

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

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12



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

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

\_\_\_\_\_

(2) Aggregate number of securities to which transaction applies:

\_\_\_\_\_

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\_\_\_\_\_

(4) Proposed maximum aggregate value of transaction:

\_\_\_\_\_

(5) Total fee paid:

\_\_\_\_\_

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

\_\_\_\_\_

(2) Form, Schedule or Registration Statement No.:

\_\_\_\_\_

(3) Filing Party:

\_\_\_\_\_

(4) Date Filed:

\_\_\_\_\_



**FAMOUS DAVE'S OF AMERICA, INC.**  
12701 Whitewater Drive, Suite 190  
Minnetonka, Minnesota 55343

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 15, 2018**

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 offices of Gray Plant Mooty, 500 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota on Tuesday, May 15, 2018, 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 seven directors;
- (2) The ratification of the appointment of Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2018;
- (3) Advisory approval of the Company's executive compensation ("say-on-pay");
- (4) The approval of an amendment to the Company's 2015 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance from 700,000 shares to 1,000,000 shares; and
- (5) 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 20, 2018 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 15, 2018**

The proxy statement for the Annual Meeting and the Annual Report to Shareholders for the fiscal year ended December 31, 2017 are 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](http://www.famousdaves.com/proxymaterials).

By Order of the Board of Directors

*/s/ Jeffery Crivello*

Jeffery Crivello  
*Chief Executive Officer*

April 4, 2018



**FAMOUS DAVE'S OF AMERICA, INC.**  
12701 Whitewater Drive, Suite 190  
Minnetonka, Minnesota 55343

---

## **PROXY STATEMENT**

---

**Annual Meeting of Shareholders to be Held  
May 15, 2018**

### **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 at the offices of Gray Plant Mooty, 500 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota on Tuesday, May 15, 2018, at 3:00 p.m. 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 seven directors;
- (2) The ratification of the appointment of Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2018;
- (3) Advisory approval of the Company's executive compensation ("say-on-pay");
- (4) The approval of an amendment to the Company's 2015 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance from 700,000 shares to 1,000,000 shares; and
- (5) 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 April 4, 2018.

### **PROXIES AND VOTING**

Your vote is extremely important. You may attend the Annual Meeting and vote in person, or you may vote by following the directions on the proxy card for the Annual Meeting. Even if you own only a few shares, and whether or not you plan to attend the meeting in person, you are requested to vote your proxy either (1) through the Internet at the address listed on the Notice Regarding Availability of Proxy Materials or the proxy card, (2) by calling a toll-free telephone number listed on the proxy card or (3) by marking, signing and dating the proxy card and mailing it in the envelope provided. If you own your shares in the name of a bank or broker, and you wish to be able to vote at the Annual Meeting, you must obtain a proxy, executed in your favor, from the bank or broker, indicating that you owned Company shares as of the record date.

The Board of Directors has set the close of business on March 20, 2018 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 7,467,241 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), Say-on-pay (Proposal No. 3) and Amendment to the 2015 Equity Incentive Plan (Proposal No. 4) 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, No. 3 and No. 4 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. Five of these directors have been nominated for re-election at the Annual Meeting along with two new nominees, leaving one vacancy. Peter O. Haeg and Richard Welch are the two new nominees. 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 23.6% as of the Record Date) aligns their interests with those of our shareholders and will drive our Board's focus on maximizing shareholder value.

*Jeffery Crivello*, age 39, has been our chief executive officer since November 2017 and director since August 2017. Since January 2015, Mr. Crivello served as the Chief Financial Officer of PW Partners Capital Management, LLC, a hedge fund manager with a consumer focus, where he had primary responsibility for operations and accounting. PW Partners has had board of directors' representation with Famous Dave's of America, Inc. since 2013, BJ's Restaurants, Inc. since 2014, Del Taco Holdings, Inc. since 2015, and Town Sports International Holdings, Inc. since 2015. Since 2001, Mr. Crivello has served as President of TREW Capital Management, Inc., a consulting and investment firm where he had primary responsibility for operations. From 2012 to 2015, Mr. Crivello served as a Managing Member of Maize Capital Group, LLC, a commodity investment firm. He graduated from the University of Wisconsin-Whitewater with a B.S. degree in finance. Mr. Crivello began serving as a director as a result of Patrick Walsh's resignation and become Chief Executive Officer pursuant to the terms of the Stock Purchase Agreement between the Company and PW Partners, LLC, dated November 10, 2017.

**Mr. Crivello's restaurant-investing background, particularly his experience with casual dining chains, qualifies him to serve as a director of our Company. We believe that Mr. Crivello's unique perspective in growing other concepts will be invaluable to the future growth of Famous Dave's.**

*Anand D. Gala*, age 44, 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 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.**

*Peter O. Haeg*, age 54, has been co-managing partner of Farnam Street Partners LP, a private investment partnership focused on small cap value investing, and Farnam Street Special Opportunities Fund, a private partnership focused on private equity investments, since 1998. Mr. Haeg is a graduate of the University of Minnesota. Mr. Haeg is being nominated as a director pursuant to the terms of the Stock Purchase Agreement between the Company and PW Partners, LLC, dated November 10, 2017.

**Mr. Haeg is the co-managing partner of an investment fund that beneficially owns 6.7% of our Company as of the Record Date. Mr. Haeg 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.**

*Joseph M. Jacobs*, age 65, has been a director since July 2015 and served as Chairman of the Board from July 2015 to February 2017. Mr. Jacobs co-founded Wexford Capital LP, a registered investment advisor, 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 to 1994, 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 to 1982, 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. 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 through his experience in overseeing portfolio companies, is also a valuable resource to the Board.**

*Richard A. Shapiro*, age 47, has been a director since July 2015. Mr. Shapiro joined Wexford Capital LP, a registered investment advisor, 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 to 2011, Mr. Shapiro was a Managing Director and Portfolio Manager at Millennium Management, managing a long-short portfolio. From 2004 to 2006, Mr. Shapiro was Managing Director and Portfolio Manager in the equities division of Amaranth Advisors. From 1997 to 1999 and 2001 to 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 Southern 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.**

*Richard Welch*, age 47, has been a Managing Director at Colony NorthStar, Inc., a leading global real estate investment management firm that creates long-term value through investing in real estate and real estate-related assets, since May 2017. He currently serves as the Interim Head of Healthcare at Colony. Mr. Welch is responsible for managing certain financial and operational aspects of Colony's investment portfolio and operating businesses. Prior to joining the predecessor of Colony in 2005, Mr. Welch was a vice president in the Investment Banking Division of Goldman, Sachs & Co. focusing on mergers and acquisitions and debt and equity financings for companies in the real estate, retail, consumer product, and defense industries. Mr. Welch received a Master of Business Administration from The Wharton School, University of Pennsylvania and a Bachelor of Science from the University of Southern California. He became a Certified Public Accountant in 1995; his current status is not practicing. Mr. Welch has also served on the board of directors of Griffin-American Healthcare REIT IV since January 2018.

**Mr. Welch has an extensive background in financial analysis and a broad understanding of the operational, financial and strategic issues facing public companies. In light of his education, background and experience, the Board believes that Mr. Welch provides the Board with a strategic focus on maximizing shareholder value.**

*Bryan L. Wolff*, age 39, has been a director since July 2015. Since March 2017, he has served as a Managing Director at Anthos Capital Management, a Santa Monica-based growth equity firm. From August 2015 to March 2017, he served as Chief Financial Officer of Thrive Market, Inc., a healthy and organic food ecommerce company. From September 2014 to August 2015, he served as Chief Financial Officer of DogVacay, Inc. (sold to Rover), 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. (sold to Walmart), a men's fashion and accessories retailer. From March 2010 through December 2011, Mr. Wolff was an Analyst at Luxor Capital, LP. Mr. Wolff previously had roles at both AllianceBernstein and McKinsey & Co. Mr. Wolff earned a Masters of Business Administration from Stanford's Graduate School of Business, and a Bachelor's of Engineering in Computer Science from Princeton University.

**Mr. Wolff 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.**

#### **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 seven 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 2018 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.

Grant Thornton billed the Company a total of \$395,985 and \$381,143 for the years ended December 31, 2017 and January 1, 2017, respectively.

**Audit Fees** – Audit fees billed by Grant Thornton were \$375,705 and \$361,643 for the audits of the Company's 2017 and 2016 financial statements during the years ended December 31, 2017 and January 1, 2017, respectively.

**Audit Related Fees** – Audit-related fees billed by Grant Thornton were \$20,280 and \$19,500 for the audits of the Company's 2016 and 2015 401(k) financial statements during the years ended December 31, 2017 and January 1, 2017, respectively.

**Tax Fees** – There were no tax fees billed by Grant Thornton during the years ended December 31, 2017 and January 1, 2017.

**All Other Fees** – There were no other fees billed by Grant Thornton during the years ended December 31, 2017 and January 1, 2017.

The Audit Committee of the Board of Directors has reviewed the services provided by Grant Thornton LLP during fiscal year 2017 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](http://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 minimis exceptions permitted under the Sarbanes-Oxley Act of 2002. During fiscal 2017, 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 2018. 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 2018.*

### **PROPOSAL No. 3 – Advisory Vote on Executive Compensation**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the Company's 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 the Company should seek an advisory "say-on-pay" vote. In particular, the Company 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 the Company's 2013 annual shareholders' meeting, the Company's 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 the Company's shareholders in structuring the Company's 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, the Company is 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. 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission."

The compensation of the Company's 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 the Company's named executive officers, as described in this Proxy Statement.*

### **PROPOSAL No. 4 – Amendment to the Company's 2015 Equity Incentive Plan**

The Company maintains the Famous Dave's of America, Inc. 2015 Equity Incentive Plan (as amended to date, the "2015 Plan"), pursuant to which 700,000 shares of the Company's common stock are currently reserved for issuance in the form of incentive grants, as described below. 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 employees (including officers), consultants and directors of the Company.

The Company's Board of Directors has approved a proposed amendment to the 2015 Plan that would increase the number of shares reserved for issuance thereunder by 300,000 shares. 350,000 shares of the Company's common stock were initially approved for issuance under the 2015 Plan at the Company's annual meeting in May 2015. An additional 350,000 shares were approved at a special meeting of shareholders held on November 16, 2015. All incentives granted since initial approval of the 2015 Plan have taken the form of non-qualified stock options and shares of the Company's common stock. As of the Record Date, there are no additional shares available for issuance pursuant to the 2015 Plan. We are therefore proposing to increase the maximum number of shares of common stock approved for issuance under the 2015 Plan to 1,000,000 in accordance with the proposed amendment.



Shareholders are often interested in the potential for equity dilution resulting from grants of equity incentives (performance shares, stock options, restricted stock, etc.) under a company's equity compensation plans. The percentage amount by which current shareholders' equity interests may be diluted as a result of such grants is commonly referred to as the "overhang." The overhang is calculated by dividing (i) the total number of incentives granted and available for grant under equity compensation plans, by (ii) the total shares outstanding assuming the exercise of all outstanding incentives and the grant and exercise of all available incentives. If the proposed amendment to the 2015 Plan is adopted by the Company's shareholders, the overhang for all of the Company's equity compensation plans would be approximately 11.0%, based on the total shares outstanding as of the Record Date and incentives granted and available for grant under equity compensation plans as of the Record Date but giving effect to the proposed amendment. Shareholders are also interested in the rate at which the Company grants equity compensation, referred to as the "burn rate." The Company's three-year average annual burn rate, for the 2015-2017 fiscal year period, was 1.7%, net of forfeitures.

***The Board recommends that you vote FOR the proposal increase the number of shares available for grant pursuant to the 2015 Plan, as described below.***

### **Description of the 2015 Plan**

The material features of the 2015 Plan are outlined below. This summary is qualified in its entirety by reference to the complete text of the 2015 Plan. A copy of the amended 2015 Plan has also been included within this proxy statement. Shareholders are urged to read the actual text of the 2015 Plan in its entirety.

***Eligibility.*** Our employees, directors and consultants are eligible to participate in the 2015 Plan.

***Administration.*** The 2015 Plan is administered by our Board of Directors, which may in turn delegate authority to administer the 2015 Plan to a committee. Our Board of Directors has delegated authority to administer the 2015 Plan to the compensation committee, but may, at any time, revert in itself some or all of the power previously delegated to this committee. Our compensation committee may make grants of cash and equity awards under the 2015 Plan to facilitate compliance with Section 162(m) of the Code. The Board of Directors and the compensation committee are each considered to be a plan administrator for purposes of this proposal.

Subject to the terms of the 2015 Plan, the plan administrator may determine the recipients, numbers and types of awards to be granted, and the terms and conditions of the awards, including the period of their exercisability and vesting. Subject to the limitations set forth below, the plan administrator also determines the fair market value applicable to a stock award and the exercise price of stock options and stock appreciation rights granted under the 2015 Plan.

The plan administrator may also delegate to one or more of our directors or officers the authority to designate employees who are not officers to be recipients of certain stock awards and the number of shares subject to such stock awards, provided that the Board of Directors must specify the total number of shares of our common stock that may be subject to the stock awards granted by such officer, and such officer may not grant a stock award to himself or herself.

***Shares Available for Awards.*** Currently, the aggregate number of shares of our common stock reserved for issuance under the 2015 Plan may not exceed 700,000 shares. If this proposal is approved, the aggregate number of shares of our common stock reserved for issuance under the 2015 Plan will not exceed 1,000,000 shares.

If a stock option or SAR granted under the 2015 Plan expires or is terminated or canceled unexercised as to any shares of common stock, such shares shall be added back to the 2015 Plan share reserve and shall be available again for issuance under the 2015 Plan. If the full number of shares subject to a performance based-stock award (other than a stock option or SAR) is not issued by reason of failure to achieve maximum performance goals, the number of shares not issued shall be added back to the 2015 Plan share reserve and shall be available again for issuance under the 2015 Plan. If shares of common stock are issued as performance shares, restricted stock or pursuant to another stock award and thereafter are forfeited or reacquired by the Company because of the failure to meet a contingency or condition required to vest such shares in the participant, then the shares that are forfeited or repurchased shall be added back to the 2015 Plan share reserve and shall be available again for issuance under the 2015 Plan. Shares withheld or deducted from an Incentive in satisfaction of tax withholding obligations on an incentive or as consideration for the exercise or purchase price of an Incentive will not be added back to the Plan share reserve and will not again become available for issuance under the Plan.

***Types of Awards.*** Incentives under the Plan may be granted in any one or a combination of the following forms: incentive stock options and non-statutory stock options, stock appreciation rights, or SARs; stock awards, restricted stock awards and restricted stock unit awards, performance share and performance cash awards, and other forms of incentives valued in whole or in part by reference to, or otherwise based on, our common stock, including the appreciation in value thereof.

*Stock Options.* Non-qualified and incentive stock options may be granted to eligible participants to purchase shares of common stock from the Company. The 2015 Plan confers on the Board of Directors the discretion, with respect to any such stock option, to determine the term of each option, the time or times during its term when the option becomes exercisable and the number and purchase price of the shares subject to the option, provided that the purchase price shall be not less than the fair market value of the common stock subject to the option on the date of grant.

*Stock Appreciation Rights.* A stock appreciation right, or SAR, is a right to receive, without payment to the Company, a number of shares, cash or any combination thereof, the amount of which is equal to the aggregate amount of the appreciation in the shares of common stock as to which the SAR is exercised. For this purpose, the “appreciation” in the shares consists of the amount by which the fair market value of the shares of common stock on the exercise date exceeds (a) in the case of an SAR related to a stock option, the purchase price of the shares under the option or (b) in the case of an SAR granted alone, without reference to a related stock option, an amount determined by the Committee at the time of grant. The Board of Directors has the discretion to determine the number of shares as to which a SAR will relate as well as the duration and exercisability of an SAR.

*Stock Awards.* Stock awards consist of the transfer by the Company to an eligible participant of shares of common stock, without payment, as additional compensation for services to the Company. The number of shares transferred pursuant to any stock award is determined by the Board of Directors.

*Restricted Stock and Restricted Stock Units.* Restricted stock consists of the sale or transfer by the Company to an eligible participant of one or more shares of common stock that are subject to restrictions on their sale or other transfer by the participant which restrictions will lapse after a period of time not less than three years as determined by the Board of Directors. The price at which restricted stock will be sold will be determined by the Board of Directors, and it may vary from time to time and among participants and may be less than the fair market value of the shares at the date of sale. Subject to these restrictions and the other requirements of the 2015 Plan, a participant receiving restricted stock shall have all of the rights of a shareholder as to those shares. The 2015 Plan also permit grants of restricted stock units, which are units that evidence the right to receive shares of common stock at a future date, subject to restrictions that may be imposed by the Board of Directors.

*Performance Awards.* The 2015 Plan allows us to grant cash and stock-based performance. Performance awards may be granted, vest or be exercised based upon the attainment during a specified period of time of specified performance goals. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be determined by the Board of Directors and/or the compensation committee or the Board of Directors; provided, however, that any performance period must be at least one year in length.

In granting a performance award, the Board of Directors will set a period of time, or a performance period, over which the attainment of one or more goals, or performance goals, will be measured. The Board of Directors will establish the performance goals, based upon one or more criteria, which we refer to as performance criteria, enumerated in the 2015 Plan and described below.

Performance goals under the 2015 Plan will be based on any one or more of the following performance criteria: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder’s equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders’ equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; and (xxxiii) other measures of performance selected by the Board of Directors. Performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices.

*Award Limits.* Under the 2015 Plan, a maximum of 350,000 shares of our common stock may be granted to any one participant during any one calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise price or strike price of at least 100% of the fair market value of our common stock on the date of grant. In addition, the maximum amount covered by performance awards that may be granted to any one participant in any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during a performance period of the performance goals described below) is 350,000 shares of our common stock in the case of performance share awards and \$2,000,000 in the case of performance cash awards. If a performance share award is in the form of an option, it will count only against the performance stock award limit. If a performance share award could be paid out in cash, it will count only against the performance stock award limit.

**Limitation of Director Awards.** Under the 2015 Plan, no director who is not also an employee of the Company or its affiliates may be granted incentives denominated in shares that exceed in the aggregate \$500,000 in value in any calendar year, except to the extent that the incentive is awarded pursuant to an election by the directors to receive such incentive in lieu of all or a portion of annual and committee retainers and meeting fees.

**Repricing; Cancellation and Re-Grant of Stock Awards.** Except in connection with certain capitalization adjustments, neither the Board of Directors nor any committee will have the authority to reduce the exercise, purchase or strike price of any outstanding options or SAR under the 2015 Plan, or cancel any outstanding options or SARs that have an exercise price or strike price greater than the current fair market value of our common stock in exchange for cash or other incentives under the 2015 Plan, unless the shareholders of the Company have approved such an action within twelve months prior to such an event.

**Changes to Capital Structure.** In the event of certain capitalization adjustments, the Board of Directors will appropriately adjust: (i) the class(es) and maximum number of securities subject to the 2015 Plan; (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of ISOs; (iii) the class(es) and maximum number of securities that may be awarded to any person; and (iv) the class(es) and number of securities and price per share of stock subject to outstanding stock awards.

**Corporate Transactions.** In the event of a corporate transaction (as defined in the 2015 Plan and described below), the Board of Directors may have the discretion to take one or more of the following actions with respect to outstanding stock awards (contingent upon the closing or consummation of such transaction), unless otherwise provided in the stock award agreement or other written agreement with the participant or unless otherwise provided by the Board of Directors at the time of grant:

- arrange for the surviving or acquiring corporation (or its parent company) to assume or continue the award or to substitute a similar stock award for the award (including an award to acquire the same consideration paid to our stockholders pursuant to the corporate transaction);
- arrange for the assignment of any reacquisition or repurchase rights held by us with respect to the stock award to the surviving or acquiring corporation (or its parent company);
- accelerate the vesting, in whole or in part, (and, if applicable, the exercisability) of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us with respect to the award;
- cancel or arrange for the cancellation of the stock award, to the extent not vested or exercised prior to the effective time of the corporate transaction, in exchange for such cash consideration, if any, as the Board of Directors may consider appropriate; and
- cancel or arrange for the cancellation of the stock award, to the extent not vested or not exercised prior to the effective time of the corporate transaction, in exchange for a payment, in such form as may be determined by the Board of Directors, equal to the excess, if any, of (i) the value of the property the participant would have received upon the exercise of the stock award immediately prior to the effective time of the corporate transaction, over (ii) any exercise price payable in connection with such exercise.

The Board of Directors is not obligated to treat all stock awards or portions of stock awards in the same manner. The Board of Directors may take different actions with respect to the vested and unvested portions of a stock award.

For purposes of the 2015 Plan, a corporate transaction will be deemed to occur in the event of the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of more than 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

**Change in Control.** In the event of a change in control (as defined in the 2015 Plan), the Board of Directors or a comparable committee of any corporation assuming the obligations of the Company under the 2015 Plan may, but shall not be obligated to, elect in its discretion to declare that the restriction period of all restricted stock and restricted stock units has been eliminated, that all outstanding stock options and SARs shall accelerate and become exercisable in full but that all outstanding stock options and SARs, whether or not exercisable prior to such acceleration, must be exercised within the period of time set forth in a notice to participant or they will terminate, and that all performance shares granted to participants are deemed earned at 100% of target levels and shall be paid.

**Plan Amendments and Termination.** Our Board of Directors may amend, modify, suspend, discontinue or terminate the 2015 Plan at any time as it deems necessary or advisable; provided, however, any amendment or modification that (a) increases the total number of shares available for issuance pursuant to incentives granted under the 2015 Plan, (b) deletes or limits the prohibition of re-pricing incentives, or (c) requires the approval of the Company's shareholders pursuant to any applicable law, regulation or securities exchange rule or listing requirement, shall be subject to approval by the Company's shareholders. In general, however, no amendment, modification, suspension, discontinuance or termination of the 2015 Plan shall impair a participant's rights under an outstanding incentive without his or her written consent.

**Transferability of Incentives.** Incentives granted under the 2015 Plan may not be transferred, pledged or assigned by the holder thereof (except, in the event of the holder's death, by will or the laws of descent and distribution to the limited extent provided in the 2015 Plan or the incentive, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder). However, stock options may be transferred by the holder thereof to such holder's spouse, children, grandchildren or parents (collectively, the "Family Members"), to trusts for the benefit of Family Members, to partnerships or limited liability companies in which Family Members are the only partners or shareholders, or to entities exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. During a participant's lifetime, a stock option may be exercised only by him or her, by his or her guardian or legal representative or by the transferees permitted by the preceding sentence.

**Clawback Policy.** Awards granted under the 2015 Plan will be subject to recoupment in accordance with any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, or other applicable law. In addition, the Board of Directors may impose other clawback, recovery or recoupment provisions in an award agreement as the Board of Directors determines necessary or appropriate, including a reacquisition right in respect of previously acquired shares of our common stock or other cash or property upon the occurrence of cause.

## **U.S. Federal Income Tax Consequences**

The information set forth below is a summary only and does not purport to be complete. The information is based upon current federal income tax rules and therefore is subject to change when those rules change. Because the tax consequences to any recipient may depend on his or her particular situation, each recipient should consult the recipient's tax adviser regarding the federal, state, local, and other tax consequences of the grant or exercise of an award or the disposition of stock acquired as a result of an award. The 2015 Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974. Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

**Nonstatutory Stock Options.** Generally, there is no taxation upon the grant of a nonstatutory stock option if the stock option is granted with an exercise price equal to the fair market value of the underlying stock on the grant date. On exercise, an optionholder will recognize ordinary income equal to the excess, if any, of the fair market value on the date of exercise of the stock over the exercise price. If the optionholder is employed by us or one of our affiliates, that income will be subject to withholding taxes. The optionholder's tax basis in those shares will be equal to their fair market value on the date of exercise of the stock option, and the optionholder's capital gain holding period for those shares will begin on that date.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the optionholder. 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 certain of its most highly paid executive officers.

*Incentive Stock Options.* The 2015 Plan provides for the grant of stock options that qualify as “incentive stock options,” as defined in Section 422 of the Code, or an ISO. Under the Code, an optionholder generally is not subject to ordinary income tax upon the grant or exercise of an ISO. If the optionholder holds a share received on exercise of an ISO for more than two years from the date the stock option was granted and more than one year from the date the stock option was exercised, which is referred to as the required holding period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the holder’s tax basis in that share will be long-term capital gain or loss.

If, however, an optionholder disposes of a share acquired on exercise of an ISO before the end of the required holding period, which is referred to as a disqualifying disposition, the optionholder generally will recognize ordinary income in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the share on the date the ISO was exercised over the exercise price. However, if the sales proceeds are less than the fair market value of the share on the date of exercise of the stock option, the amount of ordinary income recognized by the optionholder will not exceed the gain, if any, realized on the sale. If the amount realized on a disqualifying disposition exceeds the fair market value of the share on the date of exercise of the stock option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of stock acquired on exercise of an ISO exceeds the exercise price of that stock option generally will be an adjustment included in the optionholder’s alternative minimum taxable income for the year in which the stock option is exercised. If, however, there is a disqualifying disposition of the share in the year in which the stock option is exercised, there will be no adjustment for alternative minimum tax purposes with respect to that share. In computing alternative minimum taxable income, the tax basis of a share acquired on exercise of an ISO is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the stock option is exercised.

We are not allowed an income tax deduction with respect to the grant or exercise of an ISO or the disposition of a share acquired on exercise of an ISO after the required holding period. If there is a disqualifying disposition of a share, however, we are allowed a deduction in an amount equal to the ordinary income includible in income by the optionholder, subject to Section 162(m) of the Code and provided that amount constitutes an ordinary and necessary business expense for us and is reasonable in amount, and either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

*Restricted Stock Awards.* Generally, the recipient of a restricted stock award will recognize ordinary income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days following his or her receipt of the stock award, to recognize ordinary income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient for the stock.

