150	(60)	(1,317)
Cash flows provided by (used for) for investing activities	1,460	4,245	(2,790)
Cash flows from financing activities:			
Proceeds from long-term debt	103	---	---
Proceeds from draws on line of credit	1,855	27,700	22,400
Payments on line of credit	---	(24,440)	(28,800)
Payments for debt issuance costs	(259)	(160)	(40)
Payments on long-term debt and financing lease obligations	(4,352)	(634)	(981)
Payments from exercise of stock options	(1)	---	(114)
Tax benefit for equity awards issued	---	144	1,177
Repurchase of common stock	---	(5,672)	(2,691)
Cash flows used for financing activities	(2,654)	(3,062)	(9,049)
(Decrease) increase in cash and cash equivalents	(850)	3,167	840
Cash and cash equivalents, beginning of year	5,300	2,133	1,293
Cash and cash equivalents, end of year	$ 4,450	$ 5,300	$ 2,133

See accompanying notes to consolidated financial statements.

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

(1) NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business - 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 January 1, 2017, there were 176 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, including 37 Company-owned restaurants and 139 franchise-operated restaurants. An additional 62 franchise restaurants were committed to be developed through signed area development agreements as of January 1, 2017.

Seasonality – Our restaurants typically generate higher revenue in the second and third quarters of our fiscal year as a result of seasonal traffic increases and high catering sales experienced during the summer months, and lower revenue in the first and fourth quarters of our fiscal year, due to possible adverse weather which can disrupt customer and team member transportation to our restaurants.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Any inter-company transactions and balances have been eliminated in consolidation.

Management's use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to the current year's presentation of discontinued operations, deferred taxes and deferred financing costs.

Financial instruments – Due to their short-term nature, the carrying value of our current financial assets and liabilities approximates their fair value. The fair value of long-term debt approximates the carrying amount based upon our expected borrowing rate for debt with similar remaining maturities and comparable risk.

Segment reporting – We have Company-owned and franchise-operated restaurants in the United States, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, and operate within the single industry segment of foodservice. We make operating decisions on behalf of the Famous Dave's brand which includes both Company-owned and franchise-operated restaurants. In addition, all operating expenses are reported in total and are not allocated to franchising operations for either external or internal reporting. As a result, we have concluded that we have a single reporting segment.

Fiscal year – Our fiscal year ends on the Sunday nearest December 31 of each year. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal years ended January 1, 2017 (fiscal 2016), and December 28, 2014 (fiscal 2014) consisted of 52 weeks while the fiscal year ended January 3, 2016 (fiscal 2015), consisted of 53 weeks. The fiscal year ending December 31, 2017 (fiscal 2017) will consist of 52 weeks.

Cash and cash equivalents – Cash equivalents include all investments with original maturities of three months or less or which are readily convertible into known amounts of cash and are not legally restricted. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000, while the remaining balances are uninsured at January 1, 2017 and January 3, 2016. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted cash and marketing fund – We have a system-wide marketing fund. Company-owned restaurants and franchise-operated restaurants that entered into franchise agreements with the Company after December 17, 2003, are required to contribute a percentage of net sales to the fund that is used for public relations and marketing development efforts throughout the system. These restaurants were required to contribute 1.0% of net sales to this fund during fiscal 2016 and fiscal 2015. In fiscal 2017, the contribution will remain at 1.0% of net sales. The assets held by this fund are considered restricted and are in an interest-bearing account. Accordingly, we reflected the cash related to this fund in restricted cash and the liability is included in accounts payable on our consolidated balance sheets. As of January 1, 2017 and January 3, 2016, we had approximately $946,000 and $1.1 million in this fund, respectively.

In conjunction with the Company's Credit Agreement, we have deposited 105% and 100% of the face amount of the undrawn letters of credit in a cash collateral account with Wells Fargo, National Association and Venture Bank. We had approximately $768,000 in restricted cash as of January 1, 2017, related to these undrawn letters of credit. We were not required to deposit funds in the cash collateral account as of January 3, 2016.

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. 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. Any changes to the reserve are recorded in general and administrative expenses. The allowance for uncollectible accounts was approximately $270,000 and $246,000, at January 1, 2017 and January 3, 2016, respectively. In fiscal 2016, the increase in the allowance for doubtful accounts was primarily due to delays in collections associated with certain franchises. 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.

Inventories – Inventories consist principally of small wares and supplies, food and beverages, and retail goods, and are recorded at the lower of cost (first-in, first-out) or market.

Property, equipment and leasehold improvements, net – Property, equipment and leasehold improvements are capitalized at a level of $250 or greater and are recorded at cost. Repair and maintenance costs are charged to operations when incurred. Furniture, fixtures, and equipment are depreciated using the straight-line method over estimated useful lives ranging from 3-7 years, with the exception of restaurant signage which, is included in furniture, fixtures, and equipment and is depreciated over 10 to 15 years, while buildings are depreciated over 30 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term, including reasonably assured renewal options, or the estimated useful life of the assets. Décor that has been installed in the restaurants is recorded at cost and is depreciated using the straight-line method over seven years.

Liquor licenses - The Company has transferable liquor licenses in jurisdictions with a limited number of authorized liquor licenses. These licenses were capitalized as indefinite-lived intangible assets and are included in intangible assets, net in our consolidated balance sheets (see Note 3). We review annually the liquor licenses for impairment. Additionally, the costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees are expensed over the renewal term.

Debt issuance costs – Debt issuance costs are amortized to interest expense over the term of the related financing. The carrying value of our deferred debt issuance costs, which are netted against the related debt on the consolidated balance sheets, is approximately $257,000, and $112,000, net of accumulated amortization of $345,000 and $453,000, as of January 1, 2017 and January 3, 2016, respectively.

Construction overhead and capitalized interest – We capitalize construction overhead costs until the time a building is turned over to operations, which is approximately two weeks prior to opening. In fiscal 2016 and 2015 we did not capitalize any construction overhead costs while in 2014 we capitalized construction overhead costs of approximately $48,000. These reflect two remodel projects that occurred in fiscal 2014. In fiscal 2016 and 2015 there were no new restaurant openings or remodel projects. In fiscal 2016 and 2015 we did not capitalize any interest costs, while in fiscal 2014 we capitalized interest costs of approximately $7,000. We depreciate and amortize construction overhead and capitalized interest over the same useful life as leasehold improvements.

Advertising costs – Advertising costs are charged to expense as incurred. Advertising costs were approximately $2.0 million, $2.5 million, and $3.0 million for fiscal years 2016, 2015, and 2014, respectively, and are included in operating expenses in the consolidated statements of operations.

Software implementation costs – We capitalize labor costs associated with the implementation of significant information technology infrastructure projects based on actual labor rates per person including benefits, for all time spent on the implementation of software and are depreciated over 5 years. In fiscal 2016 and 2015 we did not capitalize any software implementation costs, while in 2014 we capitalized software implementation costs of $102,000.

Research and development costs – Research and development costs represent salaries and expenses of personnel engaged in the creation of new menu and promotional offerings, recipe enhancements and documentation activities. Research and development costs were approximately $510,000, $668,000, and $468,000, for fiscal years 2016, 2015, and 2014, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

Pre-opening expenses – All start-up and pre-opening costs are expensed as incurred. Pre-opening rent during the build-out period is included in pre-opening expense. In fiscal 2016 we had no pre-opening expenses. In 2015 and 2014, we had pre-opening expenses of approximately $1,000, and $7,000 respectively. The low levels of pre-opening expenses in the recent years are a result of no new Company-owned restaurants opening during fiscal years 2016, 2015 or 2014.

Lease accounting – We recognize lease expense on a straight-line basis for our operating leases over the entire lease term, including lease renewal options and build-out periods where the renewal is reasonably assured and the build-out period takes place prior to the restaurant opening or lease commencement date. Rent expense recorded during the build-out period is reported as pre-opening expense. We account for construction allowances by recording a receivable when collectability is considered to be probable, and relieve the receivable once the cash is obtained from the landlord for the construction allowance. Construction allowances are amortized as a credit to rent expense over the full term of the lease, including reasonably assured renewal options and build-out periods.

Recoverability of property, equipment and leasehold improvements, impairment charges, and exit and disposal costs – We evaluate restaurant sites (asset groups) and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) 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 site is determined to be impaired, the loss is measured as the amount by which the carrying amount of the restaurant site exceeds its fair value. Fair value, as determined by the discounted future net cash flows, is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms and other factors. If these assumptions change in the future, we may be required to recognize additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from the estimates.

Exit or disposal activities, including restaurant closures, include the cost of disposing of the assets and other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Upon disposal of the assets associated with a closed restaurant, any gain or loss is recorded in the same caption as the original impairment within our consolidated statements of operations.

Asset retirement obligation – We recognize a liability for the fair value of a required asset retirement obligation ("ARO") when such obligation is incurred. Our AROs are primarily associated with leasehold improvements which, at the end of a lease, we are contractually obligated to remove in order to comply with the lease agreement. The net ARO liability included in other long term liabilities in our consolidated balance sheets was $119,000 and $111,000 at January 1, 2017 and January 3, 2016, respectively.

Gift cards – We record a liability in the period in which a gift card is issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. We recognize gift card breakage income as an offset to operating expense based on a stratified breakage rate per year. This breakage rate is based on a percentage of sales when the likelihood of the redemption of the gift card becomes remote.

Interest income – We recognize interest income when earned.

