

FAMOUS DAVES OF AMERICA INC

Form 10-Q

May 13, 2011

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

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

For the Quarterly Period Ended April 3, 2011

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

Commission File No. 0-21625

FAMOUS DAVE S of AMERICA, INC.
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

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

**12701 Whitewater Drive, Suite 200
Minnetonka, MN 55343**

(Address of principal executive offices) (Zip code)

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

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

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

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

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

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

As of May 9, 2011, 8,039,942 shares of the registrant's Common Stock were outstanding.

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CONSOLIDATED BALANCE SHEETS
APRIL 3, 2011 AND JANUARY 2, 2011
(in thousands, except share and per share data)

	April 3, 2011	January 2, 2011
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 2,671	\$ 2,654
Restricted cash	222	94
Accounts receivable, net	3,156	3,097
Inventories	2,570	2,444
Deferred tax asset	205	205
Prepaid expenses and other current assets	2,511	2,369
Current portion of notes receivable	265	384
Total current assets	11,600	11,247
Property, equipment and leasehold improvements, net	60,595	61,550
Other assets:		
Notes receivable, less current portion	40	54
Other assets	3,251	3,278
	\$ 75,486	\$ 76,129

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Current portion of long-term debt and financing lease obligation	\$ 549	\$ 538
Accounts payable	4,403	3,935
Accrued compensation and benefits	2,577	4,409
Other current liabilities	4,238	4,972
Total current liabilities	11,767	13,854
Long-term liabilities:		
Line of credit	15,400	13,000
Long-term debt, less current portion	6,092	6,205
Financing lease obligation, less current portion	4,238	4,292
Deferred tax liability	446	446
Other liabilities	5,517	5,428
Total liabilities	43,460	43,225

Shareholders' equity:

Common stock, \$.01 par value, 100,000,000 shares authorized, 8,054,000 and 8,245,000 shares issued and outstanding at April 3, 2011 and January 2, 2011, respectively

	80	82
Additional paid-in capital	8,180	10,238
Retained earnings	23,766	22,584
Total shareholders' equity	32,026	32,904
	\$ 75,486	\$ 76,129

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
APRIL 3, 2011 AND APRIL 4, 2010
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended	
	April 3, 2011	April 4, 2010
Revenue:		
Restaurant sales, net	\$ 32,741	\$ 28,393
Franchise royalty revenue	4,029	3,982
Franchise fee revenue	40	40
Licensing and other revenue	280	184
Total revenue	37,090	32,599
Costs and expenses:		
Food and beverage costs	9,653	8,327
Labor and benefits costs	10,437	9,249
Operating expenses	9,074	7,628
Depreciation and amortization	1,375	1,292
General and administrative expenses	4,324	3,811
Asset impairment and estimated lease termination and other closing costs	171	(74)
Pre-opening expenses		27
Gain on acquisition, net of acquisition costs		(2,036)
Net loss on disposal of property	1	
Total costs and expenses	35,035	28,224
Income from operations	2,055	4,375
Other expense:		
Interest expense	(279)	(300)
Interest income	6	39
Other income, net	8	7
Total other expense	(265)	(254)
Income before income taxes	1,790	4,121
Income tax expense	(608)	(1,414)
Net income	\$ 1,182	\$ 2,707

Basic net income per common share	\$ 0.15	\$ 0.30
Diluted net income per common share	\$ 0.14	\$ 0.30
Weighted average common shares outstanding basic	8,118,000	8,999,000
Weighted average common shares outstanding diluted	8,302,000	9,162,000

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
APRIL 3, 2011 AND APRIL 4, 2010
(in thousands)
(Unaudited)

	Three Months Ended	
	April 3, 2011	April 4, 2010
Cash flows from operating activities:		
Net income	\$ 1,182	\$ 2,707
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	1,375	1,292
Gain on acquisition of restaurants		(2,343)
Asset impairment and estimated lease termination and other closing costs	171	(74)
Net loss on disposal of property	1	
Amortization of deferred financing costs	14	13
Deferred income taxes		764
Deferred rent	184	104
Stock-based compensation	326	355
Tax benefit for equity awards issued	118	
Changes in operating assets and liabilities, net of acquisition:		
Restricted cash	(128)	114
Accounts receivable, net	(59)	164
Inventories	(126)	(72)
Prepaid expenses and other current assets	(142)	(447)
Deposits		(28)
Accounts payable	445	314
Accrued compensation and benefits	(1,913)	(2,181)
Other current liabilities	(840)	(337)
Long-term deferred compensation	(83)	19
Cash flows provided by operating activities	525	364
Cash flows from investing activities:		
Purchases of property, equipment and leasehold improvements	(580)	(703)
Acquisition of restaurants		(6,822)
Payments received on notes receivable	133	64
Cash flows used for investing activities	(447)	(7,461)
Cash flows from financing activities:		
Proceeds from long-term debt		6,800
Proceeds from draws on line of credit	11,000	6,500
Payments on line of credit	(8,600)	(4,500)
Payments for debt issuance costs	(1)	
Payments on long-term debt and financing lease obligation	(156)	(76)
Proceeds from exercise of stock options	110	
Tax benefit for equity awards issued	118	