The recipient’s basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock award.

*Restricted Stock Unit Awards.* Generally, the recipient of a restricted stock unit structured to conform to the requirements of Section 409A of the Code or an exception to Section 409A of the Code will recognize ordinary income at the time the stock is delivered equal to the excess, if any, of the fair market value of the shares of our common stock received over any amount paid by the recipient in exchange for the shares of our common stock. To conform to the requirements of Section 409A of the Code, the shares of our common stock subject to a restricted stock unit award may generally only be delivered upon one of the following events: a fixed calendar date (or dates), separation from service, death, disability or a change in control. If delivery occurs on another date, unless the restricted stock units otherwise comply with or qualify for an exception to the requirements of Section 409A of the Code, in addition to the tax treatment described above, the recipient will owe an additional 20% federal tax and interest on any taxes owed.

The recipient’s basis for the determination of gain or loss upon the subsequent disposition of shares acquired from restricted stock units will be the amount paid for such shares plus any ordinary income recognized when the stock is delivered.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the restricted stock unit award.

*Stock Appreciation Rights.* We may grant under the 2015 Plan stock appreciation rights separate from any other award or in tandem with other awards under the 2015 Plan. Where the stock appreciation rights are granted with a strike price equal to the fair market value of the underlying stock on the grant date, the recipient will recognize ordinary income equal to the fair market value of the stock or cash received upon such exercise. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock appreciation right.

#### Awards Under the Amended Plan

No awards will be made under the 2015 Plan from the proposed increase in authorized shares until after such increase has been approved by our shareholders. Because all awards under the 2015 Plan are within the discretion of the Compensation Committee of our Board of Directors, neither the number nor types of future 2015 Plan awards to be received by or allocated to particular participants or groups of participants is presently determinable.

The following table sets forth certain information as of December 31, 2017, with respect to the 2005 Plan and the 2015 Plan and does not reflect the proposed amendment to add 300,000 shares to 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	2,700	\$ 28.53	—
2015 Stock Incentive Plan	535,812	6.40	—
<b>TOTAL</b>	<b>538,512</b>	<b>\$ 6.60</b>	<b>—</b>

#### OTHER MATTERS

The Board of Directors is not aware of any matter to be presented for action at the Annual Meeting other than the four 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	Age	Position
Jeffery Crivello	39	Chief Executive Officer, Director
Paul M. Malazita	31	Interim Chief Financial Officer
Geovannie Concepcion	32	Chief Operating Officer

*Jeffery Crivello* – See biographical information set forth under Proposal No. 1 – Election of Directors.

*Paul M. Malazita* currently has served as our Interim Chief Financial Officer since March 2018. Prior to that, Mr. Malazita served as our Director of Accounting and Corporate Controller from October 2017 to March 2018 and, prior to that, he served as Senior Manager of Corporate Accounting from March 2017 to October 2017. Prior to joining our Company, from July 2016 to February 2017, Mr. Malazita served as the Manager of Financial Reporting at Digiliti Money, Inc., a provider of SaaS financial solutions, where he had primary responsibility for SEC financial reporting. From September 2014 to July 2016, Mr. Malazita served in various capacities at AR Global Investments, LLC, a sponsor of real estate investment trusts, from September 2014 to July 2016, where he had primary responsibility for SEC financial reporting and technical accounting. From July 2009 to September 2014, Mr. Malazita served in various capacities at Baker Tilly Virchow Krause, LLP (formerly ParenteBeard LLC), a public accounting firm. Mr. Malazita graduated from St. Joseph’s University in Philadelphia, Pennsylvania with a B.S. in Accounting and is a Certified Public Accountant.

*Geovannie Concepcion* has served as our Chief Operating Officer since November 2017. Mr. Concepcion has been a member of the Famous Dave’s management team since April 2016 where he has primary responsibility for executing on the company’s store optimization and refranchising efforts. In addition, Mr. Concepcion has led the company’s national efforts with third party delivery providers and online ordering. Before joining Famous Dave’s, Mr. Concepcion served in various capacities with Greenwich, Connecticut-based Wexford Capital LP, a registered investment advisor, in both the Private Equity Group and Global Macro Hedge Funds from June 2009 until April 2016. Mr. Concepcion graduated from DePaul University with a B.S. in Accounting.

## EXECUTIVE COMPENSATION

The following summary compensation table reflects cash and non-cash compensation for the 2016 and 2017 fiscal years awarded to or earned by (i) each individual serving as the principal executive officer of the Company during the 2017 fiscal year ended December 31, 2017 (including Mr. Malazita, who became our Interim Chief Financial Officer on March 6, 2018); (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 (\$)	Option Awards (\$) <sup>(7)</sup>	All Other Compensation (\$)	Total (\$)
Jeffery Crivello <sup>(1)</sup> Chief Executive Officer	2017	\$ 27,884	\$ —	\$ 85,000	\$ 156,008	\$ —	\$ 268,892
	2016	—	—	—	—	—	—
Paul M. Malazita <sup>(2)</sup> Interim Chief Financial Officer	2017	107,631	25,000	—	14,887	—	147,518
	2016	—	—	—	—	—	—
Dexter A. Newman <sup>(3)</sup> Former Chief Financial Officer	2017	270,000	—	—	—	—	270,000
	2016	192,115	98,654	—	156,088	—	446,857
Michael W. Lister <sup>(4)</sup> Former Chief Executive Officer	2017	274,239	—	—	—	176,700	450,939
	2016	62,308	18,750	—	100,527	10,099	191,684
Douglas Renegar <sup>(5)</sup> Former Senior Vice President of Franchise Operations	2017	180,769	—	—	—	100,000	280,769
	2016	41,538	—	—	50,263	—	91,801
Geovannie Concepcion <sup>(6)</sup> Chief Operating Officer	2017	180,000	42,500	—	—	—	222,500
	2016	126,692	65,077	—	114,808	—	306,577

<sup>(1)</sup> Mr. Crivello was appointed the Company’s Chief Executive Officer effective November 14, 2017. On that same date, Mr. Crivello was granted a ten-year option to purchase 90,000 shares of the Company’s common stock at an exercise price of \$3.90. The options vest monthly over two years. Mr. Crivello earned stock awards calculated in accordance with his employment agreement, described below.

<sup>(2)</sup> Mr. Malazita became the Company’s Interim Chief Financial Officer effective March 6, 2018. During fiscal 2017, Mr. Malazita was granted a ten-year option to purchase 10,000 shares of the Company’s common stock at an exercise price of \$3.90. The options vest monthly over four years.

<sup>(3)</sup> Mr. Newman was the Company’s Chief Financial Officer from April 11, 2016 to March 5, 2018. On the effective date of his employment, Mr. Newman was granted a ten-year option to purchase 70,000 shares of the Company’s common stock at an exercise price of \$5.67. The options vested monthly over through his termination date.

- (4) Mr. Lister was the Company's Chief Executive Officer from October 11, 2016 to November 13, 2017. On October 11, 2016, Mr. Lister was granted a five-year option to purchase 70,000 shares of the Company's common stock at an exercise price of \$5.67. The options vested monthly through Mr. Lister's termination date. Upon termination, Mr. Lister became entitled to severance payments totaling \$150,000 (reflected in all other compensation) to be paid in accordance with the Company's standard payroll calendar over six months. Rent cost for Mr. Lister's apartment of \$26,700 is also reflected in all other compensation.
- (5) Mr. Renegar was the Company's Senior Vice President of Franchise Operations from October 11, 2016 to November 17, 2017. On October 11, 2016, Mr. Renegar was granted a five-year option to purchase 35,000 shares of the Company's common stock at an exercise price of \$5.67. The options vested monthly through Mr. Renegar's termination date. Upon termination, Mr. Renegar became entitled to severance payments totaling \$100,000 (reflected in all other compensation) to be paid in accordance with the Company's standard payroll calendar over six months.
- (6) Mr. Concepcion has been with the Company since April 13, 2016 and was appointed as the Company's Chief Operating Officer effective November 14, 2017. On April 13, 2016, Mr. Concepcion was granted a ten-year option to purchase 50,000 shares of the Company's common stock at an exercise price of \$5.82. The options vest monthly over four years. Mr. Concepcion's bonus for 2017 was calculated in accordance with his employment agreement described below.
- (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.

### Outstanding Equity Awards at Fiscal Year End

As of December 31, 2017, the Company's named executive officers had outstanding the following stock options:

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price (\$)	Option Expiration Date
Jeffery Crivello	3,750	86,250	\$ 3.90	11/14/2027
Paul Malazita	416	9,584	3.90	10/2/2027
Dexter A. Newman	29,160	40,840	5.67	6/3/2018
Michael W. Lister	18,958	—	5.25	5/11/2018
Douglas Renegar	9,479	—	5.25	5/11/2018
Geovannie Concepcion	20,820	29,180	5.82	4/13/2026



## Employment Agreements

### *Employment Agreement with Jeffery Crivello*

On November 13, 2017, the Company entered into an employment agreement with Jeffery Crivello. Mr. Crivello's employment with the Company is governed by a three-year employment agreement. Under the employment agreement, Mr. Crivello is entitled to receive an annual base salary of \$250,000 and is eligible for annual bonus compensation in the form of shares of the Company's common stock, which amount shall be determined based on the 30-day volume weighted average price ("VWAP") of the Company's common stock meeting or exceeding the following established targets:

<b>Stock Price</b>	<b>Shares Granted</b>
\$ 5.00	5,000
6.00	10,000
7.00	10,000
8.00	12,500
9.00	12,500
10.00	15,000
11.00	15,000
12.00	20,000
13.00	20,000
14.00	25,000
15.00	25,000

Any common stock awarded pursuant to a bonus award shall be granted pursuant to and governed by the terms of the 2015 Plan. If there are no shares of common stock available pursuant to the terms of the 2015 Plan, Mr. Crivello shall be paid cash equal to the value of the number of shares of common stock he is otherwise entitled to receive.

Pursuant to the employment agreement, on November 14, 2017, the Company granted to Mr. Crivello a 90,000 share non-qualified stock option under the Plan that will vest in equal monthly installments over two years and has an exercise price of \$3.90 per share.

Mr. Crivello may participate in the Company's benefit plans that are currently and hereafter maintained and for which he is eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans. Mr. Crivello is also entitled to be reimbursed for reasonable travel and other expenses.

Pursuant to the employment agreement, Mr. Crivello agreed to customary non-competition and non-solicitation provisions, including a covenant that, in the event Mr. Crivello's relationship with PW Partners conflicts with or is inconsistent with his obligations to the Company, Mr. Crivello's primary duty shall be to the Company and to the extent that a conflict arises, he shall promptly notify the Board of such conflict.

### *Employment Agreement with Paul M. Malazita*

On February 12, 2018, the Company entered into an employment agreement with Paul M. Malazita pursuant to which he became the Company's Interim Chief Financial Officer, commencing March 6, 2018. Under the employment agreement, which is for an indefinite term, Mr. Malazita is entitled to receive an annual base salary of \$165,000 and is eligible for annual bonus compensation, at the discretion of the Board, of 30% of his base salary. Also as of March 6, 2018, Mr. Malazita was granted a four-year, 20,000 share non-qualified stock option that will vest in equal monthly installments over four years and has an exercise price of \$7.05. Mr. Malazita will also be entitled to participate in the Company's benefit plans that are currently and hereafter maintained by the Company and for which he is eligible, including, without limitation, group medical, 401(k) life insurance and other benefit plans.

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

Under the employment agreement, if Mr. Malazita's employment is terminated by the Company for any reason other than cause, death or disability, or if Mr. Malazita 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 three month period following the termination date. To the extent not exempt from rules governing deferred compensation under Section 409A of the Internal Revenue Code of 1986, severance payments to Mr. Malazita are intended to comply with Section 409A and are subject to corresponding requirements regarding the timing of such payments.

*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 was entitled to receive an annual base salary of \$270,000 and was eligible for annual bonus compensation in the discretion of the board of directors based upon his achievement of milestones to be determined by the board of directors prior to the commencement of each fiscal year. The targeted amount was expected to be 50% of Mr. Newman's base salary. Mr. Newman was able to participate in the Company's benefit plans, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Pursuant to the employment agreement, on April 11, 2016, the Company granted to Mr. Newman a ten-year, 70,000 share non-qualified stock option that vested in monthly installments through his termination date. The stock option has an exercise price of \$5.67 per share. 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 the Company's employees during the employment term and for 18 months thereafter.

*Employment Agreement with Michael W. Lister*

Mr. Lister's employment was governed by an employment agreement entered into on October 11, 2016, which had a four year term. Under the employment agreement, Mr. Lister was entitled to receive an annual base salary of \$300,000 and was eligible for annual bonus compensation in the discretion of the board of directors in amounts expected to be 50% of his base salary.

Pursuant to the employment agreement, on October 11, 2016, we also granted to Mr. Lister a five-year, 70,000 share non-qualified stock option under the Company's 2015 Equity Incentive Plan that was to vest in equal monthly installments over the employment term and had an exercise price of \$5.25.

Mr. Lister was able to participate in our benefit plans, including, without, limitation, group medical, 401(k), life insurance and other benefit plans. Pursuant to his employment agreement, Mr. Lister agreed to customary non-competition and non-solicitation provisions; provided, however, that Mr. Lister will not be restricted from owning or operating Company franchise locations or any single location restaurants.

*Employment Agreement with Douglas Renegar*

Mr. Renegar's employment was governed by an employment agreement entered into on October 11, 2016, which had a four year term. Under the employment agreement, Mr. Renegar was entitled to receive an annual base salary of \$200,000 and was eligible for annual bonus compensation in the discretion of the board of directors.

Pursuant to the employment agreement, on October 11, 2016, the Company also granted to Mr. Renegar a five-year, 35,000 share non-qualified stock option under the Company's 2015 Equity Incentive Plan that was to vest in equal monthly installments over the employment term and had an exercise price of \$5.25.

Mr. Renegar was able to participate in the Company's benefit plans, including, without, limitation, group medical, 401(k), life insurance and other benefit plans. Pursuant to his employment agreement, Mr. Renegar agreed to customary non-competition and non-solicitation provisions; provided, however, that Mr. Renegar will not be restricted from owning or operating Company franchise locations or any single location restaurants.

*Employment Agreement with Geovannie Concepcion*

Mr. Concepcion's employment with the Company is governed by an employment agreement entered into on April 8, 2016, for an indefinite term. Mr. Concepcion is entitled to receive an annual base salary of \$180,000 and is eligible for a bonus payable in cash the first time during his employment term that the VWAP over a 30 day period is equal to or exceeds the VWAP Target set forth on the first column in the table below.

Stock Price	Cash Bonus
\$ 5.00	\$ 12,500
6.00	30,000
7.00	35,000
8.00	50,000
9.00	56,250
10.00	75,000
11.00	82,500
12.00	120,000
13.00	130,000
14.00	175,000
15.00	187,500

Pursuant to the employment agreement, on April 11, 2016, we granted Mr. Concepcion a ten-year, 50,000 share non-qualified stock option that will vest in monthly installments over four years. The stock option has an exercise price of \$5.82 per share.

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

Under the employment agreement, if Mr. Concepcion'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. Concepcion 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 six months following the termination date.

#### **Description of Additional Compensation Plans and Practices**

##### *Deferred Compensation Plan*

The Company maintains a Non-Qualified 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 plan's administrator, and the applicable regulations promulgated by the Internal Revenue Service. For fiscal 2016 and 2017, the Company matched 25.0% of the first 4.0% contributed by participants and paid declared interest rates of 6.0% on balances contributed.

Deferral periods are defined as 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 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 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.

##### *Other Benefits*

The Company provides 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. The Company also provides 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 certain of its most highly paid executive officers. The exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements has been repealed, effective for tax years beginning after December 31, 2017. The Company has generally not paid compensation in excess of \$1,000,000 to any single executive officer in the past. 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. 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, Eric S. Hirschhorn, Charles W. Mooty, Richard A. Shapiro and Bryan L. Wolff. The Board of Directors held five formal meetings during fiscal 2017.

The Company’s Board of Directors does not currently have a Chair or a lead independent director. Under the Company’s bylaws, when there is not a Chair appointed, the Chief Executive Officer presides at board meetings. The Board of Directors currently believes that the typical duties of a chair will be shared among the members of the Board and the Chief Executive Officer.

### **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 2017, 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 but one of the Company’s seven directors serving on the Board of Directors at the time of the Company’s most recent annual shareholders’ meeting, held May 2, 2017, were in attendance at that meeting.

Below is a summary of the Company’s board committee structure and current committee membership information. If elected to the board at the Annual Meeting, it is expected that Mr. Haeg will be appointed to the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee of the board and Mr. Welch, will be appointed to the Audit Committee and Compensation Committee of the board.

<u>Director</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Corporate Governance and Nominating Committee</u>
Jeffery Crivello			
Anand D. Gala			
Eric S. Hirschhorn	Member	Chairman	
Joseph M. Jacobs			
Charles W. Mooty	Member	Member	Member
Richard A. Shapiro		Member	Member
Bryan L. Wolff <sup>(1)</sup>	Chairman	Member	Chairman

#### *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, Eric S. Hirschhorn and Charles W. Mooty. 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](http://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 minimis 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 five formal meetings during fiscal 2017.

#### *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, as adopted by the Public Company Accounting Oversight Board.

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 December 31, 2017 for filing with the Securities and Exchange Commission.

**THE AUDIT COMMITTEE**  
**BRYAN L. WOLFF, Chairman**  
**ERIC S. HIRSCHHORN**  
**CHARLES W. MOOTY**

#### *Compensation Committee of the Board of Directors*

The Company has established a Compensation Committee within the Board of Directors that currently consists of Chairman Eric S. Hirschhorn, Charles W. Mooty, Richard A. Shapiro 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](http://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 Non-Qualified Deferred Compensation Plan in which our executives are entitled to participate. The Compensation Committee believes that the availability of this plan 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 2017, 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 four meetings during fiscal 2017.

### *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, Charles W. Mooty and Richard A. Shapiro. Messrs. Wolff, Mooty and Shapiro 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](http://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 2019 annual shareholders' meeting, notices must be delivered to or mailed and received not prior to November 30, 2018 and not later than January 29, 2019. If the date of our 2019 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 2019 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 2019 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 two meetings during fiscal 2017.

### **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.

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. 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](http://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](mailto: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

During fiscal 2017, certain of our directors received cash payments in the amount of \$15,000 per quarter for their services as our director. Upon appointment, our independent directors are generally granted an option to purchase 20,000 shares of our common stock, which vests annually over a five year period. The following table sets forth information concerning director compensation earned during the fiscal year ended January 1, 2017:

Name	Fees Earned or Paid		Option Awards (\$) <sup>(1)</sup>	Total (\$)
	in Cash			
Anand D. Gala <sup>(2)</sup>	\$	60,000	\$ —	\$ 60,000
Eric S. Hirschhorn <sup>(2)</sup>		15,000	39,635	54,635
Joseph M. Jacobs		—	—	—
Charles W. Mooty <sup>(2)(3)</sup>		81,667	41,865	123,532
Richard A. Shapiro		—	—	—
Bryan L. Wolff <sup>(2)</sup>		60,000	—	60,000

<sup>(1)</sup> Amounts shown reflect the grant date fair value of stock option awards granted during fiscal 2017, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. See Note 9 “Stock-Based Compensation” to the accompanying notes to the consolidated financial statements.

<sup>(2)</sup> Each of Messrs. Gala, Hirschhorn, Mooty and Wolff hold options to purchase 20,000 shares of our common stock.

<sup>(3)</sup> Mr. Mooty received additional compensation during the time that he served as the chairman of our board of directors.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company has one class of voting securities outstanding, Common Stock, \$0.01 par value, of which 7,467,241 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. Shares beneficially owned below include shares that each owner below has the right to acquire in the Company’s ongoing rights offering.

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 190, 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. The shares beneficially owned include the right to purchase certain shares in the Company's Rights Offering, which offering expires on April 10, 2018.

<u>Name and Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percentage of Total</u>
<i>Executive Officers:</i>		
Jeffery Crivello (Chief Executive Officer) <sup>(1)</sup>	39,348	*
Michael W. Lister (Former Chief Executive Officer) <sup>(2)</sup>	18,958	*
Paul M. Malazita (Interim Chief Financial Officer) <sup>(3)</sup>	2,288	*
Dexter A. Newman (Former Chief Financial Officer) <sup>(4)</sup>	8,854	*
Geovannie Concepcion (Chief Operating Officer) <sup>(5)</sup>	20,820	*
Douglas Renegar (Former Senior Vice President of Franchise Operations) <sup>(6)</sup>	3,229	*
<i>Non-Employee Directors:</i>		
Anand D. Gala	8,000	*
Eric S. Hirschhorn	—	*
Joseph M. Jacobs <sup>(7)</sup>	1,616,933	20.9%
Charles W. Mooty	105,131	1.4%
Richard A. Shapiro	12,132	*
Bryan L. Wolff	13,370	*
All Directors and Executive Officers as a group (12 people)	1,849,063	23.6%
<i>Other 5% Beneficial Owners</i>		
Wexford Capital LP <sup>(8)</sup>	1,616,933	20.9%
411 West Putnam Avenue, Suite 125, Greenwich, CT 06830		
Bandera Master Fund L.P. <sup>(9)</sup>	1,316,668	17.1%
Broad Street, Suite 1820, New York, NY 10004		
Patrick Walsh <sup>(10)</sup>	916,525	12.0%
1325 Avenue of the Americas, New York, NY 10019		
David Kanen <sup>(11)</sup>	644,416	8.5%
5850 Coral Ridge Drive, Suite 309, Coral Springs, Florida 33076		
Raging Capital Management, LLC <sup>(12)</sup>	567,463	7.5%
Ten Princeton Avenue, P.O. Box 228, Rocky Hill, NJ 08553		
Blue Clay Capital Management, LLC <sup>(13)</sup>	521,123	6.9%
800 Nicollet Mall, Ste. 2870, Minneapolis, MN 55402		
FS Special Opportunities I, L.P. <sup>(14)</sup>	507,350	6.7%
3033 Excelsior Boulevard, Suite 560, Minneapolis, MN 55416		

\* Less than 1%

(1) Includes 13,098 shares that Mr. Crivello has the right to acquire within 60 days.

(2) Includes 18,958 shares that Mr. Lister has the right to acquire within 60 days.

(3) Includes 2,288 shares that Mr. Malazita has the right to acquire within 60 days.

(4) Includes 1,553 shares that Mr. Newman has the right to acquire within 60 days.

(5) Includes 20,820 shares that Mr. Concepcion has the right to acquire within 60 days.

(6) Includes 567 shares that Mr. Renegar has the right to acquire within 60 days.

(7) Represents 1,616,933 shares held or can be acquired within 60 days 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 footnote 8 below.

- (8) Based upon joint statements on Schedule 13D filed with the SEC on March 19, 2018. 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.
- (9) Based upon a statement on Schedule 13D/A filed with the SEC on June 16, 2017. 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.
- (10) Based on a joint schedule 13 D/A, filed February 2, 2018. Includes 249,675 shares owned by PW Partners Atlas Fund LP, 52,575 shares owned by Mr. Walsh directly and 35,000 shares owned by PW Partners Atlas Fund II, LP. Also includes 418,169 shares that PW Partners, LLC has shared voting power.
- (11) Based upon a joint statement on Schedule 13 G/A filed with the SEC on March 16, 2018 by Philotimo Fund LP (“Philotimo”), Kanen Wealth Management, LLC (“KWM”) and David L. Kanen. KWM is the general partner of Philotimo and Mr. Kanen is the managing member of KWM. By virtue of these relationships KWM may be deemed to beneficially own the securities which these entities possess.
- (12) Based upon a statement on Schedule 13D/A filed with the SEC on February 14, 2018. 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. Each of Raging Capital and William C. Martin disclaims beneficial ownership of the securities owned by Raging Capital and the joint statements on Schedule 13G are not an admission that they are the beneficial owners of such securities.
- (13) 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.
- (14) Based upon a joint statement on Schedule 13D filed with the SEC on November 20, 2017 by FS Special Opportunities I, L.P., Farnam Street Capital, Inc., Raymond E. Cabillot and Peter O. Haeg. The reporting persons may be deemed to beneficially own the securities which these entities possess.

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 the Company’s Audit Committee charter, the Company’s 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 \$1.9 million in franchise royalties and contributions to the Company’s system-wide marketing fund for the Company’s 2017 fiscal year.

Michael Lister served as the Chief Executive Officer and Chief Operating Officer of the Company from October 2016 to November 2017. Doug Renegar served as the Senior Vice President of Franchise Operations of the Company from October 2016 to November 2017. Messrs. Lister and Renegar manage Famous Five Dining, a corporation that owns four franchised Famous Dave's restaurants. Messrs. Lister and Renegar paid approximately \$493,000 in franchise royalties and contributions to the Company's system-wide marketing fund for the Company's 2017 fiscal year.

On November 10, 2017, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") by and between the Company and PW Partners, LLC ("PW Partners"). Pursuant to the Purchase Agreement, the Company sold to PW Partners on behalf of its designated client, FS Special Opportunities I, L.P. (the "Purchaser's Designee"), 418,169 shares of our common stock (the "Private Placement"). The Purchase Agreement provides further that PW Partners has assigned its rights under the Purchase Agreement to the Purchaser's Designee; provided, however, that PW Partners retains its obligations under the Purchase Agreement.