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

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

(in thousands, except per share data)	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Net (loss) income per common share – basic:			
Net (loss) income from continuing operations, net of taxes	$ (2,942)	$ 1,079	$ 2,255
Net income (loss) from discontinued operations, net of taxes	511	(5,463)	642
Net (loss) income	(2,431)	(4,384)	2,897
Weighted average shares outstanding	6,950	6,992	7,199
Net (loss) income from continuing operations per common share – basic	$ (0.42)	$ 0.15	$ 0.31
Net income (loss) from discontinued operations per common share – basic	$ 0.07	$ (0.78)	$ 0.09
Net (loss) income per common share – basic	$ (0.35)	$ (0.63)	$ 0.40
Net (loss) income per common share – diluted:			
Net (loss) income from continuing operations, net of taxes	$ (2,942)	$ 1,079	$ 2,255
Net income (loss) from discontinued operations, net of taxes	511	(5,463)	642
Net (loss) income	(2,431)	(4,384)	2,897
Weighted average shares outstanding	6,950	6,992	7,199
Dilutive impact of common stock equivalents outstanding	---	21	27
Adjusted weighted average shares outstanding	6,950	7,013	7,226
Net (loss) income from continuing operations per common share – diluted	$ (0.42)	$ 0.15	$ 0.31
Net income (loss) from discontinued operations per common share – diluted	$ 0.07	$ (0.78)	$ 0.09
Net (loss) income per common share – diluted	$ (0.35)	$ (0.63)	$ 0.40

There were approximately 683,000, 507,000 and 118,000 options outstanding as of January 1, 2017, January 3, 2016 and December 28, 2014, respectively that were not included in the computation of diluted EPS because they were anti-dilutive.

Stock-based compensation – We recognize compensation cost for share-based awards granted to team members and Board members based on their fair values at the time of grant over the requisite service period. Stock options granted to non-employees are marked to market when they vest. Our pre-tax compensation cost for stock options and other incentive awards is included in general and administrative expenses in our consolidated statements of operations (see Note 9).

Cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) is classified as cash flows from financing activities. During fiscal years 2016, 2015 and 2014, 416,250, 464,774 and 190,500 stock options were granted, respectively. During fiscal 2016, 171,690 stock options were forfeited.

Income Taxes – We provide for income taxes based on our estimate of federal and state income tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, allowable tax credits for items such as taxes paid on reported tip income, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. Our estimates are based on the information available to us at the time that we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state, and local governments, generally years after the tax returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws.

Revenue recognition – We record restaurant sales at the time food and beverages are served. We record sales of merchandise items at the time items are delivered to the guest. All sales taxes are excluded from revenue. We have detailed below our revenue recognition policies for franchise and licensing agreements.

Franchise arrangements – Initial franchise fee revenue is recognized when we have performed substantially all of our obligations as franchisor. Franchise royalties are recognized when earned.

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 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 sell that development agreement. 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 a potential franchise background investigation, 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 in full upon receipt. 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 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.

Licensing and other revenue – We have a licensing agreement for our retail products, the current term of which expires in April 2020 with renewal options of five years, subject to the licensee's attainment of identified minimum product sales levels. Licensing revenue is recorded based on royalties earned by us in accordance with our agreement. Licensing revenue for fiscal years 2016, 2015, and 2014 was approximately $981,000, $940,000, and $878,000, respectively.

Periodically, we provide additional services, beyond the general franchise agreement, to our franchise operations, such as new restaurant training, information technology setup and décor installation services. The cost of these services is recognized upon completion and is billed to the respective franchisee and is generally payable on net 30-day terms. Other revenue related to these services for fiscal years 2016, 2015, and 2014 was approximately $22,000, $14,000, and $76,000, respectively. These year over year changes are a result of fewer franchise-operated restaurant openings as well as a level of assistance we provided during those openings.

Recent Accounting Guidance

Recently adopted accounting guidance

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

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

In November 2015, the FASB issued ASU 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes, which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities. The Company adopted this at fiscal year-end of 2016 but it did not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted this at fiscal year-end of 2016 but it did not have a material impact on its consolidated financial statements.

Recent accounting guidance not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" in March 2016, ASU 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" in April 2016, ASU 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" in May 2016 and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" in May 2016. These new standards provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017. It will replace most existing revenue recognition guidance under GAAP when it becomes effective. The new standard permits the use of either a retrospective or cumulative effect transition method and early adoption is not permitted. The Company has not yet selected a transition method and is currently evaluating the impact these standards will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting remains largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. As shown in Note 8, there are $114.4 million in future minimum rental payments for operating leases that are not currently on our balance sheet; therefore, we expect this will have a material impact on our consolidated balance sheets and related disclosures.

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

(2) INVENTORIES

Inventories consisted approximately of the following at:

(in thousands)	**January 1, 2017**	**January 3, 2016**
Small wares and supplies	$ 730	$ 1,251
Food and beverage	711	761
Retail goods	58	58
	$ 1,499	$ 2,070

(3) INTANGIBLE ASSETS

The Company has intangible assets that consist of liquor licenses and lease interest assets. The liquor licenses are indefinite lived assets (see Note 1) 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 for each of the next five years is expected to be approximately $36,500.

A summary of intangible assets for the years ended January 1, 2017 and January 3, 2016, respectively, is presented in a table below:

(in thousands)	Remaining estimated useful life (years)	Original Cost	Impairment	Accumulated Amortization	Net Book Value	Less Current Portion[3]	Non-Current Portion
Balance at January 1, 2017							
Lease interest assets	23.1	$ 1,417	$ (326)[1]	$ (249)	$ 842	$ (37)	$ 805
Liquor licenses		1,810	(50)[2]	---	1,760	---	1,760
Total		$ 3,227	$ (376)	$ (249)	$ 2,602	$ (37)	$ 2,565

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

[1]Recorded in connection with the restaurant optimization. See Note 16.

[2]Based upon a quantitative analysis of this intangible asset, we determined that the fair value of one liquor license was less than its carrying value.

[3]The current portion of lease interest assets are recorded in prepaid expenses and other current assets.

(4) PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET

Property, equipment and leasehold improvements, net, consisted approximately of the following at:

(in thousands)	**January 1, 2017**	**January 3, 2016**
Land, buildings, and improvements	$ 50,851	$ 50,713
Furniture, fixtures, and equipment	35,609	34,866
Décor	1,553	1,553
Construction in progress	181	471
Accumulated depreciation and amortization	(62,282)	(55,112)
Property, equipment and leasehold improvements, net	$ 25,912	$ 32,491

(5) OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at:

(in thousands)	January 1, 2017	January 3, 2016
Gift cards payable	$ 1,448	$ 1,616
Other liabilities	1,140	902
Sales tax payable	454	674
Accrued real estate tax	79	---
Deferred franchise fees	16	134
Accrued property and equipment purchases	3	40
Income taxes payable	---	40
	$ 3,140	$ 3,406

(6) OTHER LIABILITIES

Other liabilities consisted of the following at:

(in thousands)	January 1, 2017	January 3, 2016
Deferred rent	$ 7,802	$ 7,191
Other liabilities	358	455
Asset retirement obligations	119	111
Long term lease reserve	145	258
Long term deferred compensation	142	258
Income taxes payable	139	12
	$ 8,705	$ 8,285

(7) CREDIT FACILITY AND DEBT COVENANTS, AND FINANCING LEASE OBLIGATIONS

On December 2, 2016 (the "Effective Date"), Famous Dave's of America, Inc. (the "Company") entered into a Loan Agreement (the "First Loan Agreement") among the Company and Minwood Partners, Inc., as borrowers, and Venture Bank, as lender (the "Lender"). Also on the Effective Date, the Company entered into a loan agreement providing among the Company, as lead borrower, certain of its affiliates also as borrowers, and the Lender for two additional loans (the "Second Loan Agreement").

The First Loan Agreement provides for a loan from the Lender to the borrowers set forth therein in the principal amount of $3.7 million and is evidenced by a promissory note (the "First Note") executed and delivered by the borrowers to the Lender on the Effective Date. The First Note has a maturity date of December 2, 2026 and shall be paid in monthly installments of principal and interest based on a twenty-year amortization period. Interest per annum shall be at a rate of 4.25% for years 1 through 5 and for years 6 through the end of the term LIBOR rate plus 375 basis points, subject to adjustment at the discretion of the Lender, as further set forth therein. The First Note may be prepaid, subject to certain prepayment premiums, provided, however, that during any calendar year the borrowers may prepay principal of up to 20% of the original principal amount without paying a prepayment premium.

Proceeds from the First Loan Agreement were used to repay the Company's debt to Wells Fargo Bank, National Association and to pay certain other costs approved by the Lender.

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

The First Loan Agreement contains customary representations and warranties and financial and other covenants and conditions, including, among other things, minimum debt service coverage ratio and a post-closing covenant to obtain certain letters of credit. The First Loan Agreement also places certain restrictions on, among other things, the borrowers' ability to incur additional indebtedness, to create liens or other encumbrances, to use funds for purposes other than as stated therein, to sell or otherwise dispose of assets and to expand on or erect any new material improvements, as such term is defined therein.

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

The Second Loan Agreement provides for two separate loans from the Lender to the borrowers set forth therein in the aggregate principal amount of $7.3 million, one in the principal amount of $6.3 million ("Loan 2") and the other in the principal amount of $1.0 million ("Loan 3"). Loan 2 is evidenced by a promissory note in the principal amount of $6.3 million (the "Second Note"). The Second Note has a maturity date of December 2, 2023 and shall be paid in monthly installments of principal and interest based on a seven-year amortization period. Interest per annum shall be at a rate equal to the LIBOR rate plus 325 basis points (each of such terms as defined in the Second Note), subject to adjustment at the discretion of the Lender and as further set forth therein. The Second Note may be prepaid at any time without incurring a prepayment premium.

Loan 3 is evidenced by a promissory note in the principal amount of $1.0 million (the "Third Note"). The Third Note has a maturity date of December 2, 2019 and shall first be paid in monthly installments of the interest then accrued on the principal balance and then in full on the maturity date. Interest per annum shall be at a rate equal to the LIBOR rate plus 325 basis points (each of such terms as defined in the Third Note), subject to adjustment at the discretion of the Lender, as further set forth therein. The Third Note may be prepaid at any time without incurring a prepayment premium.