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Repurchase of common stock	(2,532)	(2,982)
Cash flows (used for) provided by financing activities	(61)	5,742
Increase (decrease) in cash and cash equivalents	17	(1,355)
Cash and cash equivalents, beginning of period	2,654	2,996
Cash and cash equivalents, end of period	\$ 2,671	\$ 1,641

See accompanying notes to consolidated financial statements.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

We, Famous Dave s of America, Inc. (Famous Dave s or the Company), were incorporated in Minnesota on March 14, 1994. We develop, own, operate and franchise restaurants under the name Famous Dave s . As of April 3, 2011, there were 182 Famous Dave s restaurants operating in 37 states, including 52 company-owned restaurants and 130 franchise-operated restaurants. An additional 71 franchise restaurants were committed to be developed through signed area development agreements as of April 3, 2011.

We prepared these consolidated financial statements in accordance with Securities and Exchange Commission (SEC) Rules and Regulations. These unaudited financial statements represent the consolidated financial statements of Famous Dave s and its subsidiaries as of April 3, 2011 and January 2, 2011 and for the three month periods ended April 3, 2011 and April 4, 2010. The information furnished in these financial statements includes normal recurring adjustments and reflects all adjustments, which are, in our opinion, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended January 2, 2011 as filed with the SEC.

Due to the seasonality of our business, revenue and operating results for the three months ended April 3, 2011 are not necessarily indicative of the results to be expected for the full year.

Reclassifications Certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

(2) Net Income Per Common Share

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

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

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

	Three Months Ended	
	April	April 4,
	3,	2010
	2011	
<i>(in thousands, except per share data)</i>		
Net income per common share basic:		
Net income	\$ 1,182	\$ 2,707
Weighted average shares outstanding	8,118	8,999
Net income per common share basic	\$ 0.15	\$ 0.30
 Net income per common share diluted:		
Net income	\$ 1,182	\$ 2,707
Weighted average shares outstanding	8,118	8,999
Dilutive impact of common stock equivalents outstanding	184	163
Adjusted weighted average shares outstanding	8,302	9,162
Net income per common share diluted	\$ 0.14	\$ 0.30

There were 25,500 options outstanding as of April 3, 2011 and April 4, 2010 that were not available to be included in the computation of diluted EPS because they were anti-dilutive.

(3) Allowance for Doubtful Accounts

Accounts Receivable, Net We provide an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. We provide for a general bad debt reserve for franchise receivables due to increases in days sales outstanding and deterioration in general economic market conditions. This general reserve is based on the aging of receivables meeting specified criteria and is adjusted each quarter based on past due receivable balances. Additionally, we have periodically established a specific reserve on certain receivables as necessary. Any changes to the reserve are recorded in general and administrative expenses. The allowance for uncollectible accounts was approximately \$33,000 and \$80,000 at April 3, 2011 and January 2, 2011, respectively. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to allowance for doubtful accounts. Accounts receivable balances written off have not exceeded allowances provided. We believe all accounts receivable in excess of the allowance are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. Outstanding past due accounts receivable are subject to a monthly interest charge on unpaid balances which is recorded as interest income in our consolidated statements of operations. In assessing recoverability of these receivables, we make judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which the franchisees are required to submit to us, as well as other variances.

(4) Public Relations and Marketing Development Fund and Restricted Cash

We have a system-wide Public Relations and Marketing Development Fund, to which Company-owned restaurants, in addition to franchise-operated restaurants on which franchise agreements were signed after December 17, 2003, are required to contribute a percentage of net sales, currently 0.75%, for use in public relations and marketing development efforts throughout the system. The assets held by this fund are considered restricted. Accordingly, we reflect the cash related to this fund in restricted cash and reflect the liability in

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

accounts payable on our consolidated balance sheets as of April 3, 2011 and January 2, 2011. As of April 3, 2011 and January 2, 2011, we had approximately \$222,000 and \$94,000 in this fund, respectively.