On January 29, 2018, the Company entered into a Standby Purchase Agreement (the "Standby Purchase Agreement") with PW Partners, in connection with the previously announced proposed non-transferable rights offering (the "Rights Offering"). The Standby Purchase Agreement provides that PW Partners will (a) exercise its non-transferable rights to subscribe for and purchase its pro rata amount of newly-issued shares of the Company's common stock, at a price per share, which the Company's board of directors has set at \$3.50 per share (the "Subscription Price"), and (b) purchase in a private placement separate from the Rights Offering, at the Subscription Price and subject to the terms and conditions of the Standby Purchase Agreement, any shares of the Company's common stock that are not subscribed for in the Rights Offering pursuant to the Company's stockholders' exercise of their rights. Notwithstanding the foregoing, the Standby Purchase Agreement also provides that PW Partners will not purchase shares of the Company's common stock in an amount that would result in the Standby Purchaser beneficially owning 20% or more of the outstanding common stock after such purchase.

PW Partners is affiliated with PW Capital Management, LLC ("PW Capital"). Pursuant to the Purchase Agreement, Jeffery Crivello, the Chief Financial Officer of PW Capital, became the Chief Executive Officer of the Company, effective November 14, 2017.

On December 8, 2017, as a part of settlement of a legal dispute and distressed situation, the Company approved the transfer of seven franchise restaurants in Utah and Washington (the "Transferred Restaurants") to an entity (the "Acquirer") controlled by Charles Davidson.

The previous franchisee of these seven restaurants experienced financial difficulties for more than one year and, at the time of the sale to the Acquirer, was more than one year in arrears with royalty, miscellaneous and national advertising fund payments that totaled approximately \$1.4 million. The previous franchisee engaged a broker who marketed the franchise for several months, which resulted in two potential buyers, one of whom dropped out of the process. These stores were severely neglected, and this was determined to be the best path to economic recovery.

In connection with settling the dispute with the previous franchisee, the Company collected \$350,000 in cash from the previous franchisee. Pursuant to the settlement, the Company wrote off accounts receivable of approximately \$1.0 million.

As part of the transaction, the Company agreed to certain concessions in order to facilitate the transfer of the Transferred Restaurants to the Acquirer and to incentivize the Acquirer to invest the funds necessary to improve the operations of the Transferred Restaurants and to provide innovation to the Famous Dave's concept. The economic concessions consisted of the following:

- A \$500,000 repairs and maintenance credit (the "R&M Credit"), payable through a 50% reduction in required royalty payments until the credit is exhausted;
- Royalty relief, in addition to the R&M Credit, of 2.0% in months one through 12 for an effective royalty rate of 3.0% and 1.0% in months 13 through 24 for an effective royalty rate of 4.0%, and a full royalty of 5.0% to be paid thereafter ("Royalty Relief");
- Development rights in the states of Utah and Washington in exchange for a commitment to open three restaurants before May 1, 2027; and,
- Waiver of initial and future franchise fees and area development fees.

In addition to these economic concessions, the Company modified its standard franchise agreement to eliminate or limit certain obligations of Acquirer as a franchisee, including:

- Waiver of reacquisition fees for two additional ten-year terms;
- Acquirer will spend 1.0% of net sales on local marketing, as opposed to the standard 1.5%.

## **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 December 31, 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 December 31, 2017.

## **PROPOSALS OF SHAREHOLDERS**

Proposals by shareholders (other than director nominations) that are submitted for inclusion in our proxy statement for our 2019 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 190, Minnetonka, Minnesota, 55343, by November 30, 2018.

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 2019 annual shareholders' meeting, notices must be received not prior to November 30, 2018 and not later than January 29, 2019.

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 30, 2018 and not later than January 29, 2019.

If the date of our 2019 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 2019 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 2019 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. The Company initiated householding to reduce printing costs and postage fees.

The Company 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/ Jeffery Crivello*

Jeffery Crivello  
Chief Executive Officer

EXHIBIT A



FAMOUS DAVE'S OF AMERICA, INC.

AMENDED AND RESTATED 2015 EQUITY INCENTIVE PLAN

(As Amended March 29, 2018)

1. General.

1.1 Purpose. The purpose of the 2015 Equity Incentive Plan (the "Plan") of Famous Dave's of America, Inc. (the "Company") is to increase stockholder value and to advance the interests of the Company by furnishing a variety of economic incentives ("Incentives") designed to attract, retain and motivate Employees, certain key consultants and directors of the Company. Incentives may consist of opportunities to purchase or receive shares of Common Stock, \$0.01 par value per share, of the Company ("Common Stock") on terms determined under this Plan.

1.2 Eligible Participants. Employees, Directors and Consultants are eligible to receive Incentives. Participants may be designated individually or by groups or categories (for example, by pay grade) as the Committee deems appropriate. Participation by officers of the Company or its subsidiaries and any performance objectives relating to such officers must be approved by the Committee. Participation by others and any performance objectives relating to others may be approved by groups or categories (for example, by pay grade) and authority to designate participants who are not officers and to set or modify such targets may be delegated.

1.3 Types of Incentives. Incentives under the Plan may be granted in any one or a combination of the following forms: (a) Incentive Stock Options and non-statutory stock options (Section 4); (b) stock appreciation rights ("SARs") (Section 5); (c) stock awards, restricted stock awards and restricted stock unit awards (Section 6); (d) performance awards (Section 7), and (e) other forms of Incentives valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (with the Board having sole and complete authority to determine the persons to whom and the time or times at which such other forms of Incentives will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted and all other terms and conditions of such other Incentives. Subject to the specific limitations provided in this Plan, payment of Incentives may also be in the form of cash, Common Stock or combinations thereof as the Board shall determine, and with such other restrictions as it may impose.

1.4 Status of Prior Plan. The Plan is intended as a new equity incentive plan that is separate from the Company's 2005 Stock Incentive Plan (the "Prior Plan"). Following the Effective Date, no additional Incentives may be granted under the Prior Plan. Any shares of Common Stock that are set aside under the Prior Plan's share reserve but which are not subject to any outstanding Incentives under the Prior Plan as of 12:01 a.m. Central Standard Time on the Effective Date (the "Prior Plan's Available Reserve") will cease to be available for use under the Prior Plan at such time and will be added to this Plan's Share Reserve (as further described in Section 3.1) and be then immediately available for issuance pursuant to Incentives. In addition, from and after 12:01 a.m. Central Standard Time on the Effective Date, all outstanding Incentives granted under the Prior Plan will remain subject to the terms of the Prior Plan. All Incentives granted on or after 12:01 a.m. Central Standard Time on the Effective Date of this Plan will be subject to the terms of this Plan.



## 2. Administration.

2.1 Administration by the Board. The Plan shall be administered by the board of directors of the Company (the “Board”). The Board may delegate administration of the Plan to a stock option or compensation committee of the Board to whom authority has been delegated by the Board, in accordance with Section 2.3 (a “Committee”).

2.2 Powers of Board. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To determine: (i) who will be granted Incentives; (ii) when and how each Incentive will be granted; (iii) what type of Incentive will be granted; (iv) the provisions of each Incentive (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Incentive; (v) the number of shares of Common Stock subject to, or the cash value of, an Incentive; and (vi) the Fair Market Value applicable to an Incentive.

(b) To construe and interpret the Plan and Incentives granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Incentives. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any written agreement (an “Incentive Agreement”) between the Company and a person to whom an Incentive is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Incentive (a “Participant”), in a manner and to the extent it will deem necessary or expedient to make the Plan or Incentive fully effective.

(c) To settle all controversies regarding the Plan and Incentives granted under it.

(d) To accelerate, in whole or in part, the time at which an Incentive may be exercised or vest (or at which cash or shares of Common Stock may be issued).

(e) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Incentive Agreement, suspension or termination of the Plan will not materially impair a Participant’s rights under his or her then-outstanding Incentive without his or her written consent except as provided in subsection (viii) below.

(f) To submit the Plan and any amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Internal Revenue Code of 1986, as amended (including the regulations promulgated thereunder, the “Code”) regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to “covered employees” (within the meaning of Section 162(m)(3) under the Code), (B) Section 422 of the Code regarding incentive stock options, or (C) Rule 16b-3 of the Securities Exchange Act of 1934 (including the regulations promulgated thereunder, the “Exchange Act”) (“Rule 16b-3”).

(g) To approve forms of Incentive Agreements for use under the Plan and to amend the terms of any one or more Incentives, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Incentive Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided, however, that a Participant’s rights under any Incentive will not be impaired by any such amendment unless (i) the Company requests the consent of the affected Participant, and (ii) such Participant consents in writing. Notwithstanding the foregoing, (A) a Participant’s rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant’s rights, and (B) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Incentives without the affected Participant’s consent: (1) to maintain the qualified status of the Incentive as an Incentive Stock Option under Section 422 of the Code; (2) to change the terms of an Incentive Stock Option, if such change results in impairment of the Incentive solely because it impairs the qualified status of the Incentive as an Incentive Stock Option under Section 422 of the Code; (3) to clarify the manner of exemption from, or to bring the Incentive into compliance with, Section 409A; or (4) to comply with other applicable laws or securities exchange rule or listing requirements.

(h) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Incentives.

(i) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Incentive Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

### 2.3 Delegation to Committee.

(a) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or re-vest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, re-vest in the Board some or all of the powers previously delegated.

(b) Section 162(m) and Rule 16b-3 Compliance. The Committee shall consist of not less than two (2) Directors. During any time period in which the Company has a class of equity securities registered under Section 12 of the Exchange Act, each such Committee member or, if applicable, each member of a subcommittee to which power to administer the Company's equity incentive plans and compensation under Section 162(m) under the Code, has been delegated, shall be an "outside director" within the meaning of Section 162(m) under the Code and a "non-employee director" within the meaning of Rule 16b-3.

2.4 Delegation to an Officer. The Board may delegate to one (1) or more Directors or officers of the Company (within the meaning of Section 16 of the Exchange Act, "Officers"), subject to such terms, conditions and limitation as the Board may establish in its discretion, the authority to grant Incentives; provided, however, that the Board shall not delegate such authority (i) with respect to grants of Incentives to be made to Officers or (ii) in such a manner as would cause the Plan not to comply with the requirements of Section 162(m) under the Code, applicable exchange rules or applicable corporate law.

2.5 Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

2.6 Cancellation and Re-Grant of Incentives. Except in connection with a Capitalization Adjustment, neither the Board nor any Committee will have the authority to: (a) reduce the exercise, purchase or strike price of any outstanding Options or SAR under the Plan; or (b) cancel any outstanding Options or SARs that have an exercise price or strike price greater than the current Fair Market Value of the Common Stock in exchange for cash or other Incentives under the Plan, unless the shareholders of the Company have approved such an action within twelve (12) months prior to such an event.

## 3. Shares Subject to the Plan.

3.1. Number of Shares. Subject to adjustment in connection with a Capitalization Adjustment, the number of shares of Common Stock which may be issued under the Plan shall not exceed 1,000,000 shares of Common Stock. Shares of Common Stock that are issued under the Plan or are subject to outstanding Incentives will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan. For purposes of clarification, the award of any Incentives payable only in cash will not reduce the number of shares of Common Stock remaining and available to be issued under the Plan. Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company

Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

### 3.2. Share Counting.

(a) To the extent that cash in lieu of shares of Common Stock is delivered upon the exercise of a SAR pursuant to Section 5.4, the Company shall be deemed, for purposes of applying the limitation on the number of shares, to have issued the greater of the number of shares of Common Stock which it was entitled to issue upon such exercise or on the exercise of any related option.

(b) In the event that a stock option or SAR granted hereunder expires or is terminated or canceled unexercised as to any shares of Common Stock, such shares shall be added back to the Plan share reserve and shall be available again for issuance pursuant to Incentives granted under the Plan.

(c) To the extent that the full number of shares subject to a performance share award other performance based-stock award (other than a stock option or SAR) is not issued by reason of failure to achieve maximum performance goals, the number of shares not issued shall be added back to the Plan share reserve and shall be available again for issuance pursuant to Incentives granted under the Plan.

(d) In the event that shares of Common Stock are issued as performance shares, restricted stock or pursuant to another stock award and thereafter are forfeited or reacquired by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased shall be added back to the Plan share reserve and shall be available again for issuance pursuant to Incentives granted under the Plan.

(e) Shares withheld or deducted from an Incentive in satisfaction of tax withholding obligations on an Incentive or as consideration for the exercise or purchase price of an Incentive shall not be added back to the Plan share reserve and shall not again become available for issuance under the Plan.

3.3 Incentive Stock Option Limit. Subject to Section 9.1 relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be 350,000 shares of Common Stock.

3.4 Section 162(m) Limitations. Subject to Section 9.1 relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, the following limitations shall apply:

(a) A maximum of 350,000 shares of Common Stock subject to stock options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date any such Incentive is granted may be granted to any Participant during any calendar year. Notwithstanding the foregoing, if any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date the Stock Award are granted to any Participant during any calendar year, compensation attributable to the exercise of such additional Incentive will not satisfy the requirements to be considered “qualified performance-based compensation” under Section 162(m) of the Code unless such additional Incentive is approved by the Company’s shareholders.

(b) A maximum of 350,000 performance shares may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

(c) A maximum of \$2,000,000 may be granted as a performance cash awards to any one Participant during any one calendar year.

3.5 Limitation on Awards Granted to Non-Employee Directors. No Director who is not also an Employee may be granted any Incentive or Incentives denominated in shares that exceed in the aggregate \$500,000 in value (such value

computed as of the date of grant in accordance with applicable financial accounting rules) in any calendar year. The foregoing limit shall not apply to any Incentive made pursuant to any election by the Directors to receive an Incentive in lieu of all or a portion of annual and committee retainers and meeting fees.

3.6 Source of Shares. The stock issuable under the Plan will be shares of authorized but unissued Common Stock.

4. Stock Options. A stock option is a right to purchase shares of Common Stock from the Company. Each stock option granted under this Plan shall be subject to the following terms and conditions:

4.1 Price. The option price per share shall be determined by the Board, subject to adjustment under Section 9.1; provided that option price shall be not less than the Fair Market Value of the Common Stock subject to the option on the date of grant.

4.2. Number. The number of shares of Common Stock subject to the option shall be determined by the Board, subject to adjustment in connection with a Capitalization Adjustment. The number of shares of Common Stock subject to a stock option shall be reduced in the same proportion that the holder thereof exercises a SAR if any SAR is granted in conjunction with or related to the stock option.

4.3. Duration and Time for Exercise. Subject to earlier termination as provided in Section 10.2, the term of each stock option shall be determined by the Committee but shall not exceed ten years and one day from the date of grant. Each stock option shall become exercisable at such time or times during its term as shall be determined by the Board at the time of grant, but shall not become exercisable more quickly than ratably over three years unless the Board determines in its discretion that a faster schedule is warranted.

4.4. Manner of Exercise. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased and accompanied by the full purchase price for such shares. The option price shall be payable (a) in United States dollars upon exercise of the option and may be paid by cash, uncertified or certified check or bank draft; (b) at the discretion of the Board, by delivery of shares of Common Stock in payment of all or any part of the option price, which shares shall be valued for this purpose at the Fair Market Value on the date such option is exercised; (c) at the discretion of the Committee, by instructing the Company to withhold from the shares of Common Stock issuable upon exercise of the stock option shares of Common Stock in payment of all or any part of the exercise price and/or any related withholding tax obligations, which shares shall be valued for this purpose at the Fair Market Value or in such other manner as may be authorized from time to time by the Board, or (d) in any other form of legal consideration that may be acceptable to the Board or is specified in the applicable Incentive Agreement. The shares of Common Stock delivered by the participant pursuant to Section 4.4(b) must have been held by the participant for a period of not less than six months prior to the exercise of the option, unless otherwise determined by the Board. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

4.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant Incentive Stock Options:

(a) To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars (\$100,000) (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as non-statutory stock options, notwithstanding any contrary provision of the applicable Incentive Agreement(s).

(b) Any Incentive Stock Option authorized under the Plan shall contain such other provisions as the Board shall deem advisable, but shall in all events be consistent with and contain all provisions required in order to qualify the options as Incentive Stock Options.

(c) All Incentive Stock Options must be granted within ten years from the earlier of the date on which this Plan was adopted by Board of Directors or the date this Plan was approved by the shareholders.

(d) Unless sooner exercised, all Incentive Stock Options shall expire no later than 10 years after the date of grant.

(e) The option price for Incentive Stock Options shall be not less than the Fair Market Value of the Common Stock subject to the option on the date of grant.

(f) If Incentive Stock Options are granted to any participant who, at the time such option is granted, would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation, (i) the option price for such Incentive Stock Options shall be not less than 110% of the Fair Market Value of the Common Stock subject to the option on the date of grant and (ii) such Incentive Stock Options shall expire no later than five years after the date of grant.

5. Stock Appreciation Rights. A SAR is a right to receive, without payment to the Company, a number of shares of Common Stock, cash or any combination thereof, the amount of which is determined pursuant to the formula set forth in Section 5.4. A SAR may be granted (a) with respect to any stock option granted under this Plan, either concurrently with the grant of such stock option or at such later time as determined by the Board (as to all or any portion of the shares of Common Stock subject to the stock option), or (b) alone, without reference to any related stock option. Each SAR under this Plan shall be subject to the following terms and conditions:

5.1. Number. Each SAR granted to any participant shall relate to such number of shares of Common Stock as shall be determined by the Board, subject to adjustment in connection with a Capitalization Adjustment. In the case of a SAR granted with respect to a stock option, the number of shares of Common Stock to which the SAR pertains shall be reduced in the same proportion that the holder of the option exercises the related stock option.

5.2. Duration. Subject to earlier termination as provided in Section 10.2, the term of each SAR shall be determined by the Board but shall not exceed ten years and one day from the date of grant. Unless otherwise provided by the Board, each SAR shall become exercisable at such time or times, to such extent and upon such conditions as the stock option, if any, to which it relates is exercisable.

5.3. Exercise. A SAR may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of SARs which the holder wishes to exercise. Upon receipt of such written notice, the Company shall, within 90 days thereafter, deliver to the exercising holder certificates for the shares of Common Stock or cash or both, as determined by the Committee, to which the holder is entitled pursuant to Section 5.4.

5.4. Payment. Subject to the right of the Board to deliver cash in lieu of shares of Common Stock (which, as it pertains to Officers and Directors, shall comply with all requirements of the Exchange Act), the number of shares of Common Stock which shall be issuable upon the exercise of a SAR shall be determined by dividing:

(a) the number of shares of Common Stock as to which the SAR is exercised multiplied by the amount of the appreciation in such shares (for this purpose, the “appreciation” shall be the amount by which the Fair Market Value of the shares of Common Stock subject to the SAR on the exercise date exceeds (1) in the case of a SAR related to a stock option, the purchase price of the shares of Common Stock under the stock option or (2) in the case of a SAR granted alone, without reference to a related stock option, an amount which shall be determined by the Board at the time of grant, subject to adjustment under Section 10.6); by

(b) the Fair Market Value of a share of Common Stock on the exercise date.

In lieu of issuing shares of Common Stock upon the exercise of a SAR, the Board may elect to pay the holder of the SAR cash equal to the Fair Market Value on the exercise date of any or all of the shares which would otherwise be issuable. No fractional shares of Common Stock shall be issued upon the exercise of a SAR; instead, the holder of the SAR shall be

entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value of a share of Common Stock on the exercise date or to purchase the portion necessary to make a whole share at its Fair Market Value on the date of exercise.

6. Stock Awards, Restricted Stock and Restricted Stock Units. A stock award consists of the transfer by the Company to a participant of shares of Common Stock, without other payment therefor, as additional compensation for services to the Company. Restricted stock consists of shares of Common Stock which are sold or transferred by the Company to a participant at a price determined by the Committee (which price shall be at least equal to the minimum price required by applicable law for the issuance of a share of Common Stock) and subject to restrictions on their sale or other transfer by the participant. Restricted stock units evidence the right to receive shares of Common Stock at a future date. The transfer of Common Stock pursuant to stock awards and the transfer and sale of restricted stock shall be subject to the following terms and conditions:

6.1. Number of Shares. The number of shares to be transferred or sold by the Company to a participant pursuant to a stock award or as restricted stock, or the number of shares that may be issued pursuant to a restricted stock unit, shall be determined by the Board.

6.2. Sale Price. The Board shall determine the price, if any, at which shares of restricted stock shall be sold to a participant, which may vary from time to time and among Participants and which may be below the Fair Market Value of such shares of Common Stock at the date of sale.

6.3. Restrictions. All shares of restricted stock transferred or sold hereunder, and all restricted stock units granted hereunder, shall be subject to such restrictions as the Board may determine, which restrictions shall lapse over a period not less than three years from the date of grant, including, without limitation any or all of the following:

(a) a prohibition against either the sale, transfer, pledge or other encumbrance of the shares of restricted stock, or the delivery of shares pursuant to restricted stock units, such prohibition to lapse at such time or times as the Committee shall determine (whether in annual or more frequent installments, at the time of the death, disability or retirement of the holder of such shares, or otherwise);

(b) a requirement that the holder of shares of restricted stock or restricted stock units forfeit, or (in the case of shares sold to a participant) resell back to the Company at his or her cost, any right to all or a part of such shares or units in the event of termination of his or her employment or consulting engagement during any period in which such shares or units are subject to restrictions; and

(c) such other conditions or restrictions as the Board may deem advisable.

6.4. Escrow. In order to enforce the restrictions imposed by the Board pursuant to Section 6.3, the Participant receiving restricted stock or restricted stock units, as applicable, shall enter into an Incentive Agreement with the Company setting forth the conditions of the grant. Shares of restricted stock shall be registered in the name of the Participant and deposited, together with a stock power endorsed in blank, with the Company. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the 2015 Equity Incentive Plan of Famous Dave's of America, Inc. (the "Company"), and an agreement entered into between the registered owner and the Company. A copy of the Plan and the agreement is on file in the office of the secretary of the Company.

6.5. Issuance and Delivery of Shares. Subject to Section 10.6, at the end of any time period during which the shares of restricted stock are subject to forfeiture and restrictions on transfer, such shares will be delivered free of all restrictions to the participant or to the participant's legal representative, beneficiary or heir. In the case of restricted stock units, no shares shall be issued at the time such restricted stock units are granted. Subject to Section 10.6, upon the lapse or waiver of restrictions applicable to restricted stock units, or at a later time specified in the agreement governing the grant of restricted stock units, any shares derived from the restricted stock units shall be issued and delivered to the holder of the restricted stock units.

6.6. Shareholder. Subject to the terms and conditions of the Plan, each Participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares. Dividends paid in cash or property other than Common Stock with respect to shares of restricted stock shall be paid to the participant currently. Any holder of restricted stock units shall not be, and shall not have rights and privileges of, a shareholder with respect to any shares that may be derived from the restricted stock units unless and until such shares have been issued.

## 7. Performance Awards.

7.1 Performance Shares. A performance share is an Incentive (covering a number of shares not in excess of that set forth in Section 3.4(b) above) that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion; provided, however, that any Performance Period shall be at least one year in length. The grant of performance shares to a Participant shall not create any rights in such Participant as a shareholder of the Company, until the payment of shares of Common Stock with respect to an Incentive. No adjustment shall be made in performance shares granted on account of cash dividends which may be paid or other rights which may be issued to the holders of Common Stock prior to the end of any period for which performance objectives were established. In addition, to the extent permitted by applicable law and the applicable Incentive Agreement, the Board may determine that cash may be used in payment of performance shares.

7.2 Performance Cash Awards. A performance cash award is a cash award (for a dollar value not in excess of that set forth in Section 3.4(c) above) that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. At the time of grant of a performance cash award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion; provided, however, that any Performance Period shall be at least one year in length. The Board may specify the form of payment of performance cash awards, which may be cash or other property, or may provide for a Participant to have the option for his or her performance cash award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

7.3 Board Discretion. The Board retains the discretion to at any time reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

7.4 Section 162(m) Compliance. Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Incentive intended to qualify as “performance-based compensation” thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Incentive no later than the earlier of (A) the date ninety (90) days after the commencement of the applicable Performance Period, and (B) the date on which twenty-five percent (25%) of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Incentive intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee will certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, options, cash or other benefits granted, issued, retainable and/or vested under an Incentive on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, will determine.

## 8. Covenants of the Company.

8.1 Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Incentives.

8.2. Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Incentives and to issue and sell shares of Common Stock upon exercise of the Incentives; provided, however, that this undertaking will not require the Company to register under the Securities Act of 1933 (including the regulations promulgated thereunder, the “Securities Act”) the Plan, any Incentive or any Common Stock issued or issuable pursuant to any such Incentive. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Incentives unless and until such authority is obtained. A Participant will not be eligible for the grant of an Incentive or the subsequent issuance of cash or Common Stock pursuant to the Incentive if such grant or issuance would be in violation of any applicable securities law.

8.3 No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising any Incentive. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Incentive or a possible period in which the Incentive may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Incentive to the holder of such Incentive.

## 9. Adjustments upon Changes in Common Stock; Other Corporate Events.

9.1 Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a) and the shares of Common Stock issuable pursuant to any Incentive, the exercise price of any stock option or SAR, the performance goals for any Incentive, and other provisions of this Plan and outstanding Incentives, in order to reflect the change in the Common Stock and to provide Plan participants with the same relative rights before and after such adjustment. The Board will make such adjustments, and its determination will be final, binding and conclusive.

9.2 Dissolution or Liquidation. Except as otherwise provided in the Incentive Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Incentives (other than Incentives consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company’s right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company’s repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company; provided, however, that the Board may, in its sole discretion, cause some or all Incentives to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Incentives have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

9.3 Corporate Transaction. The following provisions will apply to Incentives in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Incentive or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Incentive. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Incentives, contingent upon the closing or consummation of the Corporate Transaction:

- (a) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation’s parent company) to assume or continue the Incentive or to substitute a similar stock award for the Incentive (including, but not limited to, an award to acquire the same consideration paid to the shareholders of the Company pursuant to the Corporate Transaction);
- (b) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Incentives to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation’s parent company);
- (c) accelerate the vesting, in whole or in part, of the Incentive (and, if applicable, the time at which the Incentive may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective



date of the Corporate Transaction), with such Incentive terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; provided, however, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(d) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Incentive;

(e) cancel or arrange for the cancellation of the Incentive, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(f) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Incentive immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero (\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Corporate Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Incentives or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Incentive prior to the earlier of (i) the effective time of the Corporate Transaction and (ii) the effectiveness of such action(s) with respect to the Incentives.