Proceeds from the Second Loan Agreement were used to repay the Company's debt to Wells Fargo Bank, National Association, with the remainder to be used as a line of credit as working capital for borrowers' business and pay certain other costs approved by the Lender.

Loan 2 is secured by a mortgage dated as of the Effective Date (the "Second Mortgage") which is subordinate to the First Mortgage, a security interest in substantially all of the personal property of the borrowers pursuant to a security agreement dated as of the Effective Date (the "Security Agreement") and a pledge of certain certificates of deposit pursuant to a pledge agreement also dated as of the Effective Date (the "Pledge Agreement"). Loan 3 is secured by a security interest on substantially all of the personal property of the borrowers pursuant to the Security Agreement and a pledge of certain certificates of deposit pursuant to the Pledge Agreement.

The Second Loan Agreement contains customary representations and warranties and financial and other covenants and conditions, including, among other things, minimum debt service coverage ratio and a post-closing covenant to obtain certain letters of credit. The Second Loan Agreement also places certain restrictions on, among other things, the borrowers' ability to incur additional indebtedness, to use funds for purposes other than as stated therein, to create liens or other encumbrances, to sell or otherwise dispose of assets and to expand on or erect any new material improvements, as such term is defined therein.

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

On December 2, 2016, the Company refinanced approximately $9.9 million from borrowings under the First Loan Agreement and Second Loan Agreement to fund repayment of certain outstanding amounts under the Third Amended and Restated Credit Agreement dated as of May 8, 2015, as amended (the "Credit Agreement") by and among the Company and its subsidiaries and Wells Fargo Bank, National Association, as administrative agent on behalf of the Lenders under the Credit Agreement. For a period of up to 45 days following December 2, 2016, one letter of credit in the amount of $625,000 and a related cash collateral pledge remained outstanding under the Credit Agreement. Other than this letter of credit and related pledge, as well as certain breakage and treasury service management fees, the Company's obligations under the Credit Agreement were terminated on December 2, 2016. At January 1, 2017, the Company had $1.0 million of additional borrowing capacity in Loan 3.

The weighted average interest rate of the First, Second and Third notes for the fiscal year ended January 1, 2017 was 4.0%. The weighted average interest rate of the Term Loans for fiscal years ended January 1, 2017 and January 3, 2016 was 3.69% and 2.66%, respectively.

As of January 1, 2017, we were in compliance with all of our covenants.

If, in the event of a default, the Lender were to call the debt prior to expiration, the Company believes there are multiple options available to obtain other sources of financing. Although possibly at different terms, the Company believes there would be other lenders available and willing to finance a new credit facility. However, if replacement financing were unavailable to us, termination of the Facility without adequate replacement would have a material and adverse impact on our ability to continue our business operations.

We expect to use any borrowings under the Credit Agreement for general working capital purchases as needed.

Long-term debt consisted approximately of the following at:

(in thousands)	**January 1, 2017**	**January 3, 2016**
Notes Payable - Wells Fargo - minimum monthly installments of $150 until December 31, 2018, followed by a balloon payment of approximately $6,750 plus interest.	$ ---	$ 12,000
First Note - Venture Bank - monthly installments of principal and interest until December 2, 2026	3,700	---
Second Note - Venture Bank - monthly payments of principal and interest until December 2, 2023	6,300	---
Less: deferred financing fees	(234)	(80)
Less: current maturities	(917)	(1,800)
Long-term debt net of current maturities	$ 8,849	$ 10,120

Required principal payments on long-term debt are as follows:

(in thousands)	
Fiscal Year	
2017	$ 917
2018	954
2019	993
2020	1,120
2021	988
Thereafter	5,028
Total	$ 10,000

Financing Lease Obligation

On March 31, 1999, the Company completed a $4.5 million financing obligation involving three existing restaurants as part of a sale/leaseback transaction. Under this financing, we are obligated to make monthly payments of $56,627 (which increases 4.04% every two years) for a minimum of 20 years. At the end of the 20 year lease term, we may extend the lease for up to two additional five year terms. We also have the option to purchase the leased restaurants on the 20th anniversary of the lease term and between the first and second five year option terms. The option purchase price is the greater of $4.5 million or the fair market value, as defined in the agreement, of the properties at the time the purchase option is exercised. Based upon our continued involvement in the leased property and its purchase option, the transaction has been accounted for as a financing arrangement. Accordingly, the three existing restaurants are included in property, equipment and leasehold improvements, and are being depreciated over a 20 year term. In addition, as the monthly lease payments are made, the obligation will be reduced by the 20 year amortization table.

Financing lease obligations consisted of the following at:

(*in thousands*)	**January 1, 2017**	**January 3, 2016**
Financing lease – Spirit Financial – monthly installments of $54-$59 – including an interest rate of 9.63%, due in March 2019.	$ 2,757	$ 3,150
Less: deferred financing fees	(23)	(33)
Less: current maturities	(454)	(393)
Long-term financing lease net of current maturities	$ 2,280	$ 2,724

Required future minimum payments under our financing leases are as follows:

(in thousands)		
Fiscal Year		
2017	$	700
2018		707
2019		1,838
Total minimum payments	$	3,245
Imputed interest component of minimum payments		(488)
Total financing lease payable	$	2,757

(8) OPERATING LEASE OBLIGATIONS

We have various operating leases for existing and future restaurants and corporate office space with remaining lease terms ranging from 4 months to 31 years, including lease renewal options. Of the total operating leases, 13 require percentage rent between 3% and 8% of annual gross sales, typically above a natural breakeven point, in addition to the base rent. All of these leases contain provisions for payments of real estate taxes, insurance and common area maintenance costs. Total occupancy lease costs for fiscal years 2016, 2015 and 2014, including rent, common area maintenance costs, real estate taxes and percentage rent, were approximately $7.5 million, $7.6 million and $8.6 million, respectively. Cash rent expense was approximately $5.0 million, $5.8 million, and $6.1 million, for fiscal years 2016, 2015, and 2014, respectively. Percentage rent was approximately $18,000, $10,000, and $6,000 for fiscal years 2016, 2015, and 2014, respectively.

The Company sublet its Chicago field office in 2015 in addition to 10,340 square feet of its corporate office space. In 2016, 2015, and 2014, the Company recognized $386,000, $104,000, and $0, respectively, of sublease income which partially offset its total rent expense.

Future minimum lease payments (including reasonably assured renewal options) existing at January 1, 2017 were:

(in thousands)		
Fiscal Year		
2017	$	5,765
2018		5,776
2019		5,856
2020		5,949
2021		5,849
Thereafter		85,249
Total operating lease obligations		114,444
Sublease income		(15,565)
Total	$	98,879

(9) PERFORMANCE SHARES, STOCK OPTIONS, OTHER FORMS OF COMPENSATION, AND COMMON SHARE REPURCHASES

Stock-based Compensation

Effective May 5, 2015, we adopted a 2015 Equity Plan (the "2015 Plan"), pursuant to which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other stock and cash awards to eligible participants. We also maintain an Amended and Restated 2005 Stock Incentive Plan (the "2005 Plan"). Together, the 2015 Plan and 2005 Plan are referred to herein as the "Plans." Under the 2015 Plan, an aggregate of 34,050 shares of our Company's common stock remained unreserved and available for issuance at January 1, 2017. The 2005 Plan prohibits the granting of incentives after May 12, 2015. 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 fiscal years ended 2016, 2015, and 2014, respectively, as follows:

	For the Years Ended		
(in thousands)	January 1, 2017	January 3, 2016	December 28, 2014
Performance Share Programs:			
2011 Program[1][3]	---	---	(55)
2012 Program[1][4]	---	---	(761)
2013 Program[2][5][6][7][8]	---	(169)	(412)
Performance Shares and Performance Stock Units	$ ---	$ (169)	$ (1,228)
Stock Options[10][11][12]	311	459	371
Restricted Stock and Restricted Stock Units [8]	---	---	(73)
Director Shares[9][12]	28	60	47
	$ 339	$ 350	$ (883)

[1]The 2011 and 2012 Program's consisted entirely of performance shares.

[2]The 2013 Program consisted of performance shares and performance stock units.

[3]Includes a $55,000 recapture of stock-based compensation due to employee departures for the year ended December 28, 2014.

[4]Includes a $761,000 recapture of stock-based compensation due to employee departures and the failure to achieve performance targets for the year ended December 28, 2014.

[5]Includes the recapture of stock-based compensation related to performance shares of approximately $458,000 and performance stock units of approximately $135,000 due to the employee departures for the year ended December 28, 2014.

[6]Includes the recapture of stock-based compensation for performance shares of approximately $131,000 and performance stock units of approximately $38,000 due to the failure to achieve threshold performance levels for the program as of January 3, 2016.

[7]Includes a mark-to-market adjustment for performance stock units of approximately $22,000 for the year ended December 28, 2014.

[8]Includes a $128,000 recapture of stock-based compensation due to the departure of our former CEO for the year ended December 28, 2014.

[9]Includes a $20,000 recapture of stock-based compensation due to the departure of our former CEO for the year ended December 28, 2014.

[10]Includes a $105,000 recapture of stock-based compensation due to employee departures for the year ended January 3, 2016.

[11]Includes a $126,000 recapture of stock-based compensation due to the departure of our former CFO for the year ended January 1, 2017.

[12]Includes a $27,000 recapture of stock-based compensation due to the departure of our former CEO for the year ended January 1, 2017.

Performance Shares and Performance Stock Units

No shares were issued during fiscal 2016 or 2015 related to performance share programs. During the first quarter of fiscal 2014, we issued 86,519 shares upon satisfaction of conditions under the 2011 performance share program, representing the achievement of approximately 86.7% of the target payout for this program. Recipients elected to forfeit 30,518 of those shares to satisfy tax withholding obligations, resulting in a net issuance of 56,001 shares.

The Compensation Committee did not implement performance share programs for fiscal 2014, 2015 or 2016.