(5) Credit Facility, Long-Term Debt and Debt Covenants

The Company and certain of its subsidiaries (collectively known as the Borrower) currently have a Credit Agreement with Wells Fargo Bank, National Association, as administrative agent and lender (the Lender). The Credit Agreement, contains a \$30.0 million revolving credit facility (the Facility) with an opportunity, subject to the Company meeting identified covenants and elections, to increase the commitment to \$50.0 million.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate plus an applicable margin or at a Base Rate plus an applicable margin. The Base Rate is defined in the agreement as the greater of the Federal Funds Rate (0.25% at April 3, 2011) plus 1.5% or Wells Fargo s prime rate (3.25% at April 3, 2011). The applicable margin will depend on the Company s Adjusted Leverage Ratio, as defined, at the end of the previous quarter and will range from 1.00% to 2.00% for Eurodollar Rate Loans and from -0.50% to +0.50% for Base Rate Loans. Unused portions of the Facility will be subject to an unused Facility fee which will be equal to either 0.25% or 0.375% of the unused portion, depending on the Company s Adjusted Leverage Ratio. Our rate for the unused portion of the Facility as of April 3, 2011, was 0.375%. An increase option exercise fee will apply to increased amounts between \$30.0 and \$50.0 million. Our current weighted average interest rate for the first quarter of fiscal 2011 was 2.76%.

The Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Borrower with respect to indebtedness, liens, investments, distributions, mergers and acquisitions, dispositions of assets and transactions with affiliates of the Borrower, among others. The Facility also includes various financial covenants that have maximum target capital expenditures, cash flow ratios, and adjusted leverage ratios. If the Company s Adjusted Leverage Ratio is greater than 3.00 to 1.00, an additional covenant applies that limits the maximum royalty receivable aged past 30 days. In addition, capital expenditure limits include permitted stock repurchase limits (limited to \$10.0 million in aggregate during any 12 month period, and \$20.0 million in aggregate during the term of the agreement).

The Company amended the Credit Agreement on March 4, 2010 in connection with the acquisition of seven New York and New Jersey restaurants (see Note 12 to our Consolidated Financial Statements). This amendment provided for an additional \$6.8 million of long-term debt in the form of a term loan with a maturity date of March 4, 2017. Principal amounts outstanding under this term loan bear interest at an adjusted Eurodollar rate plus 225 basis points for an interest rate period of one, two, three, or six months. Our current weighted average interest rate for the first quarter was 2.69%. There is a required minimum annual amortization of 5.0% of the principal balance.

The Credit Agreement currently provides for up to \$3.0 million in letters of credit to be used by the Company, with any amounts outstanding reducing our availability for general corporate purchases, and also allows for the termination of the Facility by the Borrower without penalty at any time. At April 3, 2011 we had \$15.4 million in borrowings under this Facility, and had approximately \$779,000 in letters of credit for real estate locations. We were in compliance with all covenants as of April 3, 2011.

We expect to use any borrowings under the Credit Agreement for general working capital purchases as needed. Under the Facility, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

(6) Other Current Liabilities

Other current liabilities consisted of the following at:

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

<i>(in thousands)</i>	April 3, 2011	January 2, 2011
Gift cards payable	\$ 1,455	\$ 1,960
Other liabilities	1,257	1,347
Income tax payable	515	681
Sales tax payable	823	785
Accrued property and equipment purchases	48	59
Deferred franchise fees	140	140
	\$ 4,238	\$ 4,972

(7) Other Liabilities

Other liabilities consisted of the following at:

<i>(in thousands)</i>	April 3, 2011	January 2, 2011
Deferred rent	\$ 5,217	\$ 5,043
Asset retirement obligations	96	96
Other liabilities	204	289
	\$ 5,517	\$ 5,428

(8) Stock Options, Performance Shares, Other Forms of Compensation, and Common Share Repurchases

Stock-based Compensation

We recognized stock-based compensation expense in our consolidated statements of operations for the three months ended April 3, 2011 and April 4, 2010, respectively, as follows:

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	Three Months Ended	
	April 3, 2011	April 4, 2010
<i>(in thousands)</i>		
Performance Share Programs:		
2008 Program	\$	\$ 26
2009 Program	61	62
2010 Program	95	96
2011 Program	120	
Performance Shares	\$ 276	\$ 184
Director Shares	34	137
Restricted Stock	16	34
	\$ 326	\$ 355