9.4. Change in Control. In the event of a Change in Control (as defined in Section 11.3), the Board or a comparable committee of any corporation assuming the obligations of the Company hereunder may, but shall not be obligated to, elect in its discretion to declare that the restriction period of all restricted stock and restricted stock units has been eliminated, that all outstanding stock options and SARs shall accelerate and become exercisable in full but that all outstanding Stock Options and SARs, whether or not exercisable prior to such acceleration, must be exercised within the period of time set forth in a notice to Participant or they will terminate, and that all performance shares granted to Participants are deemed earned at 100% of target levels and shall be paid. In connection with any declaration pursuant to this Section 9.4, the Board may, but shall not be obligated to, cause a cash payment to be made to each Plan participant who holds a stock option or SAR that is terminated in an amount equal to the product obtained by multiplying (x) the amount (if any) by which the Transaction Proceeds Per Share (as defined in Section 11.14) exceeds the exercise price per share covered by such stock option times (y) the number of shares of Common Stock covered by such stock option or SAR.

The Board may restrict the rights of Plan participants or the applicability of this Section 9.4 to the extent necessary to comply with Section 16(b) of the Exchange Act, the Code or any other applicable law or regulation. The grant of an Incentive pursuant to the Plan shall not limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, exchange or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

## 10. General.

10.1. Effective Date. The Plan will become effective the Effective Date. Unless approved by the shareholders within one year after the date of the Plan's adoption by the Board of Directors, the Plan shall not be effective for any purpose.

## 10.2. Duration.

(a) The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the shareholders of the Company. No Incentives may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Suspension or termination of the Plan will not impair rights and obligations under any Incentive granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

10.3 Corporate Action Constituting Grant of Incentives. Corporate action constituting a grant by the Company of an Incentive to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the Incentive Agreement, instrument, certificate, or letter evidencing the Incentive is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Incentive Agreement as a result of a clerical error in the papering of the Incentive Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Incentive Agreement.

10.4. Non-transferability of Incentives. No stock option, SAR, restricted stock, restricted stock unit or performance award may be transferred, pledged or assigned by the holder thereof (except, in the event of the holder's death, by will or the laws of descent and distribution to the limited extent provided in the Plan or the Incentive, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder), and the Company shall not be required to recognize any attempted assignment of such rights by any participant. Notwithstanding the preceding sentence, stock options may be transferred by the holder thereof to Employee's spouse, children, grandchildren or parents (collectively, the "Family Members"), to trusts for the benefit of Family Members, to partnerships or limited liability companies in which Family Members are the only partners or shareholders, or to entities exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. During a participant's lifetime, a stock option may be exercised only by him or her, by his or her guardian or legal representative or by the transferees permitted by the preceding sentence.

10.5. Effect of Termination or Death. In the event that a Participant ceases to be an Employee Director, or Consultant for any reason, including death or disability, any Incentives may be exercised (or payments or shares may be delivered thereunder) or shall expire at such times as may be determined by the Board and, if applicable, set forth in the Incentive Agreement.

10.6. Investment Assurances; Additional Condition. Notwithstanding anything in this Plan to the contrary, the Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Incentive, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Incentive; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Incentive for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Incentive has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock. If at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing,

registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10.7. Incentive Plans and Agreements. Except in the case of stock awards, the terms of each Incentive shall be stated in a plan or agreement approved by the Board. The Board may also determine to enter into agreements with holders of options to reclassify or convert certain outstanding options, within the terms of the Plan, as Incentive Stock Options or as non-statutory stock options and in order to eliminate SARs with respect to all or part of such options and any other previously issued options.

10.8. Withholding. Unless prohibited by the terms of an Incentive Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Incentive by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Incentive; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Incentive as a liability for financial accounting purposes); (iii) withholding cash from an Incentive settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Incentive Agreement. If a Participant desires and the Board permits, Participant the Participant may satisfy its obligation to pay to the Company the amount required to be withheld by electing (the "Election") to have the Company withhold from the distribution shares of Common Stock having a value up to the minimum amount of withholding taxes required to be collected on the transaction. The value of the shares to be withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined ("Tax Date"). Each Election must be made prior to the Tax Date. The Board may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive. An Election is irrevocable.

10.9. No Continued Employment, Engagement or Right to Corporate Assets. Nothing in the Plan, any Incentive Agreement or any other instrument executed thereunder or in connection with any Incentive granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Incentive was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be. Nothing contained in the Plan shall be construed as giving an Employee, a consultant, such persons' beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

10.10. Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Incentive to the Participant, the Board has the right in its sole discretion to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Incentive that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Incentive that is so reduced or extended.

10.11 Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

10.12. Deferral Permitted. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of

any Incentive may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A.

10.13. Amendment of the Plan. The Board may amend, modify, suspend, discontinue or terminate the Plan or any portion of the Plan at any time as it deems necessary or advisable; provided, however, any amendment or modification that (a) increases the total number of shares available for issuance pursuant to Incentives granted under the Plan (except as contemplated by the provisions of Section 9.1 relating to Capitalization Adjustments), (b) deletes or limits the provision of Section 2.6 (Cancellation and Re-Grant of Incentives), or (c) requires the approval of the Company's shareholders pursuant to any applicable law, regulation or securities exchange rule or listing requirement, shall be subject to approval by the Company's shareholders. Except as provided in the Plan (including Section 2.2(g)) or an Incentive Agreement, no amendment, modification, suspension, discontinuance or termination of the Plan shall impair a Participant's rights under an outstanding Incentive without his or her written consent, provided that such consent shall not be required with respect to any Plan amendment, modification or other such action if the Board determines in its sole discretion that such amendment, modification or other such action is not reasonably likely to significantly reduce or diminish the benefits provided to the Participant under such Incentive.

10.14. Code Section 409A Provisions. Unless otherwise expressly provided for in an Incentive Agreement, the Plan and Incentive Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Incentives granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Incentive granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Incentive Agreement evidencing such Incentive will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code and to the extent an Incentive Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Incentive Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Incentive Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Incentive that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six (6) months following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six (6) month period elapses, with the balance paid thereafter on the original schedule.

10.15. Clawback/Recovery. All Incentives granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Incentive Agreement as the Board determines necessary or appropriate. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company.

## 11. Additional Definitions.

11.1 Affiliate. "Affiliate" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

11.2 Capitalization Adjustment. A "Capitalization Adjustment" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Incentive after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, stock split, reverse stock split, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting

Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

11.3. Change in Control. A “Change in Control” means any of the following:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then-outstanding shares of Common Stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); *provided, however*, that, for purposes of this Section 11.3, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated company or (iv) any acquisition pursuant to a transaction that complies with Sections 11.3(b)(1), 11.3(b)(2) and 11.3(b)(3);

(b) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(c) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Incentives subject to such agreement; provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply; provided, further, that no Change in Control shall be deemed to occur upon announcement or commencement of a tender offer or upon a potential takeover or upon shareholder approval of a merger or other transaction, in each case without a requirement that the Change in Control actually occur. If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any

alternative definition thereunder). The Board may, in its sole discretion and without a Participant's consent, amend the definition of "Change in Control" to conform to the definition of "Change in Control" under Section 409A of the Code, and the regulations thereunder.

11.4. Corporate Transaction. "Corporate Transaction" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

- (a) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;
- (b) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;
- (c) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or
- (d) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

To the extent required for compliance with Section 409A of the Code, in no event will an event be deemed a Corporate Transaction if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

11.5 Employee. "Employee" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

11.6 Consultant. "Consultant" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a "Consultant" for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act of 1933 is available to register either the offer or the sale of the Company's securities to such person.

11.7 Director. "Director" means a member of the Board.

11.8 Effective Date. "Effective Date" means the effective date of this Plan document, which is the date of the annual meeting of shareholders of the Company held in 2015 provided this Plan is approved by the Company's shareholders at such meeting.

11.9 Fair Market Value. "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

- (a) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.
- (b) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(c) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

11.10 Incentive Stock Option. “Incentive Stock Option” means a stock option that is intended to be, and qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

11.11 Performance Criteria. “Performance Criteria” means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder’s equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders’ equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; and (xxxiii) to the extent that an Incentive is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

11.12 Performance Goals. “Performance Goals” means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices.

11.13 Performance Period. “Performance Period” means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of an Incentive. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

11.14 Transaction Proceeds Per Share. “Transaction Proceeds Per Share” in connection with a Change in Control shall mean the cash plus the Fair Market Value of the non-cash consideration to be received per share by the shareholders of the Company upon the occurrence of the transaction.

<p><b>FAMOUS DAVE'S OF AMERICA, INC.</b>  <b>12701 WHITEWATER DRIVE</b>  <b>SUITE 190</b>  <b>MINNETONKA, MN 55343</b></p>	<p><b>VOTE BY INTERNET - <a href="http://www.proxyvote.com">www.proxyvote.com</a></b>          Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.</p> <p><b>Electronic Delivery of Future PROXY MATERIALS</b>          If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.</p> <p><b>VOTE BY PHONE - 1-800-690-6903</b>          Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.</p> <p><b>VOTE BY MAIL</b>          Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.</p>
--	--

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

-----  
 DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

	<b>For All</b> <input type="checkbox"/>	<b>Withhold All</b> <input type="checkbox"/>	<b>For All Except</b> <input type="checkbox"/>	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.										
<p><b>The Board of Directors recommends you vote FOR the following:</b></p>														
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> _____														
<p>1. Election of Directors  <b>Nominees</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 20%;">01 Anand D. Gala</td> <td style="width: 20%;">02 Joseph M. Jacobs</td> <td style="width: 20%;">03 Peter O. Haeg</td> <td style="width: 20%;">04 Richard A. Shapiro</td> <td style="width: 20%;">05 Jeffery Crivello</td> </tr> <tr> <td>06 Bryan Wolff</td> <td>07 Richard Welch</td> <td></td> <td></td> <td></td> </tr> </table>					01 Anand D. Gala	02 Joseph M. Jacobs	03 Peter O. Haeg	04 Richard A. Shapiro	05 Jeffery Crivello	06 Bryan Wolff	07 Richard Welch			
01 Anand D. Gala	02 Joseph M. Jacobs	03 Peter O. Haeg	04 Richard A. Shapiro	05 Jeffery Crivello										
06 Bryan Wolff	07 Richard Welch													
<p><b>The Board of Directors recommends you vote FOR proposals 2. and 3.</b></p>														
2. To ratify the appointment of Grant Thornton LLP, independent registered public accounting firm, as independent auditors of the Company for Fiscal 2018.	For	Against	Abstain											
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>											
3. To approve, on an advisory basis, the Company's executive compensation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>											
4. To approve an amendment to the Company's 2015 Equity Incentive Plan to increase the number of Shares of Common Stock reserved for issuance from 700,000 shares to 1,000,000 shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>											
<p>Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.</p>														
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%;"></td> </tr> </table>			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%;"></td> </tr> </table>											
Signature [PLEASE SIGN WITHIN BOX]    Date	Signature (Joint Owners)    Date													



**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

---

**FAMOUS DAVE'S OF AMERICA, INC.  
Annual Meeting of Shareholders  
This proxy is solicited by the Board of Directors**

The shareholder(s) hereby appoint(s) Jeffery Crivello and Paul M. Malazita or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of FAMOUS DAVE'S OF AMERICA, INC. (the "Company"), that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 3:00 p.m., Central Time, on May 15, 2018, at the offices of Gray Plant Mooty, 500 IDS Center, 80 South Eighth Street, Minneapolis, MN 55402, and any adjournment or postponement thereof.

**THE SHARES REPRESENTED BY THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS AND FOR EACH PROPOSAL. IF ANY OTHER MATTERS PROPERLY COME BEFORE THE MEETING, THE PERSON(S) NAMED IN THIS PROXY WILL VOTE IN THEIR DISCRETION.**

**Continued and to be signed on reverse side**

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 December 31, 2017

Commission File No. 0-21625



FAMOUS DAVE'S of AMERICA, INC.

(Exact name of registrant as specified in its charter)

Minnesota  
(State or other jurisdiction of  
incorporation or organization)

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

12701 Whitewater Drive, Suite 190  
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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Emerging Growth Company

(Do not check if a smaller reporting company)

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately \$15.8 million as of June 30, 2017, (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 February 20, 2018, 7,391,315 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I</b>	
Item 1. Business	3
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	19
Item 2. Properties	20
Item 3. Legal Proceedings	20
Item 4. Mine Safety Disclosures	20
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6. Selected Financial Data	21
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	31
Item 8. Financial Statements and Supplementary Data	31
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	31
Item 9A. Controls and Procedures	31
Item 9B. Other Information	32
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	32
Item 11. Executive Compensation	36
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	41
Item 13. Certain Relationships and Related Transactions, and Director Independence	43
Item 14. Principal Accountant Fees and Services	44
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	44
Item 16. Form 10-K Summary	44
<b>SIGNATURES</b>	

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 our financial statements and related footnotes appearing elsewhere in this Annual Report.

## 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. The following table summarizes the changes in the number of Company-owned and franchise-operated restaurants for the fiscal years ended December 31, 2017 and January 1, 2017:

	<u>Year Ended</u> <u>December 31, 2017</u>	<u>Year Ended</u> <u>January 1, 2017</u>
Company-owned restaurants:		
Beginning of period	37	44
New	—	—
Refranchised	(8)	(7)
Closed	(13)	—
End of period	<u>16</u>	<u>37</u>
% of system	11 %	21 %
Franchise-operated restaurants:		
Beginning of period	139	135
New	2	4
Refranchised	8	7
Closed	(15)	(7)
End of period	<u>134</u>	<u>139</u>
% of system	89 %	79 %
System end of period total	<u><u>150</u></u>	<u><u>176</u></u>

As of December 31, 2017, Famous Dave’s restaurants operated in 32 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates. An additional 61 franchise restaurants were committed to be developed through signed area development agreements at December 31, 2017. Throughout fiscal 2017, we closed 13 underperforming Company-owned restaurants and our franchisees closed an additional 15 restaurants.

During the fourth quarter of fiscal 2017, we refranchised eight Company-owned restaurants located at Columbia, Maryland, Frederick, Maryland, Laurel, Maryland, Waldorf, Maryland, Alexandria, Virginia, Chantilly, Virginia, Oakton, Virginia and Woodbridge, Virginia. During the first quarter of fiscal 2016, we refranchised seven Company-owned restaurants in the Chicago area located at Addison, Algonquin, Bolingbrook, Evergreen Park, North Riverside, Orland Park and Oswego, Illinois. As a result of these transactions, we have classified the operating results of these restaurants as discontinued operations for all years reported and have excluded them from the results of continuing operations.

In fiscal 2017, we rolled out several initiatives aimed at increasing sales and traffic and reducing costs in our restaurants and support center. We revitalized our beverage menu and rolled out delivery programs via third-party delivery services. The beverage menu has been implemented at all of our Company-owned restaurants that serve alcohol and most of our franchise operated restaurants that serve alcohol. The delivery program is in various stages of implementation within our participating system-wide restaurants that are served by delivery service providers. As it relates to costs in our restaurants, we implemented programs aimed at reducing food waste and optimizing labor through the use of technology and training. We are also working to simplify our back of house operations to drive efficiencies in our restaurants. Additionally, in fiscal 2017, we took certain steps to realign our general and administrative expense structure. See Item 7. Management’s Discussion and Analysis for more information.

In fiscal 2018, as well as continuing to execute on the actions that we took in fiscal 2017, we intend to revitalize and streamline the core Famous Dave’s concept, and develop and test new BBQ concepts with attractive unit economics. We also expect to continue to leverage technology to increase operational efficiencies, facilitate more frequent training, and utilize consumer data to expand our base of loyal guests (“Guests”).

Throughout this Annual Report on Form 10-K, we refer to certain metrics of our franchise-operated restaurants; however, franchise-operated restaurants are not owned by us and therefore are not included in our consolidated results of operations and financial position. We believe that disclosure of certain information related to franchise-operated restaurants provides useful information to investors as the performance of franchise-operated restaurants directly impacts royalty and other revenues that we receive from our franchisees and has an impact on the perceived success and value of the Famous Dave’s brand.

### **Financial Information about Segments**

Since its inception, our revenue, operating income and assets have been attributable to the single industry segment of the foodservice industry. Our revenue and operating results for each of the last two fiscal years, and our assets for each of the last two fiscal years, are disclosed in Item 8. Financial Statements and Supplementary Data to this Annual Report on Form 10-K.

### **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 December 31, 2017, 11 of our Company-owned restaurants were full-service and five were counter-service. Generally, our prototypical design includes 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 fiscal 2017, our franchisees opened two restaurants in Abu Dhabi, United Arab Emirates and Green Bay, Wisconsin. In fiscal 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 2018, we may look to incentivize our franchisees to open additional restaurants, either traditional Famous Dave’s restaurants or our to-be-announced new concept. 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 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 barbecue 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, barbecue refers to the art of the smoke and sauce. As a verb, barbecue refers to the act of grilling. As a culture, barbecue 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 fiscal 2018, 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 appealing 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 2017, 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 barbecue. 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, barbecued, 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, barbecue 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.

***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 position of 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. We have a Director of Company Operations who is responsible for overseeing all Company-owned restaurants. This individual works closely with the General Managers to support day-to-day restaurant operations. In addition, the Director of Company Operations assists in the professional development of our 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 Director of Company Operations reports directly to our Chief Operating Officer.

### ***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 and delivery. 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. We see catering and delivery as a tremendous opportunity for new consumers to sample our product who would not otherwise have had the opportunity to visit our restaurants. Each restaurant has a dedicated vehicle to support our catering initiatives and many restaurants are served by multiple third-party delivery providers.

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 \$14.99 during fiscal 2017. During fiscal 2017, per person average tickets for lunch averaged \$13.01 and per person average ticket for dinner averaged \$16.98. 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, which substantially funds the marketing and digital teams. In fiscal 2017, the Marketing Ad Fund contribution for contributing franchisees was 1.0% of net sales and will continue to be so in fiscal 2018.

The marketing team, working with outside agencies 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. Famous Dave's uses industry standard marketing efforts that include brand and graphic design, broadcast media, digital, online & social media platforms, public relations and out-of-home vehicles.

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 have implemented a Guest research driven innovation process to create our rolling 12-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 2017, we highlighted value and affordability in our menu along with promoting additional value offerings through limited time offer's and day of the week offerings such as "Smokin' Deals." We also continued to promote our To Go and Catering offering while rolling out delivery on a large-scale basis. 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 December 31, 2017, was 43% Midwest, 5% Middle Atlantic, 9% South, 30% West, 8% Northeast and 5% International.

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.

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 to 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, through availability on our revolving line of credit and a rights offering that we expect to commence subsequent to the filing of this Annual Report on Form 10-K.

We expect to continue to grow our 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. 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.

## **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 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**

We recognize 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);
- 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 revising our franchise disclosure document and expect to be authorized to offer and sell franchises in all states by the end of the first quarter. 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.

As of December 31, 2017, we had 32 ownership groups with franchise operated restaurants in the following locations:

<b>United States</b>	
Arizona	6
California	14
Colorado	6
Delaware	2
Florida	3
Idaho	2
Illinois	8
Indiana	3
Iowa	3
Kansas	2
Kentucky	2
Maine	1
Maryland	4
Michigan	7
Minnesota	4
Missouri	2
Montana	4
Nebraska	4
Nevada	5
New Jersey	1
North Dakota	3
Oregon	2
Ohio	3
Pennsylvania	3
South Dakota	2
Tennessee	4
Texas	3
Utah	3
Virginia	4
Washington	6
Wisconsin	10
United States Total	126
<b>International</b>	
The Commonwealth of Puerto Rico	4
Canada	1
United Arab Emirates	3
International total	8
Total franchise-operated restaurants	134

Our Franchise Operations Department is led by our Chief Operating Officer, who guides the efforts of five Franchise Business Consultants. The Franchise Business Consultants have the responsibility of supporting our franchisees throughout the system and play a critical role for us as well as for our franchise community. The Franchise Business Consultants manage the relationship between us and our franchisees and provides an understanding of the roles, responsibilities, differences, and accountabilities of that relationship. They are active participants 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 Franchise Business Consultants and the Support Center but are not required to do so.

We have 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, we solicit feedback from our franchise system by having an active dialogue with all franchisees throughout the year.

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 fiscal 2017, certain of our franchisees were required to contribute 1.0% of net sales to a marketing fund dedicated to providing digital and creative services. 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 December 31, 2017, we employed approximately 722 team members of which approximately 95 were salaried full-time employees. None of our team members are covered by a collective bargaining agreement. We believe that we have good relationships with our team members.

### **ITEM 1A. RISK FACTORS**

We make written and oral statements from time to time, including statements contained in this Annual Report on Form 10-K regarding our 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.***

On December 2, 2016, we and certain of our affiliates entered into a credit arrangement with Venture Bank providing for three separate loans with aggregate borrowings of \$11.0 million (the "Credit Facility"). We are subject to various financial and non-financial covenants under the Credit Facility, including a minimum debt-service coverage ratio. As of December 31, 2017, we were in compliance with all of our covenants; however, there can be no assurance that we will be able to comply with all of our financial and non-financial covenants in the future. A failure to comply with these covenants could cause us to be in default of our agreements and Venture Bank would be within its rights to accelerate the maturity dates of any amounts owed on our existing loans. 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.

We may choose not to open any more Company-owned restaurants and anticipate that most future restaurant growth will be through our franchisees. There is no guarantee that any of these 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, or unable to respond in a timely manner, to the various competitive factors affecting the restaurant industry, our revenue, operating income and cash flows, as well as our growth plans, 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 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. Additionally, certain of our long-term debt is subject to various financial covenants and secured by the land and real estate of restaurant locations that we own, and we will likely have to obtain approval from our lender and refinance this long-term debt. We may also be subject to additional impairment charges, lease termination and other charges, and increased financial statement disclosure requirements. Many of the foregoing factors are beyond the control of the Company or our franchisees and there can be no assurance that we will be able to successfully carry out our franchising and refranchising strategy on terms acceptable to our management and Board, or at all.

Our growth and success also depend 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 its 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 revenue, operating income and cash flows, 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 three 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.

The Affordable Care Act requires restaurant companies such as ours to disclose calorie information on their menus beginning in May 2018. We do not expect to incur any material costs from compliance with this provision, but 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.

***U.S. federal income tax reform could adversely affect us***

On December 22, 2017, President Donald Trump signed into law sweeping tax reform, which overhauls individual, business and international taxes including, but not limited to:

- Reducing the corporate federal statutory tax rate to 21%
- Limiting net interest expense deductions to 30% of adjusted taxable income
- Limiting the net operating loss deduction to 80% of taxable income



The reduction in tax rate caused the valuation of our net deferred tax asset to decrease, as a result of which we recognized deferred tax expense of \$1.8 million. If we fail to generate significant taxable income, we may not be able to fully deduct the interest expense on our debt, which could result in us having to pay increased federal income taxes. We have also generated substantial taxable losses in the past and may continue to do so in the future. Although the treatment of tax losses generated before December 31, 2017 has not changed, tax losses generated in fiscal 2018 and beyond will only be able to offset 80% of taxable income, although the losses may be carried forward indefinitely. This could cause us to have to pay federal income taxes despite generating a loss for federal income tax purposes in the future. We continue to work with our tax advisors to determine the full impact that the new tax bill will have on our Company.

Staff Accounting Bulletin 118 outlines the approach that companies may take if essential information related to the new tax law is not available in reasonable detail by the time the financial statements are filed. We believe that we have reflected all of the material impacts of the New Tax Law in our consolidated financial statements as of the year ended December 31, 2017 and that there are no open items; however, our estimates will be finalized throughout fiscal 2018 as we complete our income tax returns for the fiscal year ended December 31, 2017.

***We have a material weakness in our internal control over financial reporting.***

Our management has identified a material weakness in our internal control over financial reporting and as a result concluded that our disclosure controls and procedures were not effective as of December 31, 2017. Specifically, management concluded that we did not maintain effective controls surrounding the preparation of our income tax provision and the use of Excel spreadsheets. While the material weakness did not result in any material or immaterial misstatements to our previously filed financial statements, the control deficiency could increase the likelihood of inaccuracies in our financial statements. Although management is in the process of developing and implementing a plan to remediate the deficiency in internal control, there is no assurance that the plan will remediate the material weakness or ensure that our internal controls over financial reporting will be effective in the future which could have a material adverse effect on our business, including, among other things, our ability to access the capital markets and our ability to provide accurate financial information.

***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 customer 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 and food service distributors 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 customers' 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, 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 you 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.

***We may be unable to reduce our general and administrative expenses to the previously announced intended levels.***

We recently announced our goal to reduce our general and administrative expenses to \$8 million in 2018. While we believe that this goal is achievable, there can be no assurance that we will be able to reduce our general and administrative expenses to this level within our intended time frame or at all. The bonus compensation of our Chief Executive Officer and Chief Operating Officer is tied to our share price, such that increases in our share price entitle them to grants of shares of our common stock or cash. These grants of our common stock are fully vested upon issuance, which will result in an immediate general and administrative expense charge when granted. While we cannot predict the future price of our shares, a significant increase in the price will result in our recognition of significant additional compensation expense.