We recognize compensation cost for performance share awards and incentive stock option 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 the cumulative total of the earnings per share or Adjusted EBITDA goals established by our Compensation Committee for each fiscal year within a three-year performance period (the "Cumulative Adjusted EBITDA Goal"). Receipt of any performance shares is contingent upon us achieving a specified minimum percentage of the Cumulative Adjusted EBITDA Goal (as applicable).

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 January 1, 2017, no performance share programs were in progress.

Board of Directors' Compensation

We recognized Board of Directors' compensation expense in our consolidated statements of operations for the fiscal years ended January 1, 2017, January 3, 2016, and December 28, 2014, respectively, as follows:

	Fiscal Years		
	2016	2015	2014
(in thousands)			
Stock-based compensation	$ 28	$ 60	$ 47
Stock option compensation	90	69	155
Cash compensation	95	201	358
Total Board of Directors' compensation	$ 213	$ 330	$ 560

Stock Options

The compensation expense for stock option grants is recognized under general and administrative expense in our consolidated statements of operations through the applicable service period

Other options granted to certain non-executive 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.

Options granted to certain non-employees in exchange for future services vest in monthly installments over a period of approximately two years and expire five years from the grant date. Expense is recognized over the vesting period, with previously unvested options being marked to market at the date of vesting.

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 equal to the expected 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:

(number of options in thousands)	**Number of Options**	**Weighted Average Exercise Price**
Options outstanding at December 29, 2013	48	$ 7.77
Granted	191	28.11
Exercised[1]	(43)	7.40
Options outstanding at December 28, 2014	196	27.67
Granted	465	15.75
Canceled, forfeited or expired	(154)	28.07
Options outstanding at January 3, 2016	507	16.66
Granted	416	5.55
Exercised	(6)	5.90
Canceled, forfeited or expired	(231)	19.44
Options outstanding at January 1, 2017	686	$ 9.15
Options Exercisable at December 28, 2014	18	$ 17.39
Options Exercisable at January 3, 2016	77	$ 21.48
Options Exercisable at January 1, 2017	259	$ 10.87

[1]In 2014, option holders elected to forfeit approximately 18,000 shares to satisfy the strike price and tax withholding obligations, resulting in a net issuance of approximately 25,000 shares.

The following are weighted-average values and assumptions for valuing grants made during fiscal 2016:

Weighted-average fair value of options granted during the year	$ 1.97
Expected life (in years)	5.2
Expected stock volatility	39.98 %
Risk-free interest rate	1.2 %

As of January 1, 2017, there was $1.0 million of total unrecognized compensation cost related to stock option arrangements granted under the Company's stock option plan. The cost is expected to be recognized over a weighted average period of 3.0 years.

The following table summarizes information about stock options outstanding at January 1, 2017:

(number outstanding and number exercisable in thousands)

	Options Outstanding			Exercisable	
Exercise prices	Number outstanding	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$4.55 - $9.99	417	7.3	$ 5.61	91	$ 5.85
$10.00 - $19.99	243	2.8	$ 12.90	158	$ 12.55
$20.00 - $31.66	26	7.6	$ 30.95	10	$ 31.18
$4.55 - $31.66	686	5.7	$ 9.15	259	$ 10.87

The aggregate intrinsic value of options (the amount by which the market price of the stock on the date of exercise exceeds the exercise price of the option) exercised during fiscal 2016 was approximately $3,900. As of January 1, 2017, the aggregate intrinsic value of options outstanding and exercisable was approximately $1,200.

Restricted Stock Units

Employees forfeited 8,622 and 24,685 shares of restricted stock units during fiscal 2015 and 2014, at a price of $25.05 and $26.59 per share, respectively, to cover withholding taxes that were due from the employees at the time that the applicable forfeiture restrictions lapsed.

No restricted stock units were outstanding as of January 1, 2017.

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. The program was completed during fiscal 2015. Over the course of the program, we repurchased all of the 1.0 million shares in this authorization 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 2016, 2015, and 2014 we matched 25.0%, of the employee's contribution up to 4.0% of their earnings. Team member contributions were approximately $338,000, $399,000, and $518,000, for fiscal 2016, 2015, and 2014, respectively. The employer match was $54,000, $58,000, and $87,000 for fiscal 2016, 2015, and 2014, respectively. There were no discretionary contributions to the plan in fiscal years 2016, 2015 or 2014.

Non-Qualified Deferred Compensation Plan

We have a Non-Qualified Deferred Compensation Plan effective as of February 25, 2005 (the "Plan"). Eligible participants are those team members who are at the "director" level and above and who are selected by the Company to participate in the Plan. Participants must complete a deferral election each year to indicate the level of compensation (salary, bonus and commissions) they wish to have deferred for the coming year. This deferral election is irrevocable except to the extent permitted by the Plan Administrator, and the Regulations promulgated by the IRS. During fiscal 2016, 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 Plan and may change the rate or any other aspects of the Plan at any time.

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

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

For fiscal years ended January 1, 2017, January 3, 2016 and December 28, 2014, eligible participants contributed approximately $35,000, $64,000 and $99,000 to the Plan and the Company provided matching funds and interest of approximately $18,000, $35,000 and $58,000, net of distributions of approximately $238,000, $368,000 and $418,000, respectively. The distributions were due to executive departures and required distributions in accordance with our Plan. The outstanding deferred compensation balance at January 1, 2017 and January 3, 2016, was approximately $179,000 and $365,000 respectively.

(11) DISCONTINUED OPERATIONS

On December 14, 2015, Famous Dave's of America, Inc. and certain of its subsidiaries (collectively, the "Company") entered into an Asset Purchase Agreement and related Real Estate Purchase Agreement (the "Purchase Agreements") with Windy City Restaurant Holdings LLC and its affiliate (together, the "Purchaser") pursuant to which the Company agreed to sell the assets comprising its seven Chicago, Illinois area Company-owned restaurants located in Addison, Algonquin, Bolingbrook, Evergreen Park, North Riverside, Orland Park and Oswego (collectively, "Purchased Restaurants") to the Purchaser. As consideration for the Purchased Restaurants, which included the real property on which the Company operates the Purchased Restaurant located in Addison, Illinois, the Purchaser paid the Company $1.15 million, plus $315,000 for the purchase of inventory on hand on the closing date, and assumed specified liabilities of the Company. Included among the assumed liabilities were the Company's existing leases for the Purchased Restaurants located in Bolingbrook, North Riverside and Orland Park, Illinois. This transaction closed on March 1, 2016.

Under the Purchase Agreements, the Purchaser also agreed to enter into (i) sublease agreements for the real property on which Purchased Restaurants are located in Algonquin, Evergreen Park and Oswego, Illinois, (ii) franchise agreements for each Purchased Restaurant, and (iii) an Area Development Agreement pursuant to which the Purchaser agreed to use commercially reasonable efforts to develop ten additional Famous Dave's restaurants in the Chicago metropolitan area market. The Company agreed to waive its standard initial franchise fee for the Purchased Restaurants and the Company's standard franchise royalty rates were reduced as they relate to certain of the Purchased Restaurants for a limited period of time. The Purchaser has further agreed to invest no less than $500,000 in refreshing and improving the Purchased Restaurants pursuant to an agreed upon work schedule no later than one year following the closing. To the extent Purchaser fails to invest such amount within the prescribed timeframe, it will remit the difference to the Company. Subsequent to January 1, 2017, the Purchaser closed the Evergreen Park restaurant. See Note 20.

In accordance with the Purchase Agreements, the Purchaser deposited earnest money in the amount of $140,000 with a third party title company. The earnest money was delivered to the Company and applied against the purchase price at closing.

In conjunction with this agreement, the Company recorded an $8.8 million impairment charge. Subsequent to the close of this transaction, the Company recaptured approximately $1.3 million in deferred rent credits. The net assets and liabilities of the Purchased Restaurants that were associated with this transaction are included in assets and liabilities held for sale on the accompanying consolidated balance sheets at January 3, 2016. No related assets or liabilities remain at January 1, 2017.

The carrying value of the assets and liabilities included in the asset sale was as follows (in thousands):

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

The operating results of the Purchased Restaurants for the fiscal years ended January 1, 2017, January 3, 2016 and December 28, 2014 are summarized below. These results include costs directly attributable to the components of the business which were divested. Interest expense of approximately $32,000, $28,000 and $27,000 was allocated to discontinued operations for the fiscal years ended January 1, 2017, January 3, 2016 and December 28, 2014, respectively, based upon the portion of the borrowing base associated with the discontinued operations. Income tax expense (benefit) of approximately $442,000, $(3.3 million) and $367,000 for the fiscal years ended January 1, 2017, January 3, 2016 and December 28, 2014, respectively have also been allocated to discontinued operations. These adjustments have been made for all periods presented.