Performance Shares

As of April 3, 2011, we had three performance share programs in progress. All of these performance share awards qualify for equity-based treatment as required under the FASB Accounting Standards Codification for Stock Compensation. Accordingly, we recognize compensation cost for these share-based awards based on their fair value, which is the closing stock price at the date of grant over the requisite service period (i.e. fixed treatment). Participants in each performance share program are entitled to receive a specified number of shares of the common stock (Performance Shares) based upon our achieving a specified percentage of the cumulative total of the earnings per share goals established by our compensation committee for each fiscal year within a three-year performance period (the Cumulative EPS Goal). In the second and third year of any performance share program, the estimated attainment percentage is based on the forecasted earnings per share for that program. For the 2009 and 2010 programs, the attainment percentages were estimated at 100.0%. In the first year of any program, we estimate the attainment rate to be 100.0%. In accordance with FASB Accounting Standards Codification for Stock Compensation, we have recorded compensation net of the estimated non-attainment rates. We will continue to evaluate the need to adjust the attainment percentages in future periods.

During the first quarter of fiscal 2011, we issued 24,632 shares upon satisfaction of conditions under the 2008 performance share program, representing the achievement of approximately 91.2% of the target payout for this program. Recipients elected to forfeit 8,412 of those shares to satisfy tax withholding obligations, resulting in a net issuance of 16,220 shares.

For each of the three programs currently in progress, if the Company achieves at least 80% of the Cumulative EPS Goal, then each recipient will be entitled to receive a percentage of the Target number of Performance Shares granted that is equal to the percentage of the Cumulative EPS Goal achieved, up to 100%. The maximum share payout a recipient will be entitled to receive is 100% of the Target number of Performance Shares granted if the Cumulative EPS Goal is met.

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At April 3, 2011, the following performance share programs were in progress:

Award Date	Performance Share Program	Target No. of Performance Shares (Originally Granted)⁽²⁾	No. of Performance Shares (Outstanding at April 3, 2011)⁽³⁾
	2009		
12/29/2008	Program ⁽¹⁾	280,300	267,100
	2010		
1/4/2010	Program	193,700	190,700
	2011		
1/3/2011	Program	129,900	129,900

(1) The aggregate target number of performance shares awarded under this program was significantly higher than previous or subsequent years as a result of one-time grants related to the hiring of several new executives and board members in late 2008 and early 2009, and a significantly lower stock price at the grant date.

(2) Assumes achievement of 100% of the applicable cumulative EPS goal.

(3) Assumes an estimated payout equal to the achievement of 100% of the applicable cumulative EPS goal, net of employee forfeitures.

Board of Directors Compensation

In fiscal 2011, we are compensating our independent board members with cash, and are expensing it over the term of their board service from May 2010 to April 2011. In the first quarter of fiscal 2011, total compensation expense for our board was approximately \$96,000 of cash compensation expense related to board service from January to March. Additionally, during the first quarter of fiscal 2011, there was approximately \$16,000 of stock-based compensation expense for the one-time grants for Lisa A. Kro and Wallace B. Doolin.

In total, board of director cash compensation and stock-based compensation expense for the board of directors during the first quarter of fiscal 2011 was approximately \$112,000.

In May 2009, we awarded our independent board members shares of common stock for their service on our board for May 2009 to April 2010. These shares were unrestricted upon issuance, but would have required repayment of the prorated portion, or equivalent value thereof in cash, in the event that a board member failed to fulfill his or her term of service. In total, 66,000 shares were issued on May 5, 2009, on which date the closing price of our common stock was \$6.72. The total compensation cost of approximately \$444,000 was reflected in general and administrative expenses in our consolidated statements of operations for fiscal 2009 and fiscal 2010, and was recognized over the term of the director's service from May 2009 to April 2010.

Additionally, during 2009, one-time stock grants were issued to Lisa A. Kro and Wallace B. Doolin commensurate with the additional responsibilities assigned to them upon assuming new positions on the Board of Directors committees. They were granted 25,000 restricted shares each; with a grant date fair value of \$168,000 and \$150,000 on May 5, 2009 and September 29, 2009, respectively. These grants vest ratably over a period of five years beginning on the date they respectively joined the board.

Stock Options

We have adopted a 1995 Stock Option and Compensation Plan, a 1997 Employee Stock Option Plan, a 1998 Director Stock Option Plan and a 2005 Stock Incentive Plan (the Plans), pursuant to which we may grant stock

options, stock appreciation rights, restricted stock, performance shares, and other stock and cash awards to eligible participants. Under the Plans, an aggregate of 49,308 shares of our Company's common stock remained unreserved and available for issuance at April 3, 2011.