***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, Hurricane Harvey and Hurricane Irma forced several of our franchise-operated restaurants to close for an extended period of time. Severe winter weather conditions have also impacted our customer 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 2017, we recognized aggregate losses of \$10.3 million in continuing and discontinued operations related to losses on the sales of restaurants, asset impairment, estimated lease termination and other closing costs. As we continue to execute on our re-franchising initiative, we expect to incur additional impairment charges.

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.

*Minnesota law and our Articles protect our directors from certain types of lawsuits, which could make it difficult for us to recover damages from them in the event of a lawsuit.*

Minnesota law provides that our directors will not be liable to our Company or to our shareholders for monetary damages for all but certain types of conduct as directors. Our Articles require us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require our Company to use its assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

*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. 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

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 December 31, 2017:

Location	Square Footage	Interior Seats	Owned or Leased	Date Opened/Acquired
1 Roseville, MN <sup>(3)</sup>	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 <sup>(1)</sup>	April 1997
4 Highland Park (St. Paul, MN) <sup>(3)</sup>	5,200	125	Leased	June 1997
5 Apple Valley, MN <sup>(3)</sup>	3,800	90	Leased <sup>(1)</sup>	July 1997
6 Forest Lake, MN <sup>(3)</sup>	4,500	100	Leased	October 1997
7 Minnetonka, MN	5,500	140	Owned <sup>(2)</sup>	December 1997
8 Plymouth, MN <sup>(3)</sup>	2,100	49	Owned <sup>(2)</sup>	December 1997
9 West Des Moines, IA	5,700	150	Leased	April 1998
10 Woodbury, MN	5,900	180	Owned <sup>(2)</sup>	October 1998
11 Coon Rapids, MN	6,300	160	Owned <sup>(2)</sup>	December 2006
12 Brick, NJ	5,200	181	Leased	March 2010
13 Mays Landing, NJ	6,400	237	Leased	March 2010
14 Westbury, NY	6,400	276	Leased	March 2010
15 Mountainside, NJ	8,800	253	Leased	March 2010
16 Metuchen, NJ	6,200	176	Leased	March 2010

All seat count and square footage amounts are approximate.

- <sup>(1)</sup> Restaurant is collateral in a financing lease.
- <sup>(2)</sup> Restaurant land and building are owned by the Company.
- <sup>(3)</sup> Counter service restaurant

Our Minnesota executive offices are currently located in approximately 7,000 square feet in Minnetonka, Minnesota. Our executive office lease expires in November 2018. During 2015, our 8,400-square foot office in Lombard, IL was closed and sublet to another tenant. This office lease expires in October 2022.

## ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 8 “Commitments and Contingencies” of the notes to the accompanying consolidated financial statements included in this Annual Report on Form 10-K is incorporated by reference into this Item 3. Except as set forth therein, as of the end of the period covered by this Annual Report on Form 10-K, we are not a party to any material pending legal proceedings.

## 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

### 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 closing prices per share of our common stock for the periods indicated, as reported on the Nasdaq Global Market.

Period	2017		2016	
	High	Low	High	Low
1 <sup>st</sup> Quarter	\$ 6.15	\$ 3.90	\$ 7.05	\$ 5.01
2 <sup>nd</sup> Quarter	\$ 4.50	\$ 3.50	\$ 6.14	\$ 4.75
3 <sup>rd</sup> Quarter	\$ 4.65	\$ 3.40	\$ 6.73	\$ 4.99
4 <sup>th</sup> Quarter	\$ 7.30	\$ 3.55	\$ 5.53	\$ 4.42

## Holders

As of February 20, 2018, we had approximately 336 shareholders of record and approximately 3,606 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.

## Securities Authorized for Issuance under Equity Compensation Plans

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.

## Performance Graph

Not applicable to smaller reporting companies.

## Purchases of Equity Securities by the Issuer

None

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable to smaller reporting companies.

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

### Overview

Famous Dave's of America, Inc. was incorporated as a Minnesota corporation in March 1994 and opened its first restaurant in Minneapolis in June 1995. As of December 31, 2017, there were 150 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada and the United Arab Emirates, including 16 Company-owned and 134 franchise-operated restaurants. An additional 61 restaurants were committed to be developed through signed area development agreements as of December 31, 2017.

## **Fiscal Year**

Our fiscal year ends on the Sunday nearest to December 31st of each year. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal years ended December 31, 2017 (fiscal 2017) and January 1, 2017 (fiscal 2016) consisted of 52 weeks. Fiscal 2018, which ends on December 30, 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 our financial condition and results of operations is based upon our 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 materially from these estimates under different assumptions or conditions. Our management believes the following critical accounting policies reflect its more significant judgments and estimates used in the preparation of our 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*

Beginning in fiscal 2018, we will be required to adopt *ASC 606 – Revenue from Contracts with Customers*. See Note 1 "Nature of Business and Significant Accounting Policies" the notes to the accompanying financial statements for more information.

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. We recognize a portion of any franchise fees received upon signing of the agreement if we have incurred expenses. 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.

### *Costs and Expenses*

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

### *General and Administrative Expenses*

General and administrative expenses include all corporate and administrative functions, other than marketing and digital services. Salaries and benefits, legal fees, accounting fees, professional consulting fees, travel, rent and general insurance are major items in this category. Additionally, we record expense for Managers-in-Training ("MITs") in this category. We also provide franchise services for which the revenue is included in other revenue and the expenses are included in general and administrative expenses.

### *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*

We own 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 as of December 31, 2017 and January 1, 2017. We review annually these 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 recognized in expense 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. 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 on a case-by-case basis. Any changes to the reserve are recorded in general and administrative expenses. 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. 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. The incentive compensation of our chief executive officer provides for grants of unrestricted, freely tradable shares of our common stock. These expense for these grants is recorded when earned by our chief executive officer. 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.

### *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 – Fiscal Year 2017 Compared to Fiscal Year 2016**

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

	Year Ended	
	December 31, 2017	January 1, 2017
Food and beverage costs <sup>(1)</sup>	30.2 %	31.0 %
Labor and benefits costs <sup>(1)</sup>	36.1 %	35.6 %
Operating expenses <sup>(1)</sup>	30.0 %	31.8 %
Restaurant level operating margin <sup>(1)(3)</sup>	3.6 %	1.6 %
Depreciation and amortization expenses <sup>(2)</sup>	4.3 %	3.7 %
General and administrative <sup>(2)</sup>	22.7 %	21.6 %
Loss from continuing operations <sup>(2)</sup>	(10.5)%	(7.2)%

<sup>(1)</sup> As a percentage of restaurant sales, net

<sup>(2)</sup> As a percentage of total revenue

<sup>(3)</sup> Restaurant level cash operating margin is equal to restaurant sales, net, less food and beverage costs, labor and benefit costs, and operating expenses.

## Total Revenue

Our components of and changes in revenue consisted of the following for the fiscal years ended December 31, 2017 and January 1, 2017:

	Year Ended			
	December 31, 2017	January 1, 2017	\$ Change	% Change
<i>(dollars in thousands)</i>				
<b>Revenue:</b>				
Restaurant sales, net	\$ 48,874	\$ 58,956	\$ (10,082)	(17.1)%
Franchise royalty revenue	14,767	16,665	(1,898)	(11.4)%
Licensing and other revenue	954	1,003	(49)	(4.9)%
<b>Total revenue</b>	<b>\$ 64,595</b>	<b>\$ 76,624</b>	<b>\$ (12,029)</b>	<b>(15.7)%</b>

The decline in year-over-year restaurant sales, net for the year ended December 31, 2017 as compared to the year ended January 1, 2017 was primarily a result of the closure of 13 Company-owned restaurants. The impact of these closures was partially offset by a 2.4% increase in same-store sales during the year ended December 31, 2017. On a weighted basis, for the year ended December 31, 2017, Dine-In sales decreased by 0.6%, while To Go and Catering sales increased 2.6% and 0.4%, respectively, highlighting the success of our initiatives in these areas. As a percentage of Dine-In sales, our adult beverage sales at Company-owned restaurants was approximately 12.0% and 11.4%, respectively, during the fiscal years ended December 31, 2017 and January 1, 2017, an increase of 5.3%.

We have been making significant investments in programs aimed at increasing To-Go, Catering and Adult Beverage sales at Famous Dave's restaurants. For example, during the first half of fiscal 2017, we designed and implemented a signature beverage program aimed at increasing liquor sales at our Company-owned stores, which have higher margins than beer and wine. We have been training our franchise groups on the signature beverage throughout fiscal 2017 and expect to train the remainder of participating franchisees during the first quarter of fiscal 2018. We have also expanded the online ordering program in certain franchise-operated restaurants, and will continue to assist participating franchisees with implementation during early 2018. We have rolled out delivery programs with various third-party services, which we believe, along with online ordering, will augment our To Go sales in the future. We believe that these innovations will provide additional avenues for our franchisees to grow their respective businesses.

The decline in year-over-year franchise-related revenue was primarily a result of the net closure of 13 franchise-operated restaurants and a 2.3% decrease in same-store sales during the year ended December 31, 2017. Initial franchise fee revenue also declined from \$290,000 in fiscal 2016 to \$35,000 in fiscal 2017. These decreases were partially offset by the refranchising of eight Company-owned restaurants during the fourth quarter of fiscal 2017.

### Average Weekly Net Sales and Operating Weeks

The following table shows Company-owned and franchise-operated average weekly net sales for the periods presented:

	Year Ended	
	December 31, 2017	January 1, 2017
<b>Average Weekly Net Sales (AWS):</b>		
Franchise-Operated <sup>(1)</sup>	\$ 47,192	\$ 47,909
Company-Owned	44,330	42,365
Full-Service	45,865	43,348
Counter-Service	36,846	36,073
<b>Operating Weeks:</b>		
Franchise-Operated	6,993	7,203
Company-Owned	1,527	1,924

<sup>(1)</sup> AWS for franchise-operated restaurants are not our revenues and are not included in our consolidated financial statements. We believe that disclosure of average weekly net sales and operating weeks for franchise-operated restaurants provides useful information to investors because historical performance and trends of Famous Dave's franchisees relate directly to trends in franchise royalty revenues that we receive from such franchisees and have an impact on the perceived success and value of the Famous Dave's brand. It also provides a comparison against which management and investors can analyze the extent to which Company-owned restaurants are realizing their revenue potential.

### Food and Beverage Costs

Our food and beverage costs consisted of the following for fiscal years ended December 31, 2017 and January 1, 2017:

	Year Ended			
	December 31, 2017	January 1, 2017	\$ Change	% Change
<i>(dollars in thousands)</i>				
Food and beverage costs	\$ 14,782	\$ 18,299	\$ (3,517)	(19.2)%

Food and beverage costs for the fiscal years ended December 31, 2017 and January 1, 2017 represented approximately 30.2% and 31.0% of net restaurant sales, respectively. This year-over-year decrease, as a percentage of net restaurant sales, primarily resulted from internal initiatives aimed at reducing food waste.

### Labor and Benefits Costs

Our labor and benefits costs consisted of the following for the fiscal years ended December 31, 2017 and January 1, 2017.

	Year Ended			
	December 31, 2017	January 1, 2017	\$ Change	% Change
<i>(dollars in thousands)</i>				
Labor and benefits costs	\$ 17,653	\$ 21,008	\$ (3,355)	(16.0)%

Labor and benefits costs for the fiscal years ended December 31, 2017 and January 1, 2017 were approximately 36.1% and 35.6% of net restaurant sales, respectively. Labor and benefit costs increased year-over-year, as a percentage of net restaurant sales, due to increased management labor, wage rate inflation and benefit costs.

### ***Operating Expenses***

Our operating expenses consisted of the following for the fiscal years ended December 31, 2017 and January 1, 2017:

<i>(dollars in thousands)</i>	<b>Year Ended</b>			
	<b>December 31,</b>	<b>January 1,</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>2017</b>	<b>2017</b>		
Operating expenses	\$ 14,658	\$ 18,729	\$ (4,071)	(21.7)%

Operating expenses for the fiscal years ended December 31, 2017 and January 1, 2017 were approximately 30.0% and 31.8% of net restaurant sales, respectively. Operating expenses, as a percentage of net sales, were favorable to the prior year due to reduced occupancy costs and advertising.

### ***Depreciation and Amortization***

Depreciation and amortization expense for the fiscal years ended December 31, 2017 and January 1, 2017 was approximately \$2.8 million and \$2.9 million, respectively, representing approximately 4.3% and 3.7% of total revenues, respectively. The increase during the year ended December 31, 2017 is primarily a result of shortening the useful life of certain of our restaurants that have been slated for closure significantly before the end of their previous useful lives. We incur elevated depreciation expense on these restaurants until they are fully depreciated or ultimately closed and the assets had been disposed.

### ***General and Administrative Expenses***

Our general and administrative expenses consisted of the following for the fiscal years ended December 31, 2017 and January 1, 2017:

<i>(dollars in thousands)</i>	<b>Year Ended</b>			
	<b>December 31,</b>	<b>January 1,</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>2017</b>	<b>2016</b>		
General and administrative expenses	\$ 14,634	\$ 16,569	\$ (1,935)	(11.7)%

The decrease in general and administrative expenses was primarily related to the continued optimization of our general and administrative expense structure, reduced costs incurred for the corporate office, third party services and professional fees. As a percentage of revenue, general and administrative expenses increased due to sales deleverage.

On November 13, 2017, we announced that we intended to take certain steps, over a 90-day period, to reduce our annual general and administrative expenses to \$8.0 million. As of December 31, 2017, we have made significant progress towards this goal and intend to continue to optimize our general and administrative expense structure during the first half of the first quarter of fiscal 2018.

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

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

<i>(dollars in thousands)</i>	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Restaurant Optimization		
Asset impairments, net	\$ 3,154	\$ 4,426
Lease termination charges and related costs	3,403	—
Restaurant closure expenses	259	206
Software	—	156
Asset impairment, estimated lease termination and other closing costs	<u>\$ 6,816</u>	<u>\$ 4,788</u>

During the fiscal years ended December 31, 2017 and January 1, 2017, we embarked upon a restaurant optimization and refranchising initiative, which resulted in the ultimate closure of 13 underperforming Company-owned restaurants. These charges represented the write-offs of the net assets of closed restaurants, lease termination charges incurred with the early termination of leases as well as ongoing costs incurred related to closed restaurants. During the fiscal year ended January 1, 2017 we also incurred impairment charges related to the abandonment of a software-implementation project.

### ***Total Other Expense***

Total other expense for the fiscal years ended December 31, 2017 and January 1, 2017 included of interest expense of \$661,000 and \$886,000, respectively. We also incurred approximately \$82,000 in other taxes not included in our income tax provision for the year ended December 31, 2017. These expenses were partially offset by interest income of approximately \$22,000 and \$2,000, respectively during the fiscal years ended December 31, 2017 and January 1, 2017. The decrease in interest expense was primarily related to a lower average outstanding debt balance partially offset by a higher interest rate on our current debt.

### ***Income Tax Benefit***

Income tax benefit included in continuing operations for the year ended December 31, 2017 and January 1, 2017 was \$858,000 and \$2.3 million, respectively, representing an effective tax rate of 11.5% and 35.6%, respectively. The decrease in our effective tax rate was primarily a result of tax reform signed into law in late 2017, which resulted in us revaluing our deferred tax assets and liabilities at a lower income tax rate, which offset the benefit of our net loss from continuing operations.

### ***(Loss) income from discontinued operations, net of taxes***

During the year ended December 31, 2017, we sold eight restaurants in the Mid-Atlantic region to a franchisee. During the year ended January 1, 2017, we sold seven restaurants in the Chicago area to a franchisee. These 15 restaurants are reflected as discontinued operations throughout our consolidated financial statements. During the year ended December 31, 2017, we realized a loss of \$1.5 million related to discontinued operations, net of taxes and during the year ended January 1, 2017, we realized income of approximately \$1.7 million related to discontinued operations, net of taxes.

### ***Basic and Diluted Net Income (Loss) Per Common Share***

Our basic and diluted net loss per common share for the year ended December 31, 2017 was (\$1.16) per share, of which (\$0.95) per share related to continuing operations and (\$0.21) per share related to discontinued operations. Our basic and diluted net loss per share for the year ended January 1, 2017 was (\$0.35) per share, of which we realized a loss of (\$0.59) per share related to continuing operations and income of \$0.24 per share related to discontinued operations. For the years ended December 31, 2017 and January 1, 2017, we had approximately 7,015,000 and 6,950,000 weighted-average shares outstanding, respectively.

## Financial Condition, Liquidity and Capital Resources

Our balance of unrestricted cash and cash equivalents was approximately \$8.8 million and \$4.5 million as of December 31, 2017 and January 1, 2017, respectively. We expect to utilize cash on hand and cash received from our forthcoming rights offering to reinvest in our brand and the evolution of our Company and to repay debt.

Our current ratio, which measures our immediate short-term liquidity, was 1.62 as of December 31, 2017, compared with 1.47 as of January 1, 2017. The current ratio is computed by dividing total current assets by total current liabilities. The increase in our current ratio was primarily due to decreases in our net current liabilities and a slight increase in current assets.

Net cash provided by continuing operating activities for the year ended December 31, 2017 was approximately \$1.9 million, which reflects a net loss from continuing operations of approximately \$6.7 million, increased by non-cash charges of approximately \$7.2 million primarily related to depreciation and amortization, asset impairment, estimated lease termination charges and reserves for bad debts. Changes in operating assets and liabilities for the year ended December 31, 2017 primarily included net cash inflows related to prepaid income taxes and income taxes receivable of \$1.5 million, prepaid expenses and other current assets of \$473,000, inventories of \$467,000 and other assets of \$312,000. These cash inflows were partially offset by outflows related to a decrease in accounts payable of \$946,000 and other current liabilities of \$567,000. Cash flows provided by operating activities related to discontinued operations were \$1.4 million.

Net cash used by continuing operating activities for the year ended January 1, 2017 was approximately \$2.4 million which reflects a net loss of approximately \$4.1 million increased by non-cash charges of \$5.6 million primarily related to depreciation, amortization and asset impairment and estimated lease termination charges. Changes in operating assets and liabilities primarily included a net cash outflow related to an increase in prepaid income taxes and income taxes receivable of \$1.9 million, other assets of \$673,000, restricted cash of \$627,000 and accounts receivable, net of \$538,000. Cash flows provided by operating activities related to discontinued operations was \$2.8 million.

Net cash used by continuing investing activities for the year ended December 31, 2017 was \$378,000 related to purchases of property, equipment and leasehold improvements. Net cash provided by discontinued investing activities was \$1.6 million. Net cash provided by continuing investing activities for the year ended January 1, 2017 was approximately \$421,000, which resulted from proceeds from the sale of assets of \$1.1 million partially offset by purchases of property, equipment and leasehold improvements of \$647,000. Net cash provided by discontinued investing activities was \$1.0 million.

Net cash used for financing activities was approximately \$89,000, which primarily consisted of debt repayments of \$1.5 million partially offset by proceeds from issuance of common stock of \$1.5 million. Net cash used for financing activities during the year ended January 1, 2017 was \$2.7 million, which was primarily related to the refinancing of our long-term debt obligations and overall reducing our debt outstanding.

We are subject to various financial and non-financial covenants on our long-term debt, including a debt-service coverage ratio. As of December 31, 2017, we were in compliance with all of our covenants.

## Contractual Obligations

The following is a summary of our contractual obligations as of December 31, 2017:

<i>(in thousands)</i>	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Thereafter</b>
Long Term Debt	\$ 9,096	\$ 940	\$ 981	\$ 1,023	\$ 1,069	\$ 1,116	\$ 3,967
Financing Leases	1,712	480	1,232	—	—	—	—
Operating Lease Obligations	11,488	1,892	1,702	1,587	1,575	1,308	3,424
Total	<u>\$ 22,296</u>	<u>\$ 3,312</u>	<u>\$ 3,915</u>	<u>\$ 2,610</u>	<u>\$ 2,644</u>	<u>\$ 2,424</u>	<u>\$ 7,391</u>

## **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**

As of December 31, 2017, we had cumulative state net operating loss carry-forwards for tax reporting purposes of approximately \$53.9 million and federal net operating loss carry-forwards for tax reporting purposes of \$11.8 million which, if not used, will begin to expire in fiscal 2018 and 2037, respectively.

## **Recent Accounting Guidance**

### *Recent accounting guidance not yet adopted*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” in March 2016, ASU 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” in April 2016, ASU 2016-11, “Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 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 full retrospective or modified retrospective transition method and early adoption is permitted. We plan to adopt this standard as of the effective date utilizing the modified retrospective transition method. See Note 1 “Nature of Business and Significant Accounting Policies” to the accompanying notes to consolidated financial statements.

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

In May 2017, the FASB issued ASU 2017-05, Compensation – Stock Compensation (Topic 718), to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The updated standard clarifies when an entity should account for the effects of a modification. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company does not believe that adoption of the new standard will 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**

Not applicable to smaller reporting companies.

**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 not effective because of the material weakness in internal control over financial reporting described below.

**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 December 31, 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 December 31, 2017, our internal control over financial reporting was not effective based on these criteria due to a material weakness, as a result of an audit adjustment identified during the review of our income tax provision, which was the result of a spreadsheet error.

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.

We are in the process of improving our internal controls to remediate the material weakness identified above and intend to utilize specialized software for the preparation of our tax provision in the future, instead of Microsoft Excel. We also intend to add additional steps to the management review control that failed to detect the error in our income tax provision for the year ended December 31, 2017.

**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 December 31, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.



## ITEM 9B. OTHER INFORMATION

None.

## PART III

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

### Management

The table below sets forth the name, age and position of each of our current directors and executive officers.

Name	Age	Position
Jeffery Crivello	39	Chief Executive Officer, Director <sup>(1)</sup>
Dexter A. Newman	38	Chief Financial Officer <sup>(2)</sup>
Geovannie Concepcion	32	Chief Operating Officer
Paul M. Malazita	31	Director of Accounting and Corporate Controller <sup>(2)</sup>
Anand D. Gala	44	Director
Eric S. Hirschhorn	36	Director
Joseph M. Jacobs	65	Director
Charles W. Mooty	57	Director
Richard A. Shapiro	47	Director
Bryan L. Wolff	39	Director

<sup>(1)</sup> Mr. Crivello began serving as a director as a result of Patrick Walsh's resignation and become Chief Executive Officer pursuant to the terms of the Stock Purchase Agreement between the Company and PW Partners, LLC, dated November 10, 2017.

<sup>(2)</sup> Mr. Newman has resigned as Chief Financial Officer effective March 5, 2018 and Mr. Malazita will become Interim Chief Financial Officer effective March 6, 2018.

The biographies of each of the above-identified individuals are set forth below:

*Jeffery Crivello* has been our chief executive officer since November 2017 and director since August 2017. Since January 2015, Mr. Crivello served as the Chief Financial Officer of PW Partners Capital Management, LLC, a hedge fund manager with a consumer focus, where he had primary responsibility for operations and accounting. PW Partners has had board of directors' representation with Famous Dave's of America, Inc. since 2013, BJ's Restaurants, Inc. since 2014, Del Taco Holdings, Inc. since 2015, and Town Sports International Holdings, Inc. since 2015. Since 2001, Mr. Crivello has served as President of TREW Capital Management, Inc., a consulting and investment firm where he had primary responsibility for operations. From 2012 to 2015, Mr. Crivello served as a Managing Member of Maize Capital Group, LLC, a commodity investment firm. He graduated from the University of Wisconsin-Whitewater with a B.S. degree in finance.

*Dexter A. Newman* has served as our Chief Financial Officer since April 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, where he had primary responsibility for overseeing the operations, investment, and other financial decisions of the company's Bonafish Grill business. He was formerly Bloomin' Brands Vice President and Treasurer, and Head of Risk Management from October 2012 through October 2013 where he had primary responsibility for capital markets, financial risks management, cash management, and insurance. 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. Mr. Newman holds an MBA from the University of St Thomas, Opus College of Business and a BA in management from St John's University.

*Geovannie Concepcion* has served as our Chief Operating Officer since November 2017. Mr. Concepcion has been a member of the Famous Dave's management team since April 2016 where he has primary responsibility for executing on the company's store optimization and refranchising efforts. In addition, Mr. Concepcion has led the company's national efforts with third party delivery providers and online ordering. Before joining Famous Dave's, Mr. Concepcion served in various capacities with Greenwich, Connecticut-based Wexford Capital LP, a registered investment advisor, in both the Private Equity Group and Global Macro Hedge Funds from June 2009 until April 2016. Mr. Concepcion graduated from DePaul University with a B.S. in Accounting.

*Paul M. Malazita* currently serves as our Director of Accounting and Corporate Controller since October 2017 and, prior to that, he served as Senior Manager of Corporate Accounting from March 2017 to October 2017. Prior to joining our Company, from July 2016 to February 2017, Mr. Malazita served as the Manager of Financial Reporting at Digiliti Money, Inc., a provider of SaaS financial solutions, where he had primary responsibility for SEC financial reporting. From September 2014 to July 2016, Mr. Malazita served in various capacities at AR Global Investments, LLC, a sponsor of real estate investment trusts, from September 2014 to July 2016, where he had primary responsibility for SEC financial reporting and technical accounting. From July 2009 to September 2014, Mr. Malazita served in various capacities at Baker Tilly Virchow Krause, LLP (formerly ParenteBeard LLC), a public accounting firm. Mr. Malazita graduated from St. Joseph's University in Philadelphia, Pennsylvania with a B.S. in Accounting and is a Certified Public Accountant.

*Anand D. 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 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.