	Fiscal Year		
(in thousands)	**2016**	**2015**	**2014**
Revenue	$ 2,365	$ 17,002	$ 17,493
Income (loss) from operations	$ 985	$ (8,763)	$ 1,036
Income (loss) from discontinued operations, net of income taxes	$ 511	$ (5,463)	$ 642

(12) INCOME TAXES

For financial reporting purposes, income before taxes includes the following components:

(in thousands)	Fiscal Year		
	2016	**2015**	**2014**
United States	$ (5,264)	$ 901	$ 2,764
Foreign	322	226	223
Total	$ (4,942)	$ 1,127	$ 2,987

The following table summarizes the income tax (expense) benefit for the last three fiscal years:

(in thousands)	Fiscal Year		
	2016	**2015**	**2014**
Current:			
Federal	$ (629)	$ (767)	$ (1,264)
State	112	(45)	(263)
Foreign	(99)	(87)	(112)
	(616)	(899)	(1,639)
Deferred:			
Federal	2,428	514	879
State	188	337	28
	2,616	851	907
Total income tax benefit (expense)	$ 2,000	$ (48)	$ (732)

For financial reporting purposes, total income tax benefit (expense) includes the following components:

(in thousands)	Fiscal Year		
	2016	**2015**	**2014**
Continuing operations	$ 2,000	$ (48)	$ (732)
Discontinued operations	(442)	3,328	(367)
Total income tax benefit (expense)	$ 1,558	$ 3,280	$ (1,099)

The impact of uncertain tax positions taken or expected to be taken on income tax returns must be recognized in the financial statements at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits for the years ended January 1, 2017, January 3, 2016 and December 28, 2014, respectively, is presented in the table below:

(in thousands)

Balance at December 29, 2013	$	45
Increases attributable to tax positions taken during prior periods		69
Audit settlements		(19)
Decreases due to lapses of statutes of limitations		(14)
Balance at December 28, 2014		81
Decreases due to lapses of statutes of limitations		(34)
Balance at January 3, 2016		47
Increases attributable to tax positions taken during prior periods		142
Audit settlements		(41)
Decreases due to lapses of statutes of limitations		(33)
Balance at January 1, 2017	$	115

At January 1, 2017, January 3, 2016 and December 28, 2014, there are $115,000, $47,000, and $81,000 of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. During fiscal years 2016, 2015, and 2014, we recognized interest and penalties of $20,000, $(2,000), and $(7,000), respectively. Excluded from the above reconciliation were $25,000, $5,000 and $7,000, of accrued interest and penalties, net of tax benefit, for fiscal 2016, 2015, and 2014, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The preparation of these income tax returns requires the Company to interpret and apply relevant federal and state income tax laws. It is common for federal and state taxing authorities to periodically examine filed tax returns. During these examinations, it is possible for taxing authorities to interpret facts or tax law differently than the Company. As a result, the Company may be required to adjust tax liabilities affecting its effective tax rate. Tax years 2013 and forward remain subject to federal examination. Tax years 2012 and forward remain subject to state examination.

It is possible that the liability associated with the unrecognized tax benefits will increase or decrease within the next 12 months. These changes may be the result of new audits or the expiration of statutes of limitations and could range up to $138,000 based on current estimates.

Deferred taxes, detailed below, recognize the impact of temporary differences between the amounts of assets and liabilities recorded for financial statement purposes and such amounts measured in accordance with tax laws. Realization of the net operating loss carry forwards and other deferred tax temporary differences are contingent on future taxable earnings. During fiscal years 2016 and 2015, our deferred tax asset was reviewed for expected utilization using a "more likely than not" approach as required by assessing the available positive and negative evidence surrounding its recoverability.

At January 1, 2017, it is more likely than not that all deferred tax assets attributable to temporary differences taken on federal and state tax returns will be realized based on our consolidated taxable income for fiscal 2016 and fiscal 2015 as well as the expectation that reversing deferred tax assets will be offset by reversing deferred tax liabilities and certain tax planning strategies. However, there is a portion of deferred tax assets attributable to temporary differences taken on stand-alone state returns and stand-alone state net operating losses and credit carry forwards that are unlikely to be realized due to insufficient future earnings. For these deferred tax assets, the Company has created a valuation allowance listed in the table below. The 2016 net change in valuation allowance is an increase to the valuation allowance in the amount of $531,000.

(in thousands)	January 1, 2017	January 3, 2016
Deferred tax asset:		
Deferred rent	$ 3,184	$ 3,379
State net operating loss carry-forwards	2,325	1,779
Financing lease obligation	1,028	1,170
Tax credit carryover	910	376
Accrued expenses	585	284
Stock-based compensation	472	344
Deferred revenue	452	476
Lease reserve	222	223
Accrued and deferred compensation	67	151
Contribution carryover	18	---
Inventories	9	10
Total deferred tax asset	$ 9,272	$ 8,192
Deferred tax liability:		
Property and equipment basis difference	$ (1,671)	$ (952)
Inventories	(295)	(562)
Prepaid expenses	(269)	(236)
Intangible property basis difference	(56)	(134)
Total deferred tax liability	$ (2,291)	$ (1,884)
Net deferred tax assets	6,981	6,308
Valuation allowance	(2,348)	(1,817)
Total net deferred tax asset	$ 4,633	$ 4,491

In 2016, we had cumulative net operating loss carry-forwards for tax reporting purposes of approximately $43.4 million for state purposes, which if not used, will begin to expire in fiscal 2018.

We made federal income tax payments, net of federal refunds, of $210,000, $166,000, and $369,000 in 2016, 2015 and 2014, respectively. State and foreign income taxes paid by the Company, net of refunds, totaled $180,000, $232,000, and $231,000 in 2016, 2015 and 2014, respectively.

Reconciliation between the statutory rate and the effective tax rate is as follows:

	Fiscal Year		
	2016	2015	2014
Federal statutory tax rate	34.0 %	34.0 %	34.0 %
State taxes, net of valuation allowance and federal benefit	5.8	5.4	3.2
Foreign taxes	(2.0)	7.7	3.7
Tax effect of permanent differences – meals and entertainment	(1.5)	1.4	1.5
Tax effect of permanent differences – tip credit	(3.4)	17.2	8.1
Tax effect of permanent differences – other	0.3	(0.6)	(1.4)
Tax effect of general business credits	8.9	(50.7)	(23.8)
Tax effect of foreign tax credit	2.0	(7.7)	(3.7)
Uncertain tax positions	(2.7)	---	---
Other	(0.9)	(2.4)	2.9
Effective tax rate[1]	40.5 %	4.3 %	24.5 %

The decrease in the 2015 effective tax rate is primarily due to the small amount of 2015 pre-tax book income.

(13) SUPPLEMENTAL CASH FLOWS INFORMATION

	For the Fiscal Year Ended		
	2016	2015	2014
(in thousands)			
Cash paid for interest, net of capitalized interest	$ 729	$ 975	$ 790
Cash paid for income taxes, net of refunds	$ 390	$ 398	$ 600
Non-cash investing and financing activities:			
Reclassification of additional paid-in-capital to payroll taxes payable for performance shares issued	$ ---	$ 215	$ 1,520
Accrued property and equipment purchases	$ 37	$ 10	$ (32)
Refinancing of debt	$ 9,897	$ ---	$ ---

(14) SELECTED QUARTERLY DATA (UNAUDITED)

The following represents selected quarterly financial information for fiscal years 2016 and 2015 *(in thousands, except per-share data)*.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	$ 23,540	$ 28,264	$ 28,044	$ 32,714	$ 25,510	$ 27,881	$ 22,085	$ 25,367
Income (loss) from operations	$ 395	$ 302	$ 334	$ 981	$ (3,749)	$ 1,307	$ (1,070)	$ (447)
Net income (loss) from continuing operations	$ (69)	$ 108	$ 113	$ 547	$ (2,378)	$ 731	$ (826)	$ (307)
Net income (loss) from discontinued operations	$ 681	$ 89	$ 27	$ 107	$ (81)	$ (23)	$ (116)	$ (5,636)
Basic net income (loss) from continuing operations per common share	$ 0.02	$ 0.02	$ 0.02	$ 0.07	$ (0.34)	$ 0.11	$ (0.12)	$ (0.05)
Basic net income (loss) from discontinued operations per common share	$ 0.10	$ 0.01	$ ---	$ 0.02	$ (0.01)	$ ---	$ (0.02)	$ (0.81)
Diluted net income (loss) from continuing operations per diluted share	$ 0.02	$ 0.02	$ 0.02	$ 0.07	$ (0.34)	$ 0.10	$ (0.12)	$ (0.04)
Diluted net income (loss) from discontinued operations per diluted share	$ 0.10	$ 0.01	$ ---	$ 0.02	$ (0.01)	$ ---	$ (0.02)	$ (0.81)

(15) LITIGATION

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

Famous Dave's of America, Inc. ("Famous Dave's") filed a complaint on July 14, 2015, against a group of former franchisees in California seeking injunctive relief and damages for: (1) Federal Trademark Infringement; (2) Federal Trademark Dilution; (3) Federal Unfair Competition; (4) Federal Trade Dress Dilution; (5) Trademark Infringement under California Business and Professions Code § 14200; (6) Trademark Dilution under California Business and Professions Code §14200; (7) Common Law Trademark Infringement; (8) Unfair Competition under California Business and Professions Code § 17200; (9) False Advertising; (10) Breach of Contract; (11) Breach of Implied Covenant of Good Faith and Fair Dealing; and (12) Intentional Interference with Contract. The claims stem from the former franchisees' breaches of their franchise agreements, including the failure to pay franchise fees and their continued operation of five restaurants utilizing Famous Dave's intellectual property without authorization. After two defendants in the case, Kurt Schneiter and M Mart 1, filed a demurrer to the Complaint, Famous Dave's filed an Amended Complaint on October 9, 2015, reasserting the same claims. The case is captioned Famous Dave's of America, Inc., v. SR El Centro FD, Inc., et al., Case No. BC589329, and is currently pending before the Honorable Elihu M. Berle in the Superior Court of Los Angeles. By court order, dated June 6, 2016, Famous Dave's successfully obtained a preliminary injunction, enjoining the former franchisee defendants from using Famous Dave's intellectual property, including its trademarks and restaurant system. The preliminary injunction is currently the subject of a pending interlocutory appeal which Famous Dave's intends to oppose vigorously.

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

(16) ASSET IMPAIRMENT AND ESTIMATED LEASE TERMINATION AND OTHER CLOSING COSTS

In accordance with FASB Accounting Standards Codification 360 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, anticipated sale prices 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. The following is a summary of impairment costs for fiscal 2016, fiscal 2015, and fiscal 2014. These costs are included in asset impairment and estimated lease termination and other closing costs in the Consolidated Statements of Operations.