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In general, the stock options we have issued under the Plans vest over a period of 3 to 5 years and expire 10 years from the date of grant. The 1995 Stock Option and Compensation Plan expired on December 29, 2005, the 1997 Employee Stock Option Plan expired on June 24, 2007, and the 1998 Director Stock Option Plan expired on June 19, 2008. Although incentives are no longer eligible for grant under these plans, each such plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated.

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

Stock Options

	Number of Options	Weighted Average Exercise Price
<i>(number of options in thousands)</i>		
Outstanding at January 2, 2011	247	\$ 6.27
Exercised	(50)	4.66
Canceled or expired		
Outstanding at April 3, 2011	197	\$ 6.68
Options Exercisable at April 3, 2011	197	\$ 6.68

Common Share Repurchases

On November 4, 2010, our Board of Directors authorized a stock repurchase program that authorized the repurchase of up to 1.0 million shares of our common stock in both the open market or through privately negotiated transactions. During the first three months of fiscal 2011, we repurchased 245,809 shares, under our current authorization for approximately \$2.5 million at an average market price per share of \$10.28, excluding commissions.

Employee Stock Purchase Plan

The Company maintains an Employee Stock Purchase Plan, which gives eligible employees the option to purchase Common Stock (total purchases in a year may not exceed 10 percent of an employee's current year compensation) at 100 percent of the fair market value of the Common Stock at the end of each calendar quarter. There were approximately 1,148 and 1,470 shares purchased with a fair value of \$9.79 and \$8.39 during the first quarter of 2011 and first quarter of 2010, respectively. The Company recognized no expense related to the stock purchase plan due to it being non-compensatory as defined by IRS Section 423.

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

We have a pre-tax salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. In fiscal 2011, we will match 25.0%, and in fiscal 2010, we matched 25.0%, of the employee's contribution up to 4.0% of their earnings. Employee contributions were approximately \$167,000 and \$162,000 for the first quarter of fiscal years 2011 and 2010, respectively. The employer match was \$24,000 and \$25,000 for the first quarter of fiscal years 2011 and 2010, respectively. There were discretionary contributions to the Plan of \$10,000 and \$11,000 during the first quarter of fiscal years 2011 and 2010, respectively.

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

Non-Qualified Deferred Compensation Plan

We have a Non-Qualified Deferred Compensation Plan effective as of February 25, 2005 (the "Plan"). Eligible participants are those employees who are at the director level and above and who are selected by the Company to participate in the Plan. Participants must complete a deferral election each year to indicate the level of compensation (salary, bonus and commissions) they wish to have deferred for the coming year. This deferral election is irrevocable except to the extent permitted by the Plan Administrator, and the Regulations promulgated by the IRS. During fiscal 2011, we will match 25.0%, and in fiscal 2010, we matched 25.0%, respectively, of the first 4.0% contributed and are paying a declared interest rate of 6.0% on balances outstanding. The Board of Directors administers the Plan and may change the rate or any other aspects of the Plan at any time.

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

The Plan assets are kept in an unsecured account that has no trust fund. In the event of bankruptcy, 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 Plan are not insured by the Pension Benefit Guaranty Corporation (PBGC) under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), because the pension insurance provisions of ERISA do not apply to the Plan.

For the quarter ended April 3, 2011 and April 4, 2010, eligible participants contributed approximately \$47,000 and \$26,000 to the Plan, respectively, and the Company provided matching funds and interest of approximately \$17,000 and \$16,000, respectively.

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

In accordance with FASB Accounting Standards Codification for Property, Plant, and Equipment, we evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant 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. If these assumptions change in the future, we may be required to take additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates. Restaurant sites that are operating but have been previously impaired are reported at the lower of their carrying amount or fair value less estimated costs to sell. Following is a summary of these events during the first quarter of fiscal 2011 and fiscal 2010.

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

Restaurants	Reason	April 3, 2011
Palatine, IL	Costs for a closed restaurant ⁽¹⁾	\$ 23
Gaithersburg, MD	Asset impairment ⁽²⁾	148
Total for 2011		\$ 171

(1) The Company incurred various costs for a previously closed restaurant.

(2) Based on the Company's assessment of expected cash flows, an asset impairment charge was recorded, in accordance with FASB Accounting Standards Codification for Property Plant and Equipment, for this restaurant which will be relocated within its existing market in early 2013.