*Eric S. Hirschhorn* has been a director since May 2017. Since January 2018, he has served as the Chief Marketing Officer of Fridababy, LLC, a baby products company. Mr. Hirschhorn has served as a director of Four Corners Property Trust since September 2017. Mr. Hirschhorn served in various capacities at Restaurant Brands International through March 2017. Most recently, he served as the Head of Burger King Canada. From June 2013 to May 2016, Mr. Hirschhorn served as Burger King's Chief Marketing Officer for North America and, prior to that role, he served as Vice President of Market Intelligence and Global Innovation for Burger King. Mr. Hirschhorn first joined Burger King in November 2010. Prior to joining Burger King, Mr. Hirschhorn served as General Counsel of 3G Capital from 2008 to 2010, an investment firm based in New York where he served as key counsel in the acquisition of Burger King. Immediately upon graduating from law school, he was hired as an associate in the Technology, Media & Communications department at Thelen Reid Brown Raysman Steiner. Mr. Hirschhorn received his J.D. from the Benjamin N. Cardozo School of Law and his B.A from the University of Pennsylvania.

*Joseph M. Jacobs* has been a director since July 2015 and served as Chairman of the Board from July 2015 to February 2017. Mr. Jacobs co-founded Wexford Capital LP, a registered investment advisor, 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 to 1994, 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 to 1982, 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.

*Charles W. Mooty* has been a director since December 2016 and served as Chairman of the Board from February 2017 to October 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.

*Richard A. Shapiro* has been a director since July 2015. Mr. Shapiro joined Wexford Capital LP, a registered investment advisor, 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 to 2011, Mr. Shapiro was a Managing Director and Portfolio Manager at Millennium Management, managing a long-short portfolio. From 2004 to 2006, Mr. Shapiro was Managing Director and Portfolio Manager in the equities division of Amaranth Advisors. From 1997 to 1999 and 2001 to 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.

*Bryan L. Wolff* has been a director since July 2015. Since March 2017, he has served as a Managing Director at Anthos Capital Management, a Santa Monica-based growth equity firm. From August 2015 to March 2017, he served as Chief Financial Officer of Thrive Market, Inc., a healthy and organic food ecommerce company. From September 2014 to August 2015, he served as Chief Financial Officer of DogVacay, Inc. (sold to Rover), 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. (sold to Walmart), a men’s fashion and accessories retailer. From March 2010 through December 2011, Mr. Wolff was an Analyst at Luxor Capital, LP. Mr. Wolff previously had roles at both AllianceBernstein and McKinsey & Co. Mr. Wolff earned a Masters of Business Administration from Stanford’s Graduate School of Business, and a Bachelor’s of Engineering in Computer Science from Princeton University.

### Committees of the Board of Directors

We have a standing Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. Below is a summary of our board committee structure and current committee membership information:

Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Jeffery Crivello			
Anand D. Gala			
Eric S. Hirschhorn	Member	Chairman	
Joseph M. Jacobs			
Charles W. Mooty	Member	Member	Member
Richard A. Shapiro		Member	Member
Bryan L. Wolff <sup>(1)</sup>	Chairman	Member	Chairman

<sup>(1)</sup> Financial expert

## **Audit Committee**

The Audit Committee operates under a written charter adopted by the board of directors, a copy of which is available at our website at [www.famousdaves.com](http://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 minimis 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.

## **Compensation Committee**

The Compensation Committee operates under a written charter adopted by the board of directors, a copy of which is available at our website at [www.famousdaves.com](http://www.famousdaves.com). The Compensation Committee reviews our remuneration policies and practices, makes recommendations to the full board of directors in connection with all compensation matters affecting the Company and administers our incentive compensation plans. The Compensation Committee of the board of directors has direct oversight and responsibility for our 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.

## **Nominating and Corporate Governance Committee**

The Corporate Governance and Nominating Committee operates under a written charter adopted by the board of directors, a copy of which is available at our website at [www.famousdaves.com](http://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 of directors, including establishing criteria for 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 of directors on matters of corporate governance and monitors and recommends the functions of, and membership on, the various committees of the board of directors.

## **Code of Ethics**

We have adopted a Code of Ethics specifically applicable to our CEO, CFO and Key Financial & Accounting Management. In addition, there is a more general Code of Ethics applicable to all team members. Both of these Codes of Ethics are available on our website at [www.famousdaves.com](http://www.famousdaves.com) and copies are available free of charge to anyone requesting them.

## Section 16(a) Beneficial Owner Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent of a registered class of our 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 us 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 December 31, 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, we believe that all of our officers, directors and greater than ten percent beneficial owners complied with all applicable Section 16(a) filing requirements during the fiscal year ended December 31, 2017.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following summary compensation table reflects cash and non-cash compensation for the 2016 and 2017 fiscal years awarded to or earned by (i) each individual serving as the principal executive officer of the Company during the 2017 fiscal year ended December 31, 2017; (ii) the other two highest paid individuals who served as executive officers 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”).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) <sup>(6)</sup>	All Other Compensation (\$)	Total (\$)
Jeffery Crivello <sup>(1)</sup> Chief Executive Officer	2017	\$ 27,884	\$ —	\$ 85,000	\$ 156,008	\$ —	\$ 268,892
	2016	—	—	—	—	—	—
Dexter A. Newman <sup>(2)</sup> Chief Financial Officer	2017	270,000	—	—	—	—	270,000
	2016	192,115	98,654	—	156,088	—	446,857
Michael W. Lister <sup>(3)</sup> Former Chief Executive Officer	2017	274,239	—	—	—	176,700	450,939
	2016	62,308	18,750	—	100,527	10,099	191,684
Douglas Renegar <sup>(4)</sup> Former Senior Vice President of Franchise Operations	2017	180,769	—	—	—	100,000	280,769
	2016	41,538	—	—	50,263	—	91,801
Geovannie Concepcion <sup>(5)</sup> Chief Operating Officer	2017	180,000	42,500	—	—	—	222,500
	2016	126,692	65,077	—	114,808	—	306,577

- (1) Mr. Crivello was appointed our Chief Executive Officer effective November 14, 2017. On that same date, Mr. Crivello was granted a ten-year option to purchase 90,000 shares of our common stock at an exercise price of \$3.90. The options vest monthly over two years. Mr. Crivello earned stock awards calculated in accordance with his employment agreement, described below.
- (2) Mr. Newman became our Chief Financial Officer effective April 11, 2016. On that same date, Mr. Newman was granted a ten-year option to purchase 70,000 shares of our common stock at an exercise price of \$5.67. The options vest monthly over four years.
- (3) Mr. Lister was our Chief Executive Officer from October 11, 2016 to November 13, 2017. On October 11, 2016, Mr. Lister was granted a five-year option to purchase 70,000 shares of our common stock at an exercise price of \$5.67. The options vested monthly through Mr. Lister’s termination date. Upon termination, Mr. Lister became entitled to severance payments totaling \$150,000 (reflected in all other compensation) to be paid in accordance with our standard payroll calendar over six months. Rent cost for Mr. Lister’s apartment of \$26,700 is also reflected in all other compensation.

- (4) Mr. Renegar was our Senior Vice President of Franchise Operations from October 11, 2016 to November 17, 2017. On October 11, 2016, Mr. Renegar was granted a five-year option to purchase 35,000 shares of our common stock at an exercise price of \$5.67. The options vested monthly through Mr. Renegar's termination date. Upon termination, Mr. Renegar became entitled to severance payments totaling \$100,000 (reflected in all other compensation) to be paid in accordance with our standard payroll calendar over six months.
- (5) Mr. Concepcion has been with our Company since April 13, 2016 and was appointed as our Chief Operating Officer effective November 14, 2017. On April 13, 2016, Mr. Concepcion was granted a ten-year option to purchase 50,000 shares of our common stock at an exercise price of \$5.82. The options vest monthly over four years. Mr. Concepcion's bonus for 2017 was calculated in accordance with his employment agreement described below.
- (6) Amounts shown reflect the grant date fair value of stock option awards granted for the respective year pursuant to our equity incentive plans, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. See Note 9 "Stock-Based Compensation" to the accompanying consolidated financial statements.

### Outstanding Equity Awards at Fiscal Year End

As of December 31, 2017, our named executive officers had outstanding the following stock options:

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price (\$)	Option Expiration Date
Jeffery Crivello	3,750	86,250	\$ 3.90	11/14/2027
Dexter A. Newman	29,160	40,840	5.67	4/11/2026
Michael W. Lister	18,958	—	5.25	5/11/2018
Douglas Renegar	9,479	—	5.25	5/11/2018
Geovannie Concepcion	20,820	29,180	5.82	4/13/2026

- (1) Mr. Crivello's options are vesting monthly over a two-year term.
- (2) Mr. Newman's options are vesting monthly over a four-year term.

### Employment and Change-In-Control Agreements

#### *Employment Agreement with Jeffery Crivello*

On November 13, 2017, we entered into an employment agreement with Jeffery Crivello. Mr. Crivello's employment with us is governed by a three-year employment agreement. Under the employment agreement, Mr. Crivello is entitled to receive an annual base salary of \$250,000 and is eligible for annual bonus compensation in the form of shares of our common stock, which amount shall be determined based on the 30-day volume weighted average price ("VWAP") of our common stock meeting or exceeding the following established targets:

Stock Price	Shares Granted
\$ 5.00	5,000
6.00	10,000
7.00	10,000
8.00	12,500
9.00	12,500
10.00	15,000
11.00	15,000
12.00	20,000
13.00	20,000
14.00	25,000
15.00	25,000

Any Common Stock awarded pursuant to a bonus award shall be granted pursuant to and governed by the terms of the 2015 Plan. If there are no shares of common stock available pursuant to the terms of the 2015 Plan, Mr. Crivello shall be paid cash equal to the value of the number of shares of common stock he is otherwise entitled to receive.

Pursuant to the employment agreement, on November 14, 2017, we granted to Mr. Crivello a 90,000 share non-qualified stock option under the Plan that will vest in equal monthly installments over two years and has an exercise price of \$3.90 per share.

Mr. Crivello may participate in our benefit plans that are currently and hereafter maintained and for which he is eligible, including, without, limitation, group medical, 401(k), life insurance and other benefit plans. Mr. Crivello is also entitled to be reimbursed for reasonable travel and other expenses.

Pursuant to the employment agreement, Mr. Crivello agreed to customary non-competition and non-solicitation provisions, including a covenant that, in the event Mr. Crivello's relationship with PW Partners conflicts with or is inconsistent with his obligations to the Company, Mr. Crivello's primary duty shall be to the Company and to the extent that a conflict arises, he shall promptly notify the Board of such conflict.

#### *Employment Agreement with Dexter A. Newman*

On April 7, 2016, we 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 of directors based upon his achievement of milestones to be determined by the board of directors prior to the commencement of each fiscal year. The targeted amount is expected to be 50% of Mr. Newman's base salary. Mr. Newman may participate in our benefit plans that are currently and hereafter maintained by us and for which he is eligible, including, without limitation, group medical, 401(k), life insurance and other benefit plans.

Pursuant to the employment agreement, on April 11, 2016, we granted Mr. Newman a ten-year, 70,000 share non-qualified stock option that will vest in monthly installments over four years. The stock option has an exercise price of \$5.67 per share.

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

Under the employment agreement, if Mr. Newman's employment is terminated by us 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.

#### *Employment Agreement with Michael W. Lister*

Mr. Lister's employment was governed by an employment agreement entered into on October 11, 2016, which had a four year term. Under the employment agreement, Mr. Lister was entitled to receive an annual base salary of \$300,000 and was eligible for annual bonus compensation in the discretion of the board of directors in amounts expected to be 50% of his base salary.

Pursuant to the employment agreement, on October 11, 2016, we also granted to Mr. Lister a five-year, 70,000 share non-qualified stock option under the Company's 2015 Equity Incentive Plan that was to vest in equal monthly installments over the employment term and had an exercise price of \$5.25.

Mr. Lister was able to participate in our benefit plans, including, without, limitation, group medical, 401(k), life insurance and other benefit plans. Pursuant to his employment agreement, Mr. Lister agreed to customary non-competition and non-solicitation provisions; provided, however, that Mr. Lister will not be restricted from owning or operating Company franchise locations or any single location restaurants.

*Employment Agreement with Douglas Renegar*

Mr. Renegar's employment was governed by an employment agreement entered into on October 11, 2016, which had a four year term. Under the employment agreement, Mr. Renegar was entitled to receive an annual base salary of \$200,000 and was eligible for annual bonus compensation in the discretion of the board of directors.

Pursuant to the employment agreement, on October 11, 2016, we also granted to Mr. Renegar a five-year, 35,000 share non-qualified stock option under the Company's 2015 Equity Incentive Plan that was to vest in equal monthly installments over the employment term and had an exercise price of \$5.25.

Mr. Renegar was able to participate in our benefit plans, including, without, limitation, group medical, 401(k), life insurance and other benefit plans. Pursuant to his employment agreement, Mr. Renegar agreed to customary non-competition and non-solicitation provisions; provided, however, that Mr. Renegar will not be restricted from owning or operating Company franchise locations or any single location restaurants.

*Employment Agreement with Geovannie Concepcion*

Mr. Concepcion's employment with us is governed by an employment agreement entered into on April 8, 2016, for an indefinite term. Mr. Concepcion is entitled to receive an annual base salary of \$180,000 and is eligible for a bonus payable in cash the first time during his employment term that the VWAP over a 30 day period is equal to or exceeds the VWAP Target set forth on the first column in the table below.

<b>Stock Price</b>	<b>Cash Bonus</b>
\$ 5.00	\$ 12,500
6.00	30,000
7.00	35,000
8.00	50,000
9.00	56,250
10.00	75,000
11.00	82,500
12.00	120,000
13.00	130,000
14.00	175,000
15.00	187,500

Pursuant to the employment agreement, on April 11, 2016, we granted Mr. Concepcion a ten-year, 50,000 share non-qualified stock option that will vest in monthly installments over four years. The stock option has an exercise price of \$5.82 per share.

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

Under the employment agreement, if Mr. Concepcion's employment is terminated by us 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. Concepcion 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 six months following the termination date.



## Deferred Compensation Plan

We maintain a Non-Qualified 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 us, 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 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 2016 and 2017.

Deferral periods are defined as 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 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 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.

## Compensation of Directors

During fiscal 2017, certain of our directors received cash payments in the amount of \$15,000 per quarter for their services as our director. Upon appointment, our independent directors are generally granted an option to purchase 20,000 shares of our common stock, which vests annually over a five year period.

The following table sets forth information regarding compensation of our directors during the year ended December 31, 2017:

Name	Fees Earned or Paid		Option Awards (\$) <sup>(1)</sup>	Total (\$)
	in Cash			
Anand D. Gala <sup>(2)</sup>	\$ 60,000		\$ —	\$ 60,000
Eric S. Hirschhorn <sup>(2)</sup>	15,000		39,635	54,635
Joseph M. Jacobs	—		—	—
Charles W. Mooty <sup>(2)(3)</sup>	81,667		41,865	123,532
Richard A. Shapiro	—		—	—
Bryan L. Wolff <sup>(2)</sup>	60,000		—	60,000

<sup>(1)</sup> Amounts shown reflect the grant date fair value of stock option awards granted during fiscal 2017, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. See Note 9 “Stock-Based Compensation” to the accompanying notes to the consolidated financial statements.

<sup>(2)</sup> Each of Messrs. Gala, Hirschhorn, Mooty and Wolff hold options to purchase 20,000 shares of our common stock.

<sup>(3)</sup> Mr. Mooty received additional compensation during the time that he served as the chairman of our board of directors.

**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.”

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 December 31, 2017, with respect to the 2005 Plan and the 2015 Plan.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (A)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)</b>
Equity compensation plans approved by shareholders:			
2005 Stock Incentive Plan	2,700	\$ 28.53	—
2015 Stock Incentive Plan	535,812	6.40	—
<b>TOTAL</b>	<b>538,512</b>	<b>\$ 6.60</b>	<b>—</b>

We have one class of voting securities outstanding, Common Stock, \$0.01 par value, of which 7,391,315 shares were outstanding as of the close of business on February 20, 2018. 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 our common stock as of the February 20, 2018 by (i) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, (ii) each of our directors director, (iii) each named executive officer and (iv) all executive officers and directors as a group.

Unless otherwise indicated, the address of each of the following persons is 12701 Whitewater Drive, Suite 190, 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
<i>Executive Officers:</i>		
Jeffery Crivello (Chief Executive Officer) <sup>(1)</sup>	33,750	*
Michael W. Lister (Former Chief Executive Officer) <sup>(2)</sup>	18,958	*
Dexter A. Newman (Chief Financial Officer) <sup>(3)</sup>	35,476	*
Geovannie Concepcion (Chief Operating Officer) <sup>(4)</sup>	20,820	*
Douglas Renegar (Former Senior Vice President of Franchise Operations) <sup>(5)</sup>	9,479	*
<i>Non-Employee Directors:</i>		
Anand D. Gala	8,000	*
Eric S. Hirschhorn	—	*
Joseph M. Jacobs <sup>(6)</sup>	1,332,711	18.0%
Charles W. Mooty	87,355	1.2%
Richard A. Shapiro	10,000	*
Bryan L. Wolff	11,020	*
All Directors and Executive Officers as a group (11 people)	1,567,569	20.9%
<i>Other 5% Beneficial Owners</i>		
Wexford Capital LP <sup>(7)</sup> 411 West Putnam Avenue, Suite 125, Greenwich, CT 06830	1,332,711	18.0%
Bandera Master Fund L.P. <sup>(8)</sup> Broad Street, Suite 1820, New York, NY 10004	1,085,225	14.7%
Patrick Walsh <sup>(9)</sup> 1325 Avenue of the Americas, New York, NY 10019	755,419	10.2%
David Kanen <sup>(10)</sup> 5850 Coral Ridge Drive, Suite 309, Coral Springs, Florida 33076	482,624	6.5%
Raging Capital Management, LLC <sup>(11)</sup> Ten Princeton Avenue, P.O. Box 228, Rocky Hill, NJ 08553	467,715	6.3%
Blue Clay Capital Management, LLC <sup>(12)</sup> 800 Nicollet Mall, Ste. 2870, Minneapolis, MN 55402	429,521	5.8%
FS Special Opportunities I, L.P. <sup>(13)</sup> 3033 Excelsior Boulevard, Suite 560, Minneapolis, MN 55416	418,169	5.7%

\* Less than 1%

(1) Includes 18,750 shares that Mr. Crivello has the right to acquire within 60 days.

(2) Includes 18,958 shares that Mr. Lister has the right to acquire within 60 days.

(3) Includes 32,076 shares that Mr. Newman has the right to acquire within 60 days.

(4) Includes 20,820 shares that Mr. Concepcion has the right to acquire within 60 days.

(5) Includes 9,479 shares that Mr. Renegar has the right to acquire within 60 days.

(6) 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 footnote 7 below.

- (7) 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.
- (8) Based upon a statement on Schedule 13D/A filed with the SEC on June 16, 2017. 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.
- (9) Based on a joint schedule 13 D/A, filed February 2, 2018. Includes 249,675 shares owned by PW Partners Atlas Fund LP, 52,575 shares owned by Mr. Walsh directly and 35,000 shares owned by PW Partners Atlas Fund II, LP. Also includes 418,169 shares that PW Partners, LLC has shared voting power.
- (10) Based upon a joint statement on Schedule 13 G filed with the SEC on February 14, 2018 by Philotimo Fund LP (“Philotimo”), Kanen Wealth Management, LLC (“KWM”) and David L. Kanen. KWM is the general partner of Philotimo and Mr. Kanen is the managing member of KWM. By virtue of these relationships KWM may be deemed to beneficially own the securities which these entities possess.
- (11) Based upon a statement on Schedule 13D/A filed with the SEC on February 14, 2018. 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. Each of Raging Capital and William C. Martin disclaims beneficial ownership of the securities owned by Raging Capital and the joint statements on Schedule 13G are not an admission that they are the beneficial owners of such securities.
- (12) 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.
- (13) Based upon a joint statement on Schedule 13D filed with the SEC on November 20, 2017 by FS Special Opportunities I, L.P., Farnam Street Capital, Inc., Raymond E. Cabillot and Peter O. Haeg. The reporting persons may be deemed to beneficially own the securities which these entities possess.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by Item 404(a) of Regulation S-K is hereby incorporated by reference to Note 16 – Related Party Transactions to the accompanying consolidated financial statements. The information required by Item 407(a) of Regulation S-K is hereby incorporated by reference to Item 10. Directors, Executive Officers and Corporate Governance to this Annual Report on Form 10-K.

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. 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: Eric S. Hirschhorn, Joseph M. Jacobs, Charles W. Mooty, Richard A. Shapiro, and Bryan L. Wolff.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

We have selected and appointed Grant Thornton LLP (“Grant Thornton”) as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ended December 31, 2017. Our Audit Committee charter requires that the Audit Committee pre-approve all services provided by our independent registered public accounting firm. All engagements of our independent registered public accounting firm for the fiscal years ended December 31, 2017 and January 1, 2017 were pre-approved by the Audit Committee. Grant Thornton billed us a total of \$395,985 and \$381,143 for the years ended December 31, 2017 and January 1, 2017, respectively.

**Audit Fees** – Audit fees billed by Grant Thornton were \$375,705 and \$361,643 for the audits of our 2017 and 2016 financial statements during the years ended December 31, 2017 and January 1, 2017, respectively.

**Audit Related Fees** – Audit-related fees billed by Grant Thornton were \$20,280 and \$19,500 for the audits of our 2016 and 2015 401(k) financial statements during the years ended December 31, 2017 and January 1, 2017, respectively.

**Tax Fees** – There were no tax fees billed by Grant Thornton during the years ended December 31, 2017 and January 1, 2017.

**All Other Fees** – There were no other fees billed by Grant Thornton during the years ended December 31, 2017 and January 1, 2017.

**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	F-1
Consolidated Balance Sheets – December 31, 2017 and January 1, 2017	F-2
Consolidated Statements of Operations – Fiscal Years ended December 31, 2017 and January 1, 2017	F-3
Consolidated Statements of Shareholders’ Equity – Fiscal Years ended December 31, 2017 and January 1, 2017	F-4
Consolidated Statements of Cash Flows – Fiscal Years ended December 31, 2017 and January 1, 2017	F-5
Notes to Consolidated Financial Statements	F-7
Financial Statement Schedule:	F-32
Schedule II. Schedule of Valuation and Qualifying Accounts	F-32

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.

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## **Report of Independent Registered Public Accounting Firm**

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

### *Opinion on the financial statements*

We have audited the accompanying consolidated balance sheets of Famous Dave's of America, Inc. (a Minnesota corporation) and subsidiaries (the "Company") as of December 31, 2017 and January 1, 2017, the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and January 1, 2017 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Basis for opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Grant Thornton LLP

We have served as the Company's auditor since 2002.

Minneapolis, Minnesota

March 5, 2018

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

**ASSETS**

<b>Current assets:</b>	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Cash and cash equivalents	\$ 8,836	\$ 4,450
Restricted cash	1,590	1,714
Accounts receivable, net of allowance for doubtful accounts of \$592,000 and \$271,000, respectively	3,768	5,257
Inventories	633	1,499
Prepaid income taxes and income taxes receivable	689	2,168
Prepaid expenses and other current assets	793	1,326
Assets held for sale	475	1
<b>Total current assets</b>	<u>16,784</u>	<u>16,415</u>
<b>Property, equipment and leasehold improvements, net</b>	11,442	25,912
<b>Other assets:</b>		
Intangible assets, net	1,840	2,602
Deferred tax asset	5,823	4,633
Other assets	1,018	1,383
	<u>\$ 36,907</u>	<u>\$ 50,945</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Current portion of long-term debt and financing lease obligations	\$ 1,307	\$ 1,371
Accounts payable	4,365	5,311
Accrued compensation and benefits	1,545	1,321
Other current liabilities	3,118	3,140
<b>Total current liabilities</b>	<u>10,335</u>	<u>11,143</u>
<b>Long-term liabilities:</b>		
Long-term debt, less current portion	7,932	8,849
Financing lease obligation, less current portion	1,196	2,280
Other liabilities	3,963	8,705
<b>Total liabilities</b>	<u>23,426</u>	<u>30,977</u>
<b>Shareholders' equity:</b>		
Common stock, \$.01 par value, 100,000 shares authorized, 7,376 and 6,958 shares issued and outstanding at December 31, 2017 and January 1, 2017, respectively	70	66
Additional paid-in capital	1,460	—
Retained earnings	11,951	19,902
<b>Total shareholders' equity</b>	<u>13,481</u>	<u>19,968</u>
	<u>\$ 36,907</u>	<u>\$ 50,945</u>

See accompanying notes to consolidated financial statements.

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(in thousands, except per share data)*

	Year Ended	
	December 31, 2017	January 1, 2017
<b>Revenue:</b>		
Restaurant sales, net	\$ 48,874	\$ 58,956
Franchise royalty revenue	14,732	16,375
Franchise fee revenue	35	290
Licensing and other revenue	954	1,003
<b>Total revenue</b>	<b>64,595</b>	<b>76,624</b>
<b>Costs and expenses:</b>		
Food and beverage costs	14,782	18,299
Labor and benefits costs	17,653	21,008
Operating expenses	14,658	18,729
Depreciation and amortization	2,785	2,873
General and administrative expenses	14,634	16,569
Asset impairment, estimated lease termination and other closing costs	6,816	4,788
Net loss (gain) on disposal of property	70	(149)
<b>Total costs and expenses</b>	<b>71,398</b>	<b>82,117</b>
<b>Loss from operations</b>	<b>(6,803)</b>	<b>(5,493)</b>
<b>Other income (expense):</b>		
Interest expense	(661)	(886)
Interest income	22	2
Other expense, net	(82)	—
<b>Total other expense</b>	<b>(721)</b>	<b>(884)</b>
<b>Loss before income taxes</b>	<b>(7,524)</b>	<b>(6,377)</b>
<b>Income tax benefit</b>	<b>858</b>	<b>2,272</b>
<b>Net loss from continuing operations</b>	<b>(6,666)</b>	<b>(4,105)</b>
<b>Net (loss) income from discontinued operations, net of tax</b>	<b>(1,457)</b>	<b>1,674</b>
<b>Net loss</b>	<b>\$ (8,123)</b>	<b>\$ (2,431)</b>
<b>(Loss) income per common share:</b>		
<b>Basic net loss per share - continuing operations</b>	<b>\$ (0.95)</b>	<b>\$ (0.59)</b>
<b>Basic net (loss) income per share - discontinued operations</b>	<b>(0.21)</b>	<b>0.24</b>
<b>Basic net loss per share</b>	<b>\$ (1.16)</b>	<b>\$ (0.35)</b>
<b>Diluted net loss per share - continuing operations</b>	<b>\$ (0.95)</b>	<b>\$ (0.59)</b>
<b>Diluted net (loss) income per share - discontinued operations</b>	<b>(0.21)</b>	<b>0.24</b>
<b>Diluted net loss per share</b>	<b>\$ (1.16)</b>	<b>\$ (0.35)</b>
<b>Weighted average shares outstanding - basic</b>	<b>7,015</b>	<b>6,950</b>
<b>Weighted average shares outstanding - diluted</b>	<b>7,015</b>	<b>6,950</b>

See accompanying notes to consolidated financial statements.