	Year Ended		
(dollars in thousands)	**January 1, 2017**	**January 3, 2016**	**December 28, 2014**
Asset Impairments			
Restaurant optimization	$ 4,376	$ ---	$ ---
Software[1]	156	---	---
May's Landing, NJ	50	---	766
Smithtown, NY[2]	---	935	---
Richmond, VA area	---	---	2,285
Two Minneapolis, MN area restaurants	---	---	544
Décor	---	---	342
Des Moines, IA	---	---	226
Total	$ 4,582	$ 935	$ 4,163
Restaurant closure expenses			
Smithtown, NY[3]	200	---	---
Other[6]	6	(6)	---
N. Riverside, IL[4]	---	368	---
Richmond, VA area	---	143	54
N. Riverside, IL[5]	---	122	---
Eden Prairie, MN	---	(42)	---
Salisbury, MD	---	---	206
Décor Warehouse	---	---	94
Total restaurant closure expenses	$ 206	$ 585	$ 354
Provision for impairment and restaurant closings	$ 4,788	$ 1,520	$ 4,517

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

Asset impairment calculated at June 28, 2015 based upon expected sale of Smithtown restaurant.

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

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

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

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

Restaurant Optimization - During fiscal 2016, the Company recorded approximately $4.4 million in asset impairment charges associated with 11 restaurants which were slow to respond to several initiatives to turnaround operating performance. As a result, the Company determined that the estimated fair value of the assets was less than the net book value and recognized an impairment charge to reduce the related assets to their estimated fair value. As the Company continues to evaluate the restaurant portfolio we anticipate addressing the ongoing operation of the 11 locations impaired over the next three years by way of lease restructuring, lease assignment or subsequent closure at the end of their natural lease term.

Richmond, VA Area Restaurant Closures- On December 29, 2014, the Company announced the closure of its three underperforming Company-owned restaurants located in and around Richmond, Virginia. The associated impairment charges primarily related to the write-off of the book value of the related property, plant and equipment, net of estimated proceeds from the sale of these assets (primarily derived from the sale of real property). Loss before taxes associated with these operations for the fiscal year ended December 28, 2014 totaled approximately $187,000.

On December 28, 2014 the restaurants were valued at the estimated proceeds from the sale and were recorded as assets held for sale in the consolidated balance sheets. Two of these properties were sold during the third quarter of fiscal 2015 and the first quarter of fiscal 2016, respectively. On January 3, 2016, the remaining property's fair value was reclassified to property, equipment and leasehold improvements, net because it was probable that the assets would not be sold in the next two months.

Below reflects the change in our reserve for lease termination costs for fiscal 2016 and 2015:

(in thousands)		Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions Credits to Costs and Expenses and Other Accounts		Balance at End of Period
Year ended January 1, 2017						
Reserve for lease termination costs	$	489.9	89.1	(104.4)	$	474.6
Year ended January 3, 2016						
Reserve for lease termination costs	$	16.0	543.2	(69.3)	$	489.9
Year ended December 28, 2014						
Reserve for lease termination costs	$	---	116.0	(100.0)	$	16.0

These amounts were recorded in other current liabilities or other liabilities depending on when we expected the amounts to be paid.

(17) FAIR VALUE MEASUREMENTS

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Level 1 measurements are determined by observable inputs which include data sources and market prices available and visible outside of the entity.

Level 2: Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3: Inputs that are used to estimate the fair value of the asset or liability. Level 3 measurements are determined by unobservable inputs, which include data and analyses developed within the entity to assess the fair value.

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

The carrying amounts of cash and cash equivalents reported in the consolidated balance sheets approximates fair value based on current interest rates and short-term maturities. The carrying amount of accounts receivable approximates fair value due to the short-term nature of accounts receivable. We believe that the carrying amount of long-term debt approximates fair value due to the variable interest rates charged on long-term debt or as a result of the proximity of the refinancing to the end of the fiscal year.

The following table (in thousands) summarizes the assets held for sale and property and equipment, net, measured at fair value in our consolidated balance sheet as of January 1, 2017 and January 3, 2016:

	Level 1	*Level 2*	*Level 3*	*Total*
Balance at January 1, 2017				
Assets				
Assets Held for Sale	$ ---	$ 1	$ ---	$ 1
Property and Equipment, net	$ ---	$ ---	$ 1,742	$ 1,742
Balance at January 3, 2016				
Assets				
Assets Held for Sale	$ ---	$ 1,431	$ 780	$ 2,211
Property and Equipment, net	$ ---	$ ---	$ 507	$ 507

Assets held for sale are recorded at fair value, which was valued based upon a real estate broker's estimate of value for the properties (Level 3) or negotiated sale price (Level 2). Property and Equipment, net, recorded at fair upon broker's estimate of value or estimated discounted future cash flows (Level 3). These assets have been adjusted to net realizable value based upon the decision to dispose of the property. The Company completed its sale of assets held for sale recorded in Level 3 during fiscal 2016. The fair value of amounts disclosed as property and equipment, net, reported in the table above within Level 3 changed during fiscal 2016 as a result of the Company's impairment analysis surrounding certain of its property and equipment assets.\

(18) VARIABLE INTEREST ENTITIES

A variable interest holder is considered to be the primary beneficiary of a variable interest entity (VIE) if it has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. Once an entity is determined to be a variable interest entity (VIE), the primary beneficiary is required to consolidate the entity. The Company has an installment agreement with one of its franchisees as the result of refranchising its Lincoln, Nebraska restaurant. This franchisee is a VIE, however, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

On August 11, 2015, the Company consummated the sale of its Greenwood, Indiana and Florence, Kentucky restaurants. In conjunction with that agreement, the Company entered into lease assignment agreements with the respective purchasers and landlords, releasing the Company of its obligations except in the event of default by the purchasers. As of January 1, 2017, the amount of the future lease payments for which the Company would be liable in the event of a default are approximately $352,000. An accrual related to any future obligation was not considered necessary at January 1, 2017 as the Company has determined the fair value of this guarantee was zero as there was no indication that the purchasers would not be able to pay the required lease payments. While this franchise meets the definition of a VIE, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

On March 1, 2016, the Company consummated the sale of its Chicago-area restaurants. In conjunction with that agreement, the Company entered into lease assignment agreements with the respective purchasers and three of the landlords, releasing the Company of its obligations except in the event of default by the purchasers. As of January 1, 2017, the amount of the future lease payments for which the company would be liable in the event of a default are approximately $1.9 million. An accrual related to any future obligation was not considered necessary at January 1, 2017 as the Company has determined the fair value of this guarantee was zero as there was no indication that the purchasers would not be able to pay the required lease payments. Subsequent to the balance sheet date, the purchaser closed one of the seven restaurants, on which the Company has an outstanding lease obligation. See Note 20. While this franchise meets the definition of a VIE, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements. See Note 20 for additional information.

(19) RELATED PARTY TRANSACTIONS

Michael Lister serves as our Chief Executive Officer, Chief Operating Officer and a director of the Company. Prior to joining the management team of the Company in October of 2016, Mr. Lister managed Famous Five, a corporation that owns five franchised Famous Dave's Restaurants. Famous Five paid an aggregate of approximately $496,000, $523,000 and $505,000 in franchise royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund for fiscal 2016, 2015 and 2014, respectively. Approximately $49,000 and $61,000 associated with royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund is due from Famous Five and included in accounts receivable as of January 1, 2017 and January 3, 2016, respectively.

Anand D. Gala currently serves as a director of the Company and has been nominated for re-election at the Annual Meeting. Mr. Gala is the Founder, President and Chief Executive Officer of Gala Holdings International, a diversified holding company that conducts consulting, restaurant development and management operations. As a Company franchisee, Gala Holdings International paid approximately $2.1 million in franchise royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund for fiscal 2016 and 2015, respectively, and $1.9 million for fiscal 2014. Approximately $369,000 and $241,000 associated with royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund is due from Mr. Gala's companies and included in accounts receivable as of January 1, 2017 and January 3, 2016, respectively. Additionally, Mr. Gala's brother owns Altametrics, LLC, a software company to which we paid a total of approximately $127,000 during fiscal 2016.

Adam J. Wright served as our Chief Executive Officer and a director of the Company until October of 2016. Mr. Wright's brother, Michael B. Wright, owns and controls Famous Products, Inc., a corporation that licenses a line of retail products from the Company, including sauces, rubs, marinades and seasonings, pursuant to a licensing agreement with a current term that expires in April 2020 and is subject to renewal options of five years, contingent upon the licensee's attainment of identified minimum product sales levels. The Company received licensing revenue from Famous Products, Inc. under the agreement of approximately $981,000, $940,000 and $878,000 for fiscal years 2016, 2015 and 2014, respectively. Michael B. Wright also owns DTSG, Inc., a corporation that owns or controls five franchised Famous Dave's restaurants. DTSG, Inc. paid an aggregate of approximately $636,000, $678,000 and $710,000 in franchise royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund for fiscal years 2016, 2015 and 2014, respectively. Approximately $62,000 and $73,000 associated with royalties and contributions to the Company's system-wide Public Relations and Marketing Development Fund is due from DTSG, Inc. and included in accounts receivable as of January 1, 2017 and January 3, 2016, respectively.

(20) SUBSEQUENT EVENTS

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

On January 8, 2017 the Company closed its Stillwater, Minnesota restaurant. This restaurant was written down to anticipated net realizable value during the third quarter of 2016.

On February 19, 2017 a franchisee closed the Evergreen Park, Illinois restaurant. As this is a location for which we have an ongoing lease for an additional six years with a sublease to the franchisee, there is a risk that the franchisee will provide notice to the Company, making the Company responsible for the remaining approximately $700,000 of related lease payments. If this occurs, it is unclear whether a new sub lessee would be identified by the Company. We recorded a lease reserve of approximately $487,000 in February 2017 related to this closure.

On February 19, 2017 the Company closed its Falls Church, Virginia restaurant. This restaurant was written down to anticipated net realizable value during the third quarter of 2016.

FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES

Financial Statement Schedule

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

(in thousands)		Additions	Deductions	
	Balance at Beginning of Period	Charged to Costs and Expenses	Credits to Costs and Expenses and Other Accounts	Balance at End of Period
Year ended December 28, 2014:				
Allowance for doubtful accounts	$ 72.5	$ 274.1	$ (132.2)	$ 214.4
Reserve for lease termination costs	$ ---	$ 116.0	$ (100.0)	$ 16.0
Reserve for corporate severance	$ 83.3	$ 931.1	$ (653.8)	$ 360.6
Year ended January 3, 2016:				
Allowance for doubtful accounts	$ 214.4	$ 295.9	$ (264.6)	$ 245.7
Reserve for lease termination costs	$ 16.0	$ 543.2	$ (69.3)	$ 489.9
Reserve for corporate severance	$ 360.6	$ 221.0	$ (561.5)	$ 20.1
Year ended January 1, 2017:				
Allowance for doubtful accounts	$ 245.7	$ 86.6	$ (61.8)	$ 270.5
Reserve for lease termination costs	$ 489.9	89.1	(104.4)	$ 474.6
Reserve for corporate severance	$ 20.1	$ 170.3	$ (190.4)	$ ---

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 21, 2017

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

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

By: /s/ John P. Beckman
John P. Beckman
Chief Accounting Officer (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 21, 2017 by the following persons on behalf of the registrant, in the capacities indicated.

Signature	*Title*
/s/ Anand D. Gala Anand D. Gala	Director
/s/ Joseph M. Jacobs Joseph M. Jacobs	Director
/s/ Jonathan P. Lennon Jonathan P. Lennon	Director
/s/ Charles W. Mooty Charles W. Mooty	Director
/s/ Richard A. Shapiro Richard A. Shapiro	Director
/s/ Patrick D. Walsh Patrick D. Walsh	Director
/s/ Bryan L. Wolff Bryan L. Wolff	Director

EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, incorporated by reference to Exhibit 3.1 to our Registration Statement on Form SB-2 (File No. 333-10675) filed with the Securities and Exchange Commission on August 23, 1996
3.2	Amendment to Articles of Incorporation dated May 31, 1996, incorporated by reference to Exhibit 3.3 to our Registration Statement on Form SB-2/A (File No. 333-10675) filed with the Securities and Exchange Commission on October 1, 1996
3.3	Second Amended and Restated Bylaws, as amended by Amendment Nos. 1 and 2, incorporated by reference to Exhibit 3.3 to Form 10-K, filed March 18, 2016.
10.1	Trademark License Agreement between Famous Dave's of America, Inc. and Grand Pines Resorts, Inc., incorporated by reference to Exhibit 10.11 to the Registration Statement on Form SB-2 (File No. 333-10675) filed on August 23, 1996
10.2	Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 9, 2008 †
10.3	Second Amended and Restated Non-Qualified Deferred Compensation Plan, dated January 1, 2008, incorporated by reference to Exhibit 10.16 to Form 10-K filed March 14, 2008 †
10.4	Second Amended and Restated Credit Agreement by and between Wells Fargo Bank, National Association and Famous Dave's of America, Inc., dated March 4, 2010, incorporated by reference to Exhibit 10.2 to Form 8-K filed March 9, 2010
10.5	Letter amendment dated February 1, 2011, to the Second Amendment to the Amended and Restated Credit Agreement by and between Wells Fargo Bank, National Association and Famous Dave's of America, Inc., incorporated by reference to Exhibit 10.11 to Form 10-K filed March 18, 2011
10.6	First Amendment to the Second Amended and Restated Credit Agreement by and between Wells Fargo Bank, National Association and Famous Dave's of America, Inc., dated July 5, 2011, incorporated by reference to Exhibit 10.1 to Form 8-K filed July 5, 2011
10.7	Second Amendment to the Second Amended and Restated Credit Agreement by and between Wells Fargo Bank, National Association and Famous Dave's of America, Inc., dated November 1, 2012, incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 2, 2012
10.8	Third Amendment to the Second Amended and Restated Credit Agreement by and between Wells Fargo Bank, National Association and Famous Dave's of America, Inc., dated March 14, 2013, incorporated by reference to Exhibit 10.11 to Form 10-K filed March 14, 2013
10.9	Fourth Amendment to the Second and Amended Restated Credit Agreement, incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 9, 2014
10.10	Third Amended and Restated Credit Agreement dated May 8, 2015 by and among Wells Fargo Bank, National Association, Famous Dave's of America, Inc. and certain subsidiaries of Famous Dave's of America, Inc., incorporated by reference to Exhibit 10.2 to Form 10-Q filed May 8, 2015
10.11	Forbearance Agreement dated as of November 5, 2015 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.4 to Form 10-Q filed November 6, 2015

EXHIBITS

Exhibit No.	Description
10.12	First Amendment to Forbearance Agreement dated as of December 2, 2015 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.1 to Form 8-K filed December 4, 2015
10.13	First Amendment to Third Amended and Restated Credit Agreement dated as of December 11, 2015 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's RIBS, Inc., Famous Dave's RIBS-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.1 to Form 8-K filed December 11, 2015
10.14	Forbearance Agreement dated May 16, 2016 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 18, 2016
10.15	Waiver and Second Amendment to Third Amended and Restated Credit Agreement dated as of June 10, 2016 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's RIBS, Inc., Famous Dave's RIBS-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.1 to the Form 8-K filed June 10, 2016
10.16	Forbearance Agreement dated November 9, 2016 by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Lake & Hennepin BBQ and Blues, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., and Famous Dave's Ribs of Maryland, Inc., each as borrowers, and Wells Fargo Bank, National Association, as administrative agent and lender, incorporated by reference to Exhibit 10.1 to form 10-Q filed November 16, 2016
10.17	Amended and Restated 2005 Stock Incentive Plan (as amended through January 21, 2013) incorporated by reference to Exhibit 10.6 to Form 10-K filed March 15, 2013 †
10.18	Form of Director Restricted Stock Agreement Granted Under the Amended and Restated 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to Form 10-K filed March 13, 2015 †
10.19	Form of Director Restricted Stock Agreement Granted Under the Amended and Restated 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to Form 10-K filed March 13, 2015 †
10.20	Famous Dave's of America, Inc. 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 10-Q filed May 8, 2015 †
10.21	Amendment No. 1 to 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed July 31, 2015 †
10.22	Amendment No. 2 to 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 6, 2015 †
10.23	Form 2013 – 2015 Performance Share Agreement and Schedule of Grants under such form, incorporated by reference to Exhibits 10.1 and 10.2 to Form 8-K filed January 8, 2013 †

EXHIBITS

Exhibit No.	Description
10.24	Stock Option Agreement dated February 10, 2014 between Famous Dave's of America, Inc. and Edward H. Rensi, incorporated by reference to Exhibit 10.36 to Form 10-K filed March 14, 2014 †
10.25	Employment Letter dated February 10, 2014 between Famous Dave’s of America, Inc. and Edward H. Rensi, incorporated by reference to Exhibit 10.35 to Form 10-K filed March 14, 2014 †
10.26	Stock Option Agreement dated February 10, 2014 between Famous Dave’s of America, Inc. and Edward H. Rensi, incorporated by reference to Exhibit 10.36 to Form 10-K filed March 14, 2014 †
10.27	Employment Letter dated May 19, 2014 between Famous Dave’s of America, Inc. and Richard A. Pawlowski, incorporated by reference to Exhibit 10.22 to Form 10-K filed March 13, 2015 †
10.28	Stock Option Agreement dated June 2, 2014 between Famous Dave’s of America, Inc. and Richard A. Pawlowski, incorporated by reference to Exhibit 10.23 to Form 10-K filed March 13, 2015 †
10.29	Stock Option Agreement dated January 15, 2015 between Famous Dave’s of America, Inc. and Edward H. Rensi, incorporated by reference to Exhibit 10.24 to Form 10-K filed March 13, 2015 †
10.30	Employment Agreement entered into on August 3, 2015 between Famous Dave’s of America, Inc. and Abelardo Ruiz, incorporated by reference to Exhibit 10.l to Form 8-K filed August 7, 2015 †
10.31	Severance Agreement dated August 17, 2015 between Famous Dave’s of America, Inc. and Richard A. Pawlowski, incorporated by reference to Exhibit 10.l to Form 8-K filed August 21, 2015 †
10.32	Stock Option Agreement dated August 31, 2015 between Famous Dave’s of America, Inc. and Abelardo Ruiz, incorporated by reference to Exhibit 10.29 to Form 10-K filed March 18, 2016 †
10.33	Form of Indemnification Agreement between Famous Dave’s of America, Inc. and each of its directors and officers, incorporated by reference to Exhibit 10.2 to Form 10-Q filed November 6, 2015
10.34	Schedule of directors and officers subject to Indemnification Agreements in the form of Exhibit 10.30, incorporated by reference to Exhibit 10.3 to Form 10-Q filed November 6, 2015
10.35	Employment Agreement dated effective January 1, 2016 between Famous Dave’s of America, Inc. and Adam J. Wright, incorporated by reference to Exhibit 10.1 to Form 8-K filed January 4, 2016 †
10.36	Stock Option Agreement dated January 1, 2016 between Famous Dave’s of America, Inc. and Adam J. Wright, incorporated by reference to Exhibit 10.33 to Form 10-K filed March 18, 2016 †
10.37	Employment Agreement dated February 12, 2016 between Famous Dave's of America, Inc. and Alfredo V. Martel, incorporated by reference to Exhibit 10.34 to Form 10-K filed March 18, 2016 †
10.38	Employment Agreement dated effective April 11, 2016 between Famous Dave’s of America, Inc. and Dexter Newman, incorporated by reference to Exhibit 10.1 to Form 8-K filed April 13, 2016 †
10.39	Stock Option Agreement dated April 11, 2016 between Famous Dave’s of America, Inc. and Dexter Newman, incorporated by reference to Exhibit 10.2 to Form 8-K filed April 13, 2016 †
10.40	Employment Agreement dated October 11, 2016 between Famous Dave’s of America, Inc. and Michael Lister, incorporated by reference to Exhibit 10.1 to Form 8-K filed October 17, 2016 †
10.41	Employment Agreement dated October 11, 2016 between Famous Dave’s of America and Doug Renegar, incorporated by reference to Exhibit 10.1 to form 10-Q filed November 16, 2016 †