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

Restaurants	Reason	April 4, 2010
Various	Costs for closed restaurants ⁽¹⁾	\$ 10
Marietta, GA	Gain on lease termination ⁽²⁾	(84)
Total for 2010		\$ (74)

(1) The Company incurred various costs for previously closed restaurants.

(2) During the year, the Company negotiated lease buyout for this location. Total termination fees were approximately \$506,000 less lease reserve of approximately \$591,000 for a net gain of approximately \$84,000.

(11) Fair Value Measurements***Non-Financial Assets Measured on a Non-Recurring Basis***

In the first quarter of fiscal 2011, an impairment charge was recorded for approximately \$148,000 for a restaurant which will be relocated within its existing market in early 2013. This restaurant had a carrying value of approximately \$327,000. We determined fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. According to the FASB Accounting Standards Codification for Fair Value Measurements and Disclosures, the fair value was determined by using significant unobservable inputs (Level 3) and was approximately \$179,000.

(12) Acquisition of Seven Restaurants in New York and New Jersey

On March 3, 2010, the Company purchased the assets of seven of nine Famous Dave's restaurants located in New York and New Jersey previously owned and operated by a Famous Dave's franchisee, North Country BBQ Ventures, Inc. Famous Dave's of America, Inc. continues to operate the restaurants. For the two restaurants that were not acquired; one was subsequently closed and the other was purchased out of bankruptcy by another buyer who assumed the existing franchise agreement.

The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of the seven restaurants described above occurred at the beginning of fiscal 2010 as required by FASB Accounting Standards Codification for Business Combinations. Pro forma results were based on the

previous owner's unaudited financial statements which is permitted under the Securities and
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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exchange Commission rules for business that did not meet the significant subsidiary criteria. These results were then adjusted for the impact of certain acquisition-related items, such as: additional amortization of identified intangible assets, additional depreciation expense of property and equipment recorded at fair value, increased interest expense on acquisition debt, inclusion of transaction-related charges and related income tax effects.

The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2010, nor is it indicative of future operating results.

<i>Pro Forma Results (unaudited)</i> <i>(in thousands except per share data)</i>	Three Months Ended	
	April 3, 2011⁽¹⁾	April 4, 2010
Revenue	\$ 37,090	\$ 34,945
Net income	1,182	2,744
Net income per common share-basic	0.15	0.30
Net income per common share-diluted	0.14	0.30

- (1) Since the acquired restaurants were company-owned restaurants for the entire first quarter of fiscal 2011, these were actual results and not pro forma results. Additionally, results for the first quarter of 2010 exclude the impact of the approximate \$2.0 million gain on acquisition, net of acquisition costs.

(13) Supplemental Cash Flow Information

<i>(in thousands)</i>	Three Months Ended	
	April 3, 2011	April 4, 2010
Cash paid for interest	\$ 339	\$ 280
Cash paid for taxes ⁽¹⁾	\$ 703	\$ 272

Non-cash investing and financing activities:

Accrued property and equipment purchases	\$ 11	\$ 232
Reclassification of additional-paid-in-capital to payroll taxes payable for performance shares issued	\$ 82	\$ 68
Redemption of note receivable due to the acquisition of franchise restaurants	\$	\$ 613

- (1) Cash paid for taxes increased significantly over prior year due to use of net operating loss tax carry forward credits in fiscal 2010 and as a result of our recently closed IRS audit.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Famous Dave s of America, Inc. was incorporated as a Minnesota corporation in March 1994 and opened its first restaurant in Minneapolis in June 1995. As of April 3, 2011, there were 182 Famous Dave s restaurants operating in 37 states, including 52 company-owned restaurants and 130 franchise-operated restaurants. An additional 71 franchise restaurants were in various stages of development as of April 3, 2011.

Fiscal Year

Our fiscal year ends on the Sunday closest to December 31st. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal years, ending January 1, 2012 (fiscal 2011) and January 2, 2011 (fiscal 2010) are both 52 week fiscal years.

Revenue

Our revenue consists of restaurant sales, franchise-related revenue, and licensing and other revenue. Our franchise-related revenue is comprised of area development fees, initial franchise fees, and continuing royalty payments. Our area development fee consists of a one-time, non-refundable payment equal to \$10,000 per restaurant in consideration for the services we perform in preparation of executing each area development agreement. Substantially all of these services, which include but are not limited to conducting market and trade area analysis, a meeting with Famous Dave s Executive Team, and performing 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. Our initial, non-refundable, franchise fee typically ranges from \$30,000 to \$40,000 per restaurant, of which \$5,000 is recognized immediately when a franchise agreement is signed, reflecting the commission earned and expenses incurred related to the sale. The remaining non-refundable fee of \$25,000 to \$35,000 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). The franchise agreement represents a separate and distinct earnings process from the area development agreements. Franchisees are also required to pay us a monthly royalty equal to a percentage of their net sales, which has historically varied from 4% to 5%. In general, new franchises pay us a monthly royalty of 5% of their net sales.