**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
*(in thousands)*

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
<b>Balance - January 3, 2016</b>	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)
<b>Balance - January 1, 2017</b>	6,958	\$ 66	\$ —	\$ 19,902	\$ 19,968
Issuance of common stock	418	4	1,460	—	1,464
Tax benefit for equity awards issued	—	—	—	(55)	(55)
Stock-based compensation	—	—	—	227	227
Net loss	—	—	—	(8,123)	(8,123)
<b>Balance - December 31, 2017</b>	<u>7,376</u>	<u>\$ 70</u>	<u>\$ 1,460</u>	<u>\$ 11,951</u>	<u>\$ 13,481</u>

See accompanying notes to consolidated financial statements.

**FAMOUS DAVE'S OF AMERICA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

	<b>Year Ended</b>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
<b>Cash flows from operating activities:</b>		
Net loss from continuing operations	\$ (6,666)	\$ (4,105)
Adjustments to reconcile net loss to cash flows provided by operations:		
Depreciation and amortization	2,785	2,873
Asset impairment and estimated lease termination and other closing costs	4,012	1,956
Net loss (gain) on disposal of property	70	(149)
Amortization of deferred financing costs	36	115
Amortization of lease interest assets	37	45
Deferred income taxes	(1,245)	(142)
Deferred rent	48	583
Bad debts expense	1,172	24
Stock-based compensation	313	339
Changes in operating assets and liabilities:		
Restricted cash	124	(627)
Accounts receivable, net	141	(538)
Inventories	467	564
Prepaid income taxes and income taxes receivable	1,479	(1,942)
Prepaid expenses and other current assets	473	125
Other assets	312	(673)
Accounts payable	(946)	(374)
Accrued compensation and benefits	(3)	(69)
Other current liabilities	(567)	(231)
Other liabilities	(139)	(190)
Cash flows provided by (used for) continuing operating activities	<u>1,903</u>	<u>(2,416)</u>
Cash flows provided by discontinued operating activities	<u>1,350</u>	<u>2,760</u>
Cash flows provided by operating activities	<u>3,253</u>	<u>344</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of assets	—	1,068
Purchases of property, equipment and leasehold improvements	(378)	(647)
Cash flows (used for) provided by continuing investing activities	(378)	421
Cash flows provided by discontinued investing activities	<u>1,600</u>	<u>1,039</u>
Cash flows provided by for investing activities	<u>1,222</u>	<u>1,460</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	—	103
Proceeds from line of credit	—	1,855
Payments for debt issuance costs	(15)	(259)
Payments on long-term debt and financing lease obligations	(1,538)	(4,352)
Proceeds from sale of common stock	1,464	—
Payments from exercise of stock options	—	(1)
Cash flows used for financing activities	<u>(89)</u>	<u>(2,654)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>4,386</u>	<u>(850)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>4,450</u>	<u>5,300</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 8,836</u>	<u>\$ 4,450</u>

	<u>Year Ended</u>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$ 617	\$ 975
Cash paid (refunds received) for income taxes, net	(1,842)	398
<b>Non-cash investing and financing activities:</b>		
Change in deferred taxes, recognized in additional paid-in capital	\$ 55	\$ —
Reclassification of additional paid-in capital to payroll taxes payable for performance shares issued	—	215
Increase in accrued property and equipment purchases	14	10

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 December 31, 2017, there were 150 Famous Dave's restaurants operating in 32 states, the Commonwealth of Puerto Rico, Canada, and the United Arab Emirates, including 16 Company-owned restaurants and 134 franchise-operated restaurants. An additional 61 franchise restaurants were committed to be developed through signed area development agreements as of December 31, 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. All inter-company transactions and balances have been eliminated in consolidation.

#### *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 materially from those estimates.

#### *Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to the current year's presentation of discontinued operations.

#### *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.

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

### *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 to December 31 of each year. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal years ended December 31, 2017 (fiscal 2017) and January 1, 2017 (fiscal 2016) consisted 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. As of December 31, 2017 and January 1, 2017, our uninsured cash and restricted cash balances were \$9.0 million and \$7.1 million, respectively. There have been no losses of uninsured amounts.

### *Restricted cash and marketing fund*

We have a system-wide Marketing Development Fund, to which Company-owned restaurants, in addition to the majority of franchise-operated restaurants, contribute a percentage of net sales, currently 1.0%, for use in public relations and marketing development efforts. The assets held by this fund are considered to be restricted. Accordingly, we reflect the cash related to this fund within restricted cash and reflect the liability within accounts payable on our consolidated balance sheets. We had approximately \$1.3 million and \$946,000 in this fund as of December 31, 2017 and January 1, 2017, respectively.

In conjunction with our credit agreements, we have deposited amounts for undrawn letters of credit in cash collateral accounts. We had approximately \$298,000 and \$768,000 in restricted cash as of December 31, 2017 and January 1, 2017, respectively, related to these undrawn letters of credit.

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

*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 our franchisees are required to submit to us. Any changes to the reserve are recorded in general and administrative expenses. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable balances written off have not exceeded allowances provided and we believe all accounts receivable in excess of allowances provided 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. As of December 31, 2017, we had a receivable from one franchisee in the amount of \$509,000, of which a portion is reserved in accordance with our standard policies.

*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 net realizable value.

*Property, equipment and leasehold improvements, net*

Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation. We recognize depreciation expense utilizing the straight-line method once an asset has been placed into service. The following table outlines the useful lives of our major classes of property, equipment and leasehold improvements:

Land	N/A
Buildings	30 years
Leasehold improvements	0 - 30 years
Furniture, fixtures, and equipment (excluding restaurant signage)	3 - 7 years
Restaurant signage	10 - 15 years
Decor	7 years

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. We capitalize construction overhead costs until the time a building is turned over to operations, which is approximately two weeks prior to opening and depreciate these items over the same useful life as leasehold improvements.

We evaluate restaurant sites and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the 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 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 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.

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

### *Intangible Assets*

We have 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. We review annually the liquor licenses for impairment. 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.

We have lease interest assets that are reflected within intangible assets, net on our consolidated balance sheets. The current and long-term portion of lease interest liabilities are reflected within the other current liabilities and other liabilities line items on our consolidated balance sheets, respectively. Lease interest assets and liabilities are amortized to rent expense over the term of the leases to which they relate.

### *Advertising*

Advertising costs are charged to expense as incurred. Advertising costs were approximately \$2.2 million and \$2.0 million for the years ended December 31, 2017 and January 1, 2017, respectively, and are included in operating expenses for local store marketing in the consolidated statements of operations. Advertising costs incurred related to our national advertising fund are netted with contributions from our Company-owned stores and certain of our franchisees.

### *Research and development costs*

Research and development costs represent all expenses incurred in relation to the creation of new menu and promotional offerings, recipe enhancements and documentation activities. Research and development costs were approximately \$382,000 and \$510,000 for the years ended December 31, 2017 and January 1, 2017, 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. We did not incur any pre-opening expenses during the years ended December 31, 2017 and January 1, 2017.

### *Leases*

We recognize rent 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.

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

*Exit and disposal costs*

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.

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.

Costs incurred for restaurants that have been closed, after the date of their closure, are presented within the asset impairment, estimated lease termination and other closing costs line item of our consolidated statements of operations.

*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.

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

	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
<i>(in thousands, except per share data)</i>		
<b>Net (loss) income per share – basic:</b>		
Net loss from continuing operations	\$ (6,666)	\$ (4,105)
Net (loss) income from discontinued operations, net of tax	(1,457)	1,674
Net loss	(8,123)	(2,431)
Weighted average shares outstanding - basic	7,015	6,950
<b>Basic net loss per share - continuing operations</b>	<b>\$ (0.95)</b>	<b>\$ (0.59)</b>
<b>Basic net (loss) income per share - discontinued operations</b>	<b>(0.21)</b>	<b>0.24</b>
<b>Basic net loss per share</b>	<b>\$ (1.16)</b>	<b>\$ (0.35)</b>
<b>Net (loss) income per share – diluted:</b>		
Net loss from continuing operations	\$ (6,666)	\$ (4,105)
Net (loss) income from discontinued operations, net of tax	(1,457)	1,674
Net loss	(8,123)	(2,431)
Weighted average shares outstanding - diluted	7,015	6,950
<b>Diluted net loss per share - continuing operations</b>	<b>\$ (0.95)</b>	<b>\$ (0.59)</b>
<b>Diluted net (loss) income per share - discontinued operations</b>	<b>(0.21)</b>	<b>0.24</b>
<b>Diluted net loss per share</b>	<b>\$ (1.16)</b>	<b>\$ (0.35)</b>

There were approximately 539,000 and 683,000 stock options as of December 31, 2017 and January 1, 2017, respectively that were not included in the computation of diluted EPS because they were anti-dilutive.



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

### *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 as they vest. The bonus compensation of our Chief Executive Officer is issued in the form of unrestricted, freely tradable shares of our common stock and is expensed in full when earned. 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 "Stock-based compensation."

### *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*

In fiscal 2018, we will be required to adopt ASC 606 – *Revenue from Contracts with Customers*, which will materially impact the way that we recognize revenue. See "Recent Accounting Guidance Not Yet Adopted" below for more information.

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.

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. Our area development fee for domestic growth consists of a one-time, non-refundable payment in consideration for the services we perform in preparation of executing each area development agreement. Area development fees are recognized in full upon receipt. We recognize a portion of franchise fees as revenue when the 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. Franchisees are also required to pay us a monthly royalty equal to a percentage of their net sales.

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.

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.

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

### *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. In fiscal 2018, we will be required to adopt ASC 606 – *Revenue from Contracts with Customers*, which will change the method in which we recognize breakage income in the future. See “Recent Accounting Guidance Not Yet Adopted” below for more information.

### **Recent Accounting Guidance**

#### ***Recent accounting guidance not yet adopted***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” in March 2016, ASU 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” in April 2016, ASU 2016-11, “Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 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 full retrospective or modified retrospective transition method and early adoption is permitted. We plan to adopt this standard as of the effective date utilizing the modified retrospective transition method.

We have reviewed a representative sample of our franchise agreements as a basis for determining the impact of the new standard on our consolidated financial statements. We have not yet finalized our conclusions; however, we believe that the new guidance will not impact the timing of revenue recognition on franchise royalty revenues, restaurant and merchandise sales or licensing and other revenue. The new guidance will require that we defer previously recognized and future revenue related to franchise fees and area development fees. Franchise fees have historically been recognized in full when a new restaurant opens, but under the new guidance, these fees will be amortized over the life of the related franchise agreements and related extension periods, which generally range from 10-25 years. Area development fees have historically been recognized in full upon execution of an area development agreement, but under the new guidance, these fees will be recognized over the life of a future franchise agreement when each new restaurant pursuant to an area development agreement opens or upon the expiration of such agreements. We expect to report these revenues within the franchise fee revenue line item of our consolidated statements of operations. We expect to defer revenues of \$2.4 million related to franchise and area development agreements and recognize additional annual revenue of approximately \$224,000 on current franchise agreements. As we open new stores pursuant to area development agreements, we will recognize additional revenue of approximately \$1,000 per year per store.

Pursuant to the new guidance, the timing of revenue recognition related to gift card breakage will also be impacted. Historically, we have recognized gift card breakage in full upon the sale of gift cards due to the Company’s historical experience related to gift card sales, but under the new guidance, gift card breakage will be recognized ratably as gift cards are redeemed. The Company will report revenue related to gift card breakage within the licensing and other revenue line of its consolidated statements of operations. We do not expect to defer any previously recognized gift card breakage due to materiality.

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

The new revenue guidance will also impact the presentation of the Company’s consolidated statements of operations as it relates to the Company’s system-wide Public Relations and Marketing Development Fund (the “NAF”). Historically, the Company has netted revenues received pursuant to NAF billings with the related expenses, but under the new guidance, revenues recognized related to the NAF will be presented gross as a separate line item within total revenues, with the corresponding expense presented gross as a separate line item within operating expenses. The new guidance will not impact the timing of revenue recognition as it relates to the NAF.

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

In May 2017, the FASB issued ASU 2017-05, Compensation – Stock Compensation (Topic 718), to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The updated standard clarifies when an entity should account for the effects of a modification. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company does not believe that adoption of the new standard will have a material impact on its consolidated financial statements.

**(2) INVENTORIES**

Inventories consisted approximately of the following at:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Food and beverage	\$ 324	\$ 711
Other	58	58
Small wares and supplies	251	730
	<u>\$ 633</u>	<u>\$ 1,499</u>

**(3) INTANGIBLE ASSETS**

The Company has intangible assets that consist of liquor licenses and lease interest assets. The liquor licenses are indefinite-lived assets and are not subject to amortization. The lease interest assets are amortized to occupancy costs on a straight-line basis over the remaining term of each respective lease.

A reconciliation of the Company’s intangible assets as of December 31, 2017 and January 1, 2017, respectively, are presented in the table below:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Lease interest assets, gross carrying amount	\$ 1,091	\$ 1,091
Lease interest assets, accumulated amortization	(286)	(249)
Lease interest assets, net carrying amount	805	842
Liquor licenses	1,035	1,760
Intangible assets, net	<u>\$ 1,840</u>	<u>\$ 2,602</u>

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

The following table provides the projected future amortization of lease interest assets for the next five years, as of December 31, 2017:

<i>(in thousands)</i>	<u>December 31, 2017</u>	
Fiscal 2018	\$	36
Fiscal 2019		36
Fiscal 2020		36
Fiscal 2021		36
Fiscal 2022		36
Thereafter		<u>625</u>
	\$	<u>805</u>

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

As of December 31, 2017, we had assets held for sale of \$475,000 related to one of our stores' liquor licenses. During the year ended December 31, 2017, we entered into an agreement to sell the liquor license for a contract purchase price of \$575,000.

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

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Land, buildings, and improvements	\$ 26,234	\$ 50,851
Furniture, fixtures, and equipment	19,884	35,609
Décor	764	1,553
Construction in progress	187	181
Accumulated depreciation and amortization	<u>(35,627)</u>	<u>(62,282)</u>
Property, equipment and leasehold improvements, net	<u>\$ 11,442</u>	<u>\$ 25,912</u>

**(5) OTHER CURRENT LIABILITIES**

Other current liabilities consisted of the following at:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Gift cards payable	\$ 1,000	\$ 1,448
Miscellaneous other current liabilities	668	810
Lease reserves, current	1,165	330
Sales tax payable	242	454
Accrued real estate tax	26	79
Deferred franchise fees	—	16
Accrued property and equipment purchases	17	3
Other current liabilities	<u>\$ 3,118</u>	<u>\$ 3,140</u>

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

**(6) OTHER LIABILITIES**

Other liabilities consisted of the following at:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Deferred rent	\$ 2,463	\$ 7,802
Miscellaneous other liabilities	730	358
Asset retirement obligations	119	119
Accrual for uncertain tax position	15	139
Long term lease reserve	514	145
Long term deferred compensation	122	142
Other liabilities	<u>\$ 3,963</u>	<u>\$ 8,705</u>

**(7) LONG-TERM DEBT AND FINANCING LEASE OBLIGATIONS**

*Long-term debt*

On December 2, 2016, we entered into two loan agreements (the “Loan Agreements”) with Venture Bank (“Venture”) for a total initial principal amount of \$10.0 million as well as a revolving line of credit (the “Line of Credit”) for up to \$1.0 million.

The first loan (the “Real Estate Loan”) was for a principal amount of \$3.7 million and has a maturity date of December 2, 2026. The Real Estate Loan is paid in monthly installments of principal and interest, with a balloon payment at maturity. Interest is payable at a rate of 4.25% for the first five years and LIBOR plus 3.75% thereafter until maturity. The loan may be prepaid, subject to prepayment premiums as outlined in the Loan Agreements.

The second loan (the “Term Loan”) was for a principal amount of \$6.3 million and has a maturity date of December 2, 2023. The Term Loan is paid in monthly installments of principal and interest with a balloon payment at maturity. Interest is payable at a rate of LIBOR plus 3.25%. The Term Loan may be prepaid at any time without penalty.

The Line of Credit has a maturity date of December 2, 2019 provides for interest to be paid monthly on outstanding balances with the principal amount due at maturity. Interest is payable at a rate of LIBOR plus 3.25% and the Line of Credit may be prepaid at any time without penalty. There was no balance on the Line of Credit as of December 31, 2017 or January 1, 2017.

As of December 31, 2017 and January 1, 2017, the weighted average interest rate on our long-term debt was 4.27% and 4.00%, respectively. The notes pursuant to the Loan Agreements are secured by substantially all of our assets and we are subject to various financial and non-financial covenants. As of December 31, 2017, we were in compliance with all of our covenants. In the event of a default, Venture has the right to terminate its obligations under the Loan Agreements and to accelerate the payment on any unpaid principal amounts then outstanding.

Long-term debt consisted of approximately the following as of the periods presented:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Real Estate Loan	\$ 3,581	\$ 3,700
Term Loan	5,515	6,300
Less: deferred financing costs	(224)	(234)
Less: current portion of long-term debt	(940)	(917)
Long-term debt, less current portion	<u>\$ 7,932</u>	<u>\$ 8,849</u>

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

Future minimum principal payments on long-term debt, as of December 31, 2017, were as follows:

*(in thousands)*

Fiscal Year	
2018	\$ 940
2019	981
2020	1,023
2021	1,069
2022	1,116
Thereafter	3,967
<b>Total</b>	<b>\$ 9,096</b>

*Financing Lease Obligation*

On March 31, 1999, we completed a sale leaseback transaction for three properties which provides us with the option to repurchase the properties at the end of the lease term. Because of our continuing involvement in the properties, the transaction is being accounted for as a financing arrangement. In March 2017, we amended the lease agreement to remove one of the properties from the arrangement. As of December 31, 2017, the weighted-average interest rate of our financing lease obligations was approximately 7.78%.

Financing lease obligation consisted of approximately the following as of the periods presented:

*(in thousands)*

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Financing lease obligation	\$ 1,576	\$ 2,757
Less: deferred financing costs	(13)	(23)
Less: current portion of financing lease obligation	(367)	(454)
Financing lease obligation, less current portion	<u>\$ 1,196</u>	<u>\$ 2,280</u>

Future minimum principal payments on financing lease obligations, as of December 31, 2017, were as follows:

*(in thousands)*

Fiscal Year	
2018	\$ 480
2019	1,232
<b>Total minimum payments</b>	<b>1,712</b>
Less: amounts representing interest	(136)
<b>Total financing lease payable</b>	<b>\$ 1,576</b>

**(8) COMMITMENTS AND CONTINGENCIES**

*Operating Leases*

We lease our Company-owned restaurants and office facilities under non-cancelable operating leases with remaining minimum terms ranging from one month to 14 years. Our lease agreements generally contain base rent escalations that are either fixed pursuant to the lease agreement or based on the consumer price index. We are also required to pay contingent rentals on certain of our leases in amounts between 5% and 8% of gross sales above a minimum threshold.

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

The following table sets forth certain information related to our rental activities as of the periods presented:

<i>(in thousands)</i>	Year Ended	
	December 31, 2017	January 1, 2017
Rent expense	\$ 2,950	\$ 4,282
Cash rental payments	3,024	3,737
Sublease income	(264)	(386)

Future minimum lease payments under non-cancelable operating leases, as of December 31, 2017, are as follows:

<i>(in thousands)</i>	
Fiscal Year	
2018	\$ 1,892
2019	1,702
2020	1,587
2021	1,575
2022	1,308
Thereafter	3,424
Total operating lease obligations	11,488
Sublease income	(1,230)
Total	<u>\$ 10,258</u>

*Litigation*

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

We filed a complaint on July 14, 2015, against a group of former franchisees in California seeking injunctive relief and damages for: (1) Federal Trademark Infringement; (2) Federal Trademark Dilution; (3) Federal Unfair Competition; (4) Federal Trade Dress Dilution; (5) Trademark Infringement under California Business and Professions Code § 14200; (6) Trademark Dilution under California Business and Professions Code § 14200; (7) Common Law Trademark Infringement; (8) Unfair Competition under California Business and Professions Code § 17200; (9) False Advertising; (10) Breach of Contract; (11) Breach of Implied Covenant of Good Faith and Fair Dealing; and (12) Intentional Interference with Contract. The claims stem from the former franchisees' breaches of their franchise agreements, including the failure to pay franchise fees and their continued operation of five restaurants utilizing Famous Dave's intellectual property without authorization. After two defendants in the case, Kurt Schneider and M Mart 1, filed a demurrer to the Complaint, Famous Dave's filed an Amended Complaint on October 9, 2015, reasserting the same claims. The case is captioned Famous Dave's of America, Inc., v. SR El Centro FD, Inc., et al., Case No. BC589329, and is currently pending before the Honorable Elihu M. Berle in the Superior Court of Los Angeles. By court order, dated June 6, 2016, Famous Dave's successfully obtained a preliminary injunction, enjoining the former franchisee defendants from using Famous Dave's intellectual property, including its trademarks and restaurant system. The preliminary injunction was the subject of an interlocutory appeal. The appeal was fully briefed and oral argument took place on August 10, 2017. On October 23, 2017, the California Court of Appeal rendered its decision in the appeal in Famous Dave's favor, affirming and upholding in full the trial court's preliminary injunction order. Famous Dave's intends to vigorously pursue all remaining claims in the trial court. Trial is set for November 5, 2018.

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

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

On July 28, 2015, this group of former 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. We have not recognized a liability with respect to the Plaintiffs' claim because we do not believe that it is probable that we will incur a related material loss. Famous Dave's intends to vigorously defend against these claims. Trial is set for November 5, 2018.

#### **(9) STOCK-BASED COMPENSATION**

Effective May 5, 2015, we adopted the 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 options pursuant to the 2005 plan after May 12, 2015, the tenth anniversary of the date the 2005 Plan was approved by the Company's shareholders. Nonetheless, the 2005 Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated. As of December 31, 2017, there were no shares available for grant pursuant to the 2015 Plan.

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

Stock options granted to certain non-employees either vest immediately or monthly over a period of two years. Options generally expire ten years from the date of grant. Compensation expense is recognized in general and administrative expense over the applicable service period, and is marked-to-market each period.

The incentive compensation of our Chief Executive Officer is tied to increases in our share price and calls for the issuance of freely tradable shares of our common stock upon the achievement of certain milestones.

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

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



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

The following table outlines stock-based compensation expense, by award type, for the periods presented:

<i>(in thousands)</i>	Year Ended	
	December 31, 2017	January 1, 2017
Stock options	\$ 218	\$ 311
Shares of common stock	85	—
Restricted stock	10	28
	<u>\$ 313</u>	<u>\$ 339</u>

The following is a roll-forward of our stock option activity for the periods presented:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 3, 2016	507	16.66	5.3	\$ —
Granted	416	5.55		—
Exercised	(6)	5.90		4
Canceled, forfeited or expired	(231)	19.44		—
Options outstanding at January 1, 2017	686	9.15	5.7	1
Granted	165	4.20		—
Exercised	(3)	5.42		5
Canceled, forfeited or expired	(309)	11.04		—
Options outstanding at December 31, 2017	<u>539</u>	<u>\$ 6.60</u>	<u>6.6</u>	<u>\$ 598</u>
Options Exercisable at December 31, 2017	<u>266</u>	<u>\$ 8.09</u>	<u>4.2</u>	<u>\$ 187</u>

The following table discloses the weighted-average values of significant assumptions that we made in valuing option grants for the periods presented:

	Year Ended	
	December 31, 2017	January 1, 2017
Weighted-average fair value of options granted during the period	\$ 1.78	\$ 1.97
Expected life (in years)	5.3	5.2
Expected dividend	\$ —	\$ —
Expected stock volatility	43.47 %	39.98 %
Risk-free interest rate	2.0 %	1.2 %

As of December 31, 2017, the total compensation cost related to unvested stock option awards was approximately \$542,000, which is expected to be recognized over a period of approximately 2.58 years.

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

**(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. The following table outlines certain information about our 401(k) plan:

<i>(dollars in thousands)</i>	<u>Year Ended</u>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Employer contribution rate, percent of employee contributions	25.0 %	25.0 %
Employee contribution rate, maximum percentage of employee earnings	4.0 %	4.0 %
Employee contributions	\$ 529	\$ 338
Employer match	\$ 87	\$ 54
Discretionary contributions	\$ —	\$ —

*Non-Qualified Deferred Compensation Plan*

We maintain a non-qualified deferred compensation plan, effective as of February 25, 2005 (the “DCP”) for eligible participants, as defined in the DCP. The DCP allows participating employees to defer a portion of their compensation (salary, bonus and commissions). The assets of the DCP are maintained in an unsecured account that has no trust fund. In the event of bankruptcy, participants entitled to future payments under the DCP would have no greater rights than that of an unsecured general creditor and the DCP confers no legal rights for interest or claim on any of our assets. The benefits provided by the DCP are not, nor are they required to be, insured.