EXHIBITS

Exhibit No.	Description
10.42	Loan Agreement dated December 2, 2016 among Famous Dave’s of America, Inc., Minwood Partners, Inc. and Venture Bank, incorporated by reference to Exhibit 10.1 to form 8-K filed December 8, 2016
10.43	Promissory Note (Note 1) dated December 2, 2016 in principal amount of $3,700,000 from Famous Dave’s of America, Inc. and Minwood Partners, Inc. to Venture Bank, incorporated by reference to Exhibit 10.2 to form 8-K filed December 8, 2016
10.44	Mortgage and Security Agreement and Fixture Financing Statement dated December 2, 2016 by Famous Dave’s of America, Inc. and Minwood Partners, Inc. to Venture Bank (Loan 1), incorporated by reference to Exhibit 10.3 to form 8-K filed December 8, 2016
10.45	Loan Agreement dated December 2, 2016 among Famous Dave’s of America, Inc., D&D of Minnesota, Inc., Famous Dave’s Ribs of Maryland, Inc., Famous Dave’s Ribs, Inc., Famous Dave’s Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. and Venture Bank, incorporated by reference to Exhibit 10.4 to form 8-K filed December 8, 2016
10.46	Promissory Note (Note 2) dated December 2, 2016 in principal amount of $6,300,000 from Famous Dave’s of America, Inc., D&D of Minnesota, Inc., Famous Dave’s Ribs of Maryland, Inc., Famous Dave’s Ribs, Inc., Famous Dave’s Ribs-U, Inc. and Lake & Hennepin BBQ & Blues, Inc. to Venture Bank, incorporated by reference to Exhibit 10.5 to form 8-K filed December 8, 2016
10.47	Promissory Note (Note 3) dated December 2, 2016 in principal amount of $1,000,000 from Famous Dave’s of America, Inc., D&D of Minnesota, Inc., Famous Dave’s Ribs of Maryland, Inc., Famous Dave’s Ribs, Inc., Famous Dave’s Ribs-U, Inc. and Lake & Hennepin BBQ & Blues, Inc. to Venture Bank, incorporated by reference to Exhibit 10.6 to form 8-K filed December 8, 2016
10.48	Mortgage and Security Agreement and Fixture Financing Statement dated December 2, 2016 by Famous Dave’s of America, Inc. and Minwood Partners, Inc. to Venture Bank (Loan 2), incorporated by reference to Exhibit 10.7 to form 8-K filed December 8, 2016
10.49	Security Agreement dated December 2, 2016 by Famous Dave’s of America, Inc., D&D of Minnesota, Inc., Famous Dave’s Ribs of Maryland, Inc., Famous Dave’s Ribs, Inc., Famous Dave’s Ribs-U, Inc. and Lake & Hennepin BBQ & Blues, Inc. for the benefit of Venture Bank, incorporated by reference to Exhibit 10.8 to form 8-K filed December 8, 2016
10.50	Pledge Agreement dated December 2, 2016 among Famous Dave’s of America, Inc., D&D of Minnesota, Inc., Famous Dave’s Ribs of Maryland, Inc., Famous Dave’s Ribs, Inc., Famous Dave’s Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. and Venture Bank, incorporated by reference to Exhibit 10.9 to form 8-K filed December 8, 2016
21.0 *	Subsidiaries of Famous Dave's of America, Inc.
23.1 *	Consent of Grant Thornton LLP
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 pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 *	Certification of 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

EXHIBITS

Exhibit No.	Description
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

* Filed

† Management compensatory plan

Exhibit 21.0

SUBSIDIARIES OF FAMOUS DAVE'S OF AMERICA, INC.

Entity	FEIN	% of Ownership
D&D of Minnesota, Inc.	41-1856702	100%
Famous Dave's Ribs of Maryland, Inc.	41-1958496	96%
Famous Dave's Ribs, Inc.	41-1884517	100%
Famous Dave's Ribs-U, Inc.	41-1884548	100%
FDA Properties, Inc.	36-4379010	100%
Lake & Hennepin BBQ and Blues, Inc.	41-1834594	100%
Minwood Partners, Inc.	51-0396229	100%

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our report dated March 21, 2017, with respect to the consolidated financial statements and schedule included in the Annual Report of Famous Dave's of America, Inc. on Form 10-K for the year ended January 1, 2017. We consent to the incorporation by reference of said report in the Registration Statements of Famous Dave's of America, Inc. on Forms S-3 (File No. 333-86358, File No. 333-73504, File No. 333-65428, File No. 333-54562, File No. 333-48492, and File No. 333-95311) and on Forms S-8 (File No. 333-208261, File No. 333-204015, File No. 333-176278, File No. 333-124985, and File No. 333-88930).

/s/ Grant Thornton LLP

Minneapolis, Minnesota
March 21, 2017

Exhibit 31.1

CERTIFICATIONS

I, Michael Lister, certify that:

1. I have reviewed this Annual Report on Form 10-K of Famous Dave's of America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 21, 2017

By: /s/ Michael Lister
Michael Lister
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Dexter Newman, certify that:

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

Dated: March 21, 2017

By: /s/ Dexter Newman
Dexter Newman
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to Rule 13a-14(b) of the
Securities Exchange Act of 1934 and 18 U.S.C. Section 1350

In connection with the Annual Report of Famous Dave's of America, Inc (the "Registrant") on Form 10-K for the annual period ended January 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Lister, Chief Executive Officer and Director of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 21, 2017

By: /s/ Michael Lister
Michael Lister
Chief Executive Officer

Exhibit 32.2

Certification Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350

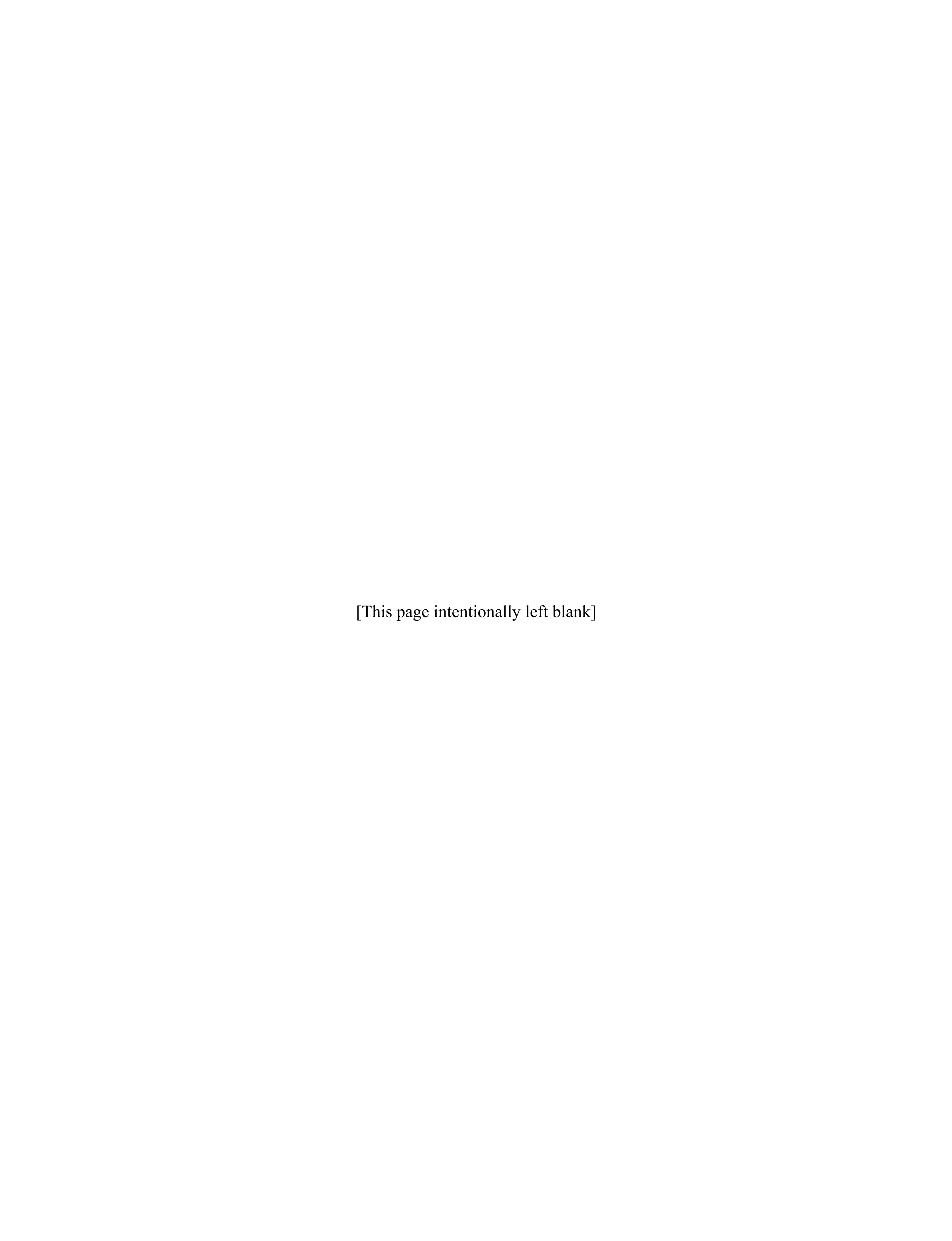
In connection with the Annual Report of Famous Dave's of America, Inc (the "Registrant") on Form 10-K for the annual period ended January 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dexter Newman, Chief Financial Officer and Secretary of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 21, 2017

By: /s/ Dexter Newman
Dexter Newman
Chief Financial Officer



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