Because of the continuing difficult economic environment and scarcity of capital for development, we modified and extended this growth incentive program for fiscal 2011. The modification offers new and existing franchisees reduced levels of franchise royalties, based on a sliding scale, for new restaurants opened during 2011. All franchise restaurants opened in the first quarter, will pay a reduced royalty of 2.5% for the remainder of 2011. Opening in the second quarter qualifies for a reduced royalty of 3% for the remainder of 2011, and opening in the third quarter qualifies for a reduced royalty of 4% for the remainder of 2011. Any openings in the fourth quarter and beyond would be at the 5% royalty rate.

Costs and Expenses

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

Table of Contents**FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES*****General and Administrative Expenses***

General and administrative expenses include all corporate and administrative functions that provide an infrastructure to support existing operations and support future growth. Salaries, bonuses, team member benefits, legal fees, accounting fees, consulting fees, travel, rent and general insurance are major items in this category. Additionally, we record expense for Managers In Training (MIT s) in this category for approximately six weeks prior to a restaurant opening. We also provide franchise services for which the revenue is included in other revenue and the expenses are included in general and administrative expenses.

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

	Three Months Ended	
	April	
	3,	April 4,
	2011	2010
Food and beverage costs ⁽¹⁾	29.5%	29.3%
Labor and benefits ⁽¹⁾	31.9%	32.6%
Operating expenses ⁽¹⁾	27.7%	26.9%
Depreciation & amortization (restaurant level) ⁽¹⁾	3.8%	4.0%
Depreciation & amortization (corporate level) ⁽²⁾	0.4%	0.4%
General and administrative ⁽²⁾	11.7%	11.7%
Asset impairment and estimated lease termination and other closing costs ⁽¹⁾	0.5%	(0.3)%
Pre-opening expenses and net loss on disposal of equipment ⁽¹⁾		0.1%
Gain on acquisition, net of acquisition costs ⁽¹⁾		(7.2)%
Total costs and expenses ⁽²⁾	94.5%	86.6%
Income from operations ⁽²⁾	5.5%	13.4%

(1) As a percentage of restaurant sales, net

(2) As a percentage of total revenue

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and notes, and the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2011.

Total Revenue

Total revenue of approximately \$37.1 million for the first quarter of fiscal 2011 increased approximately \$4.5 million, or 13.8%, from total revenue of \$32.6 million in the comparable quarter in fiscal 2010. This increase reflects a 15.3% increase in company-owned restaurant sales and a 1.2% increase in franchise royalty revenue for the three months ending April 3, 2011.

Restaurant Sales, net

Restaurant sales for the first quarter of fiscal 2011 were approximately \$32.7 million, compared to approximately \$28.4 million for the same period in fiscal 2010. First quarter restaurant sales in fiscal 2011 reflect

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

the results from the addition of the seven New York and New Jersey restaurants acquired in March 2010 as well as a new company-owned restaurant, which opened in August of 2010; and a comparable sales increase of 3.0%. The comparable sales increase included a weighted average price increase of approximately 2.0% and the favorable impact of approximately 0.7% from the Easter holiday shift between quarters one and two, year over year. Of the 3.0% first quarter comparable sales increase, dine-in represented 0.7%, To-Go accounted for 1.9% and catering comprised 0.4%. For the first quarter of fiscal 2011, off-premise sales were 27.6% of total sales, with catering representing 5.0% and To-Go representing 22.6%. This compares to off-premise sales of 27.0% for the prior year's first quarter.

Franchise-Related Revenue

Franchise-related revenue consists of royalty revenue and franchise fees, which include initial franchise fees and area development fees. Franchise-related revenue was approximately \$4.1 million for the first quarter of fiscal 2011, compared to \$4.0 million for the first quarter of 2010. The 1.2% increase in franchise royalties reflecting a net increase of seven franchise restaurants, year over year, partially offset by a comparable sales decrease of 0.1% and the impact from the loss of two months of franchise royalties for the seven New York and New Jersey restaurants. Eleven new franchise restaurants opened since the first quarter of fiscal 2010 and four restaurants have closed.