The following table outlines certain information about the DCP:

<i>(dollars in thousands)</i>	<u>Year Ended</u>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Employer contribution rate, percent of employee contributions	25.0 %	25.0 %
Employee contribution rate, maximum percentage of employee earnings	4.0 %	4.0 %
Declared interest rate	6.0 %	6.0 %
Employee contributions	\$ 41	\$ 64
Employer match and interest	\$ 7	\$ 35
Distributions	\$ 43	\$ 368

**(11) DISCONTINUED OPERATIONS**

On December 14, 2015, we entered into an agreement to sell seven Chicago-area restaurants (the “Chicago Restaurants”) to Windy City Restaurant Holdings LLC and its affiliate. The transaction closed on March 1, 2016 and resulted in our complete exit from the Chicago market.

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

On November 1, 2017, we entered into agreements to sell eight restaurants in Maryland and Virginia (the “Mid-Atlantic Restaurants”) to Commonwealth Blue Ribbon Restaurants LLC and Capital Blue Ribbon Restaurants LLC (the “Mid-Atlantic Purchasers”). Pursuant to the first agreement (“Seven Restaurants Agreement”), the contract purchase price was \$2,350,000 and included a repairs and maintenance credit of \$750,000, which must be exhausted within one year. Also pursuant to the Seven Restaurants Agreement, we and the Mid-Atlantic Purchasers entered into a line of credit agreement in the amount of \$750,000 (the “LOC Agreement”) on which the Mid-Atlantic Purchasers can draw funds to pay for necessary repairs and maintenance work. The LOC Agreement has a four year term with interest payable at a rate of 4.25% per annum.

Pursuant to the second agreement (the “Frederick Agreement”) to effect the sale of our Frederick, Maryland (“Frederick”) restaurant to Capital Blue Ribbon Restaurants, LLC, the contract purchase price for Frederick shall be an amount equal to (i) 50% of the rent, fees, charges, taxes and other amounts payable to the landlord or another third party pursuant to the lease agreement, plus (ii) 50% of that portion of Frederick’s EBITDA (as defined in the Frederick APA) attributable to Frederick that exceeds \$25,000 in any 12-month period and \$37,500 in any 18-month period; however, the Company has guaranteed the 12-month and 18-month EBITDA performance of Frederick. We expect to recognize a liability and corresponding expense related to this guarantee based on the amount that we would owe to the Mid-Atlantic Purchasers in the event that the restaurant was closed. As of December 31, 2017, we had reserved \$21,000 related to this guarantee.

The Mid-Atlantic Purchasers also purchased the inventory and petty cash on hand of the Mid-Atlantic Restaurants as of the closing date. The transaction resulted in our complete exit from the Mid-Atlantic market.

The following table provides certain information from our consolidated statements of operations related to the Chicago Restaurants and the Mid-Atlantic Restaurants:

<i>(in thousands)</i>	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Restaurant sales, net	\$ 18,831	\$ 24,920
Cost of sales	(16,998)	(22,662)
General and administrative expenses	(149)	(222)
Depreciation and amortization	(611)	(819)
Operating income	1,073	1,217
Gain (loss) on disposal attributable to discontinued operations	(3,419)	1,170
Income (loss) attributable to discontinued operations, before tax	(2,346)	2,387
Income (loss) attributable to discontinued operations, tax effect	889	(713)
Income (loss) attributable to discontinued operations, net of tax	<u>\$ (1,457)</u>	<u>\$ 1,674</u>

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

The following table provides certain information from our consolidated balance sheets related to discontinued operations:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Accounts receivable, net	\$ —	\$ 176
Inventories	—	399
Prepaid expenses and other current assets	—	60
Total current assets	—	635
Other assets	—	52
Property, equipment and leasehold improvements, net	—	6,663
Total assets	<u>\$ —</u>	<u>\$ 7,350</u>
Accrued compensation and benefits (current)	—	142
Other current liabilities	—	139
Other liabilities (non-current)	—	2,371
Total liabilities	<u>\$ —</u>	<u>\$ 2,652</u>

**(12) INCOME TAXES**

For financial reporting purposes, loss before income taxes consists of the following components for the periods presented:

<i>(in thousands)</i>	<u>Year Ended</u>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
United States	\$ (7,807)	\$ (6,699)
Foreign	283	322
Total	<u>\$ (7,524)</u>	<u>\$ (6,377)</u>

The following table summarizes the income tax (expense) benefit for the periods presented:

<i>(in thousands)</i>	<u>Year Ended</u>	
	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Current:		
Federal	\$ (418)	\$ 1,178
State	—	(85)
Foreign	(69)	(99)
	<u>(487)</u>	<u>994</u>
Deferred:		
Federal	1,228	889
State	117	389
	<u>1,345</u>	<u>1,278</u>
Total income tax benefit	<u>\$ 858</u>	<u>\$ 2,272</u>

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

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

<i>(in thousands)</i>	Year Ended	
	December 31, 2017	January 1, 2017
Continuing operations	\$ 858	\$ 2,272
Discontinued operations	889	(713)
<b>Total income tax benefit</b>	<b>\$ 1,747</b>	<b>\$ 1,559</b>

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.

The following is a reconciliation of the beginning and ending amounts of gross unrecognized tax benefit for the periods presented:

<i>(in thousands)</i>	
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
Audit settlements	(89)
Decreases due to lapses of statutes of limitations	(13)
Balance at December 31, 2017	<u>\$ 13</u>

We recognized interest and penalties of approximately (\$22,000) and \$20,000, respectively during the years ended December 31, 2017 and January 1, 2017. Substantially all of our unrecognized tax benefits, if recognized, would impact our effective tax rate. As of December 31, 2017 and January 1, 2017, we had recorded a liability of approximately \$2,000 and \$25,000, respectively related to accrued interest and penalties.

We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The preparation of these income tax returns requires us 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 we do. As a result, we may be required to adjust tax liabilities affecting our effective tax rate. Tax years 2014 and forward remain subject to federal examination. Tax years 2013 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. The expiration of statutes of limitations would decrease our unrecognized tax benefits by approximately \$14,000.

We have significant net deferred tax assets ("DTA"), which results from the net temporary timing differences between amounts recorded within our consolidated financial statements in accordance with GAAP and such amounts measured in accordance with the laws of various taxing jurisdictions and as reported in our tax returns. A DTA generally represents future tax benefits to be received when temporary differences previously reported in our consolidated financial statements become deductible for income tax purposes, when net operating loss carry forwards are applied against future taxable income, or when tax credit carry forwards are utilized on our tax returns. As of December 31, 2017, the majority of our DTA resulted from net operating loss and tax credit carryforwards, which will not be realized unless we generate taxable income in the future. We evaluate our net deferred tax asset on a quarterly basis to determine whether current facts and circumstances indicate that the DTA may not be fully realizable and we provide for valuation allowances on those portions of the DTA that we don't expect to realize.

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

Significant judgment is required in determining the realizability of our DTA. The assessment of whether valuation allowances are required considers, among other matters, the nature, frequency and severity of any current and cumulative losses, forecasts of future profitability, the duration of statutory carry forward periods, our experience with loss carry forwards not expiring unused and tax planning alternatives. In analyzing the need for valuation allowances, we first considered our history of cumulative operating results for income tax purposes over the past three years in each of the tax jurisdictions in which we operate, our financial performance in recent quarters, statutory carry forward periods and tax planning alternatives. Finally, we considered both our near and long-term financial outlook. After considering all available evidence both positive and negative, we concluded that recognition of valuation allowances for substantially all of our DTA was not required.

The following is a summary of the components of our net deferred tax assets as of the periods presented:

<i>(in thousands)</i>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
<b>Deferred tax asset:</b>		
Deferred rent	\$ 567	\$ 3,184
Federal net operating loss carry-forwards	2,486	—
State net operating loss carry-forwards	3,573	2,325
Intangible property basis difference	138	—
Financing lease obligation	393	1,028
Tax credit carryover	1,761	910
Accrued expenses	74	585
Stock-based compensation	141	472
Deferred revenue	257	452
Lease reserve	449	222
Accrued and deferred compensation	38	67
Contribution carryover	36	18
Inventories	5	9
<b>Total deferred tax asset</b>	<u>\$ 9,918</u>	<u>\$ 9,272</u>
<b>Deferred tax liability:</b>		
Property and equipment basis difference	\$ (1,060)	\$ (1,671)
Inventories	(60)	(295)
Prepaid expenses	(139)	(269)
Intangible property basis difference	—	(56)
<b>Total deferred tax liability</b>	<u>\$ (1,259)</u>	<u>\$ (2,291)</u>
Net deferred tax assets	8,659	6,981
Valuation allowance	(2,836)	(2,348)
Deferred tax asset	<u>\$ 5,823</u>	<u>\$ 4,633</u>

During the year ended December 31, 2017, the net change in our DTA valuation allowance was approximately \$488,000.

As of December 31, 2017, we had cumulative state net operating loss carry-forwards for tax reporting purposes of approximately \$53.9 million and federal net operating loss carry-forwards for tax reporting purposes of \$11.8 million which, if not used, will begin to expire in fiscal 2018 and 2037, respectively.

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

The following is a reconciliation from our statutory tax rate to our effective tax rate for the periods presented:

	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Federal statutory tax rate	34.0 %	34.0 %
State taxes, net of valuation allowance and federal benefit	2.4	4.0
Federal rate change and impact on state benefit	(24.1)	—
Foreign taxes	(0.9)	(1.6)
Tax effect of permanent differences	(2.0)	(4.5)
Tax effect of general business credits	3.7	5.0
Tax effect of foreign tax credit	0.9	1.6
Uncertain tax positions	1.7	(2.1)
Stock-based compensation	(4.4)	—
Other	0.2	(0.8)
<b>Effective tax rate</b>	<b>11.5 %</b>	<b>35.6 %</b>

The substantial reduction in our future effective tax rate was primarily a result of recently signed into law Tax Cuts and Jobs Act (the “New Tax Law”), which will reduce our statutory tax rate from 34.0% to 21.0%. This decrease in future tax rate resulted in our recognition of approximately \$1.8 million in deferred tax expense due to the revaluation of our DTA. Staff Accounting Bulletin 118 outlines the approach that companies may take if essential information related to the New Tax Law is not available in reasonable detail by the time the financial statements are filed. We believe that we have reflected all of the material impacts of the New Tax Law in our consolidated financial statements as of December 31, 2017 and that there are no open items; however, our estimates will be finalized throughout fiscal 2018 as we complete our income tax returns for the fiscal year ended December 31, 2017.

**(13) ASSET IMPAIRMENT, ESTIMATED LEASE TERMINATION AND OTHER CLOSING COSTS**

Beginning in fiscal 2016, we initiated a restaurant optimization and refranchising initiative whereby we reviewed our restaurant portfolio for locations that were slow to respond to several initiatives to improve operating performance. We continued this initiative into fiscal 2017 and identified certain restaurants that were to be closed significantly before the end of the previously estimated useful lives. As a result of the reassessment of the useful lives of these restaurants, we recognized accelerated depreciation expense of approximately \$870,000. We closed 13 restaurants during the year ended December 31, 2017 in accordance with this restaurant optimization and refranchising initiative.

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

	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
<i>(dollars in thousands)</i>		
Restaurant Optimization		
Asset impairments, net	\$ 3,154	\$ 4,426
Lease termination charges and related costs	3,403	—
Restaurant closure expenses	259	206
Software	—	156
<b>Asset impairment, estimated lease termination and other closing costs</b>	<b>\$ 6,816</b>	<b>\$ 4,788</b>

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

Below reflects the change in our reserve for lease termination costs for the periods presented:

<i>(in thousands)</i>	<b>Balance at Beginning of Period</b>	<b>Additions Charged to Costs and Expenses</b>	<b>Deductions Credits to Costs and Expenses and Other Accounts</b>	<b>Balance at End of Period</b>
<b>Year Ended December 31, 2017</b>				
Reserve for lease termination costs	\$ 594	3,150	(1,945)	\$ 1,799
<b>Year Ended January 1, 2017</b>				
Reserve for lease termination costs	\$ 609	89	(104)	\$ 594

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

**(14) 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.



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

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 December 31, 2017 and January 1, 2017:

<i>(in thousands)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Balance at December 31, 2017</b>				
<b>Assets</b>				
Property and Equipment, net	\$ —	\$ —	\$ 828	\$ 828
<b>Balance at January 1, 2017</b>				
<b>Assets</b>				
Assets Held for Sale	\$ —	\$ 1	\$ —	\$ 1
Property and Equipment, net	\$ —	\$ —	\$ 1,742	\$ 1,742

Property and Equipment, net, is 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.

**(15) VARIABLE INTEREST ENTITIES**

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

On August 11, 2015, we consummated the sale of our Greenwood, Indiana restaurant. In conjunction with that agreement, we entered into a lease assignment agreement with the purchaser and landlord, releasing us of our obligations except in the event of default by the purchasers. As of December 31, 2017, the amount of the future lease payments for which we would be liable in the event of a default are approximately \$106,000. An accrual related to a future obligation was not considered necessary as of December 31, 2017. This franchisee is a VIE; however, the owners of the franchise operations are the primary beneficiaries of the entities; therefore, the franchise operations are not required to be consolidated in our consolidated financial statements.

On March 1, 2016, we consummated the sale of our Chicago, Illinois-area restaurants. In conjunction with that agreement, we entered into lease assignment agreements with the respective purchasers and two of the landlords, releasing us from our obligations except in the event of default by the purchasers. In 2017, the franchisee closed the restaurants and ceased to pay the lease payments. As of December 31, 2017, the remaining future minimum lease payments for which we are responsible totaled \$1.5 million and we had recorded lease reserves totaling \$1.0 million. See Note 13 "Asset Impairment, Estimated Lease Termination and Other Closing Costs." This franchisee is a VIE; however, the owners of the franchise operations are the primary beneficiaries of the entities; therefore, the franchise operations are not required to be consolidated in our consolidated financial statements.

On November 1, 2017, we sold our Frederick, Maryland restaurant. Pursuant to the terms of the Frederick Agreement, we remained the primary obligor of the lease. As of December 31, 2017, the amount of future lease payments for which we would be liable in the event of a default are approximately \$756,000. An accrual related to the future lease obligation was not considered necessary as of December 31, 2017. See Note 11 "Discontinued Operations."

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

### (16) RELATED PARTY TRANSACTIONS

Michael Lister served as our Chief Executive Officer and Chief Operating Officer from October 2016 to November 2017. Doug Renegar served as our Senior Vice President of Franchise Operations from October 2016 to November 2017. Messrs. Lister and Renegar manage Famous Five Dining, a corporation that owns four franchised Famous Dave's restaurants.

Anand D. Gala is a franchisee and currently serves as one of our directors. 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. Mr. Gala's brother owns Altametrics, LLC, a software company to which we paid approximately \$127,000 during the year ended January 1, 2017. In December 2017, due to significant negative cash flow and risk of restaurant closure, Mr. Gala requested and we approved a royalty abatement on two of his restaurants for three years, beginning in fiscal 2018. These restaurants will have an effective royalty rate of 2.5% for fiscal 2018, 3.5% for fiscal 2019, 4.0% for fiscal 2020 and return to 5.0% thereafter.

On November 10, 2017, we entered into a Stock Purchase Agreement (the "Purchase Agreement") by and between us and PW Partners, LLC ("PW Partners"). Pursuant to the Purchase Agreement, we sold to PW Partners on behalf of its designated client, FS Special Opportunities I, L.P. (the "Purchaser's Designee"), 418,169 shares of our common stock (the "Private Placement"). The Purchase Agreement provides further that PW Partners has assigned its rights under the Purchase Agreement to the Purchaser's Designee; provided, however, that PW Partners retains its obligations under the Purchase Agreement.

On January 29, 2018, we entered into a Standby Purchase Agreement (the "Standby Purchase Agreement") with PW Partners, in connection with the previously announced proposed non-transferable rights offering (the "Rights Offering"). The Standby Purchase Agreement provides that PW Partners will (a) exercise its non-transferable rights to subscribe for and purchase its pro rata amount of newly-issued shares of our common stock, at a price per share, which our board of directors has set at \$3.50 per share (the "Subscription Price"), and (b) purchase in a private placement separate from the Rights Offering, at the Subscription Price and subject to the terms and conditions of the Standby Purchase Agreement, any shares of our common stock that are not subscribed for in the Rights Offering pursuant to our stockholders' exercise of their rights. Notwithstanding the foregoing, the Standby Purchase Agreement also provides that PW Partners will not purchase shares of our common stock in an amount that would result in the Standby Purchaser beneficially owning 20% or more of the outstanding common stock after such purchase.

PW Partners is affiliated with PW Capital Management, LLC ("PW Capital"). Pursuant to the Purchase Agreement, Jeffery Crivello, the Chief Financial Officer of PW Capital, became our Chief Executive Officer, effective November 14, 2017.

On December 8, 2017, as a part of settlement of a legal dispute and distressed situation, we approved the transfer of seven franchise restaurants in Utah and Washington (the "Transferred Restaurants") to an entity (the "Acquirer") controlled by Charles Davidson, who is the beneficial owner of 19.2% of the Company as a result of his positions as the Co-founder, Chairman and Chief Investment Officer of Wexford Capital LP.

The previous franchisee of these seven restaurants experienced financial difficulties for more than one year and, at the time of the sale to the Acquirer, was more than one year in arrears with royalty, miscellaneous and national advertising fund payments that totaled approximately \$1.4 million. The previous franchisee engaged a broker who marketed the franchise for several months, which resulted in two potential buyers, one of whom dropped out of the process. These stores were severely neglected, and this was determined to be the best path to economic recovery.

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

In connection with settling the dispute with the previous franchisee, the Company collected \$350,000 in cash from the previous franchisee. Pursuant to the settlement, we wrote off accounts receivable of approximately \$1.0 million.

As part of the transaction, we agreed to certain concessions in order to facilitate the transfer of the Transferred Restaurants to the Acquirer and to incentivize the Acquirer to invest the funds necessary to improve the operations of the Transferred Restaurants and to provide innovation to the Famous Dave’s concept. The economic concessions consisted of the following:

- A \$500,000 repairs and maintenance credit (the “R&M Credit”), payable through a 50% reduction in required royalty payments until the credit is exhausted;
- Royalty relief, in addition to the R&M Credit, of 2.0% in months one through 12 for an effective royalty rate of 3.0% and 1.0% in months 13 through 24 for an effective royalty rate of 4.0%, and a full royalty of 5.0% to be paid thereafter (“Royalty Relief”);
- Development rights in the states of Utah and Washington in exchange for a commitment to open three restaurants before May 1, 2027; and,
- Waiver of initial and future franchise fees and area development fees.

In addition to these economic concessions, we modified our standard franchise agreement to eliminate or limit certain obligations of Acquirer as a franchisee, including:

- Waiver of reacquisition fees for two additional ten-year terms;
- Acquirer will spend 1.0% of net sales on local marketing, as opposed to the standard 1.5%.

The following table outlines amounts received from related parties during the years ended December 31, 2017 and January 1, 2017:

<i>(in thousands)</i>	<b>Year Ended</b>	
	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Revenues and NAF contributions - Anand Gala	\$ 1,935	\$ 2,135
Revenues and NAF contributions - Michael Lister and Doug Renegar	493	500
Revenues and NAF contributions - Charles Davidson	54	—

The following table outlines accounts receivable, net from related parties as of December 31, 2017 and January 1, 2017:

<i>(in thousands)</i>	<b>December 31, 2017</b>	<b>January 1, 2017</b>
	Accounts receivable, net - Anand Gala	\$ 301
Accounts receivable, net - Michael Lister and Doug Renegar	48	50
Accounts receivable, net - Charles Davidson	32	—

**(17) 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 30, 2018, we entered into a purchase and sale agreement to sell a vacant restaurant site in Glen Allen, Virginia for \$765,000. The restaurant site was previously written down to net realizable value during the year ended December 31, 2017.

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

Also on January 30, 2018, we completed the sale of the liquor license referenced in Note 4 "Property, Equipment and Leasehold Improvements.

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

**Financial Statement Schedule**

**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS**

	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions Credits to Costs and Expenses and Other Accounts</u>	<u>Balance at End of Period</u>
<i>(in thousands)</i>				
<b>Year ended January 1, 2017:</b>				
Allowance for doubtful accounts	\$ 246	\$ 87	\$ (62)	\$ 271
Reserve for lease termination costs	609	89	(104)	594
Reserve for corporate severance	20	170	(190)	—
<b>Year ended December 31, 2017:</b>				
Allowance for doubtful accounts	\$ 271	\$ 1,599	\$ (1,278)	\$ 592
Reserve for lease termination costs	594	3,150	(1,945)	1,799
Reserve for corporate severance	—	796	(441)	355

## 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 5, 2018

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 5, 2018 by the following persons on behalf of the registrant, in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ Jeffery Crivello</u> Jeffery Crivello	Director
<u>/s/ Anand D. Gala</u> Anand D. Gala	Director
<u>/s/ Eric S. Hirschhorn</u> Eric S. Hirschhorn	Director
<u>/s/ Joseph M. Jacobs</u> Joseph M. Jacobs	Director
<u>/s/ Charles W. Mooty</u> Charles W. Mooty	Director
<u>/s/ Richard A. Shapiro</u> Richard A. Shapiro	Director
<u>/s/ Bryan L. Wolff</u> Bryan L. Wolff	Director

## EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Restated Articles of Incorporation, dated December 18, 2017, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S 1 filed on December 29, 2017.
3.2	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	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 †
10.3	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
10.4	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
10.5	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
10.6	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
10.7	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 15, 2013
10.8	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
10.9	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
10.10	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
10.11	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

Exhibit No.	Description
10.12	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
10.13	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
10.14	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
10.15	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
10.16	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 †
10.17	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 †
10.18	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 †
10.19	Amendment No. 1 to 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed July 31, 2015 †
10.20	Amendment No. 2 to 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 6, 2015 †
10.21	Form 2013 – 2015 Performance Share Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K filed January 8, 2013 †
	Schedule of Grants under Form of 2013 – 2015 Performance Share Agreement, incorporated by reference to Exhibit 10.2 to Form 8-K filed January 8, 2013 †
10.22	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 †
10.23	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 †



<u>Exhibit No.</u>	<u>Description</u>
10.24	Employment Agreement entered into on August 3, 2015 between Famous Dave's of America, Inc. and Abelardo Ruiz, incorporated by reference to Exhibit 10.1 to Form 8-K filed August 7, 2015 †
10.25	Severance Agreement dated August 17, 2015 between Famous Dave's of America, Inc. and Richard A. Pawlowski, incorporated by reference to Exhibit 10.1 to Form 8-K filed August 21, 2015 †
10.26	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 †
10.27	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
10.28	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
10.29	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 †
10.30	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 †
10.31	Stock Option 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 †
10.32	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 †
10.33	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 †
10.34	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 †
10.35	Employment Agreement dated October 11, 2016 between Famous Dave's of America and Doug Renegar, incorporated by reference to Exhibit 10.2 to form 10-Q filed November 16, 2016 †
10.36	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
10.37	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
10.38	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
10.39	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

<u>Exhibit No.</u>	<u>Description</u>
10.40	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
10.41	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
10.42	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
10.43	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
10.44	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
10.45	Stock Purchase Agreement dated November 10, 2017 between Famous Dave's of America, Inc. and PW Partners, LLC, incorporated by reference to Exhibit 10.1 to Form 8 K filed November 13, 2017
10.46	Registration Rights Agreement dated November 10, 2017 between Famous Dave's of America, Inc. and PW Partners, LLC, incorporated by reference to Exhibit 10.2 to Form 8 K filed November 13, 2017
10.47	Employment Agreement dated November 14, 2017 between Famous Dave's of America, Inc. and Jeffery Crivello, incorporated by reference to Exhibit 10.3 to Form 8 K filed November 13, 2017 †
10.48	Asset Purchase Agreement dated November 1, 2017 among Famous Dave's Ribs of Maryland, Inc., Famous Dave's Ribs, Inc., Commonwealth Blue Ribbon Restaurants, LLC and Capital Blue Ribbon Restaurants, LLC, incorporated by reference to Exhibit 10.53 to the Registration Statement on Form S 1 filed on December 29, 2017
10.49	Asset Purchase Agreement (and supplemental letter agreement) dated November 1, 2017 between Famous Dave's Ribs of Maryland, Inc. and Capital Blue Ribbon Restaurants, LLC, incorporated by reference to Exhibit 10.54 to the Registration Statement on Form S 1 filed on December 29, 2017
10.50	Amendment dated January 29, 2018 to Employment Agreement dated November 14, 2017 between Famous Dave's of America, Inc. and Jeffery Crivello, incorporated by reference to Exhibit 10.2 to Form 8 K filed January 29, 2018 †
10.51	Employment Agreement dated April 13, 2016 between Famous Dave's of America, Inc. and Geovannie Concepcion, incorporated by reference to Exhibit 10.3 to Form 8 K filed January 29, 2018 †
10.52	Amendment dated January 29, 2018 to Employment Agreement dated April 13, 2016 between Famous Dave's of America, Inc. and Geovannie Concepcion, incorporated by reference to Exhibit 10.4 to Form 8 K filed January 29, 2018 †

<u>Exhibit No.</u>	<u>Description</u>
10.53	Standby Purchase Agreement, between Famous Dave's of America, Inc. and PW Partners, LLC, dated January 29, 2018, incorporated by reference to Exhibit 10.1 to Form 8-K filed January 29, 2018
10.54*	Employment Agreement dated February 12, 2018 between Famous Dave's of America, Inc. and Paul M. Malazita †
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
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 herewith

† Management compensatory plan