Licensing and Other Revenue

Licensing revenue includes royalties from a retail line of business, including sauces, rubs, marinades and seasonings. Other revenue includes opening assistance and training we provide to our franchise partners. For the first quarter of fiscal 2011, the licensing royalty revenue was approximately \$174,000 compared to approximately \$142,000 for the comparable period of fiscal 2010.

Other revenue for the fiscal 2011 first quarter was approximately \$106,000 compared to \$42,000 for the comparable prior year quarter. The increase in other revenue is due to the opening of three restaurants during the first three months of 2011 compared to one restaurant that opened during the comparable period in fiscal 2010.

Same Store Net Sales

It is our policy to include in our same store net sales base, restaurants that are open year round and have been open at least 24 months. Same store net sales for company-owned restaurants for the first quarter of fiscal 2011 increased 3.0%, compared to fiscal 2010's first quarter decrease of 3.5%. At the end of the first quarter of fiscal 2011 and the first quarter of fiscal 2010, there were 44 and 41 restaurants, respectively, included in this base.

Same store net sales for franchise-operated restaurants for the first quarter of fiscal 2011 decreased 0.1%, compared to a decrease of 3.4% for the prior year comparable period. For the first quarter of 2011 and the first quarter of 2010, there were 103 and 95 restaurants, respectively, included in the franchise-operated comparable sales base. Neither our franchise-operated comparable sales nor our company-owned comparable sales include the results of the seven franchise restaurants acquired in March of 2010. These restaurants are expected to enter our company-owned comparable sales base in the second quarter of fiscal 2011; however they will not enter the year to date comparable sales base until fiscal 2012.

Average Weekly Net Sales and Operating Weeks

The following table shows company-owned and franchise-operated average weekly net sales and company-owned and franchise-operated operating weeks for the first quarter of fiscal 2011 and fiscal 2010:

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

	Three Months Ended	
	April 3, 2011	April 4, 2010
Average Weekly Net Sales (AWS):		
Company-Owned	\$ 48,433	\$ 45,821
Full-Service	\$ 50,055	\$ 47,483
Counter-Service	\$ 33,183	\$ 31,810
Franchise-Operated	\$ 52,738	\$ 52,327
AWS 2005 and Post 2005:		
Company-Owned	\$ 53,045	\$ 52,156
Franchise-Operated	\$ 55,832	\$ 56,629
AWS Pre-2005:⁽¹⁾		
Company-Owned	\$ 45,551	\$ 43,105
Franchise-Operated	\$ 46,668	\$ 45,437
Operating Weeks:		
Company-Owned	676	613
Franchise-Operated	1,641	1,626

- ⁽¹⁾ Provides further delineation of AWS for restaurants opened during the pre-fiscal 2005, and restaurants opened during the post-fiscal 2005, timeframes.

Food and Beverage Costs

Food and beverage costs for the first quarter of fiscal 2011 were approximately \$9.7 million or 29.5% of net restaurant sales, compared to approximately \$8.3 million or 29.3% of net restaurant sales for the first quarter of fiscal 2010. As a percentage of dine-in sales, our adult beverage sales at our company-owned restaurants were approximately 9.5% for the first quarters of fiscal 2011 and 2010. In the face of rising food costs, we were essentially able to hold food costs flat year over year for the first quarter. The loss of leverage of approximately 20 basis points was primarily due to holiday bounce back discount offers that were redeemed in January and February.

We are protected on our pork contract throughout 2011, which will equate to an approximate 2.3% increase over 2010's pricing. As we look beyond 2011, however, the forecasted pork markets are looking ominous. As such, similar to prior year, we are evaluating whether there are opportunities to blend and extend pricing later in the year and provide some protection for 2012. Because pork prices are traditionally at their highest this time of year, it is difficult to have full and accurate visibility to this until later in the second quarter. A majority of our chicken contracts are firm through September of 2011 at a price increase of approximately 6.3% over fiscal 2010. Our brisket contract extends through July of 2011 at a net cost increase of 4.2% from fiscal 2010's pricing. We continue to watch the market closely and could potentially execute shorter-term contracts until we can lock in an acceptable longer-term price. Hamburger is on contract through June 2011, and we continue to anticipate an average price increase of 9.0% compared to 2010. We continue to evaluate the market to determine the best time to lock in pricing for the rest of 2011, and are willing to ride the spot market until we can lock in at, what we believe, is our best price. Our salmon and shrimp contracts are locked through June of 2011, and our catfish is locked through August of 2011, all at a blended price increase of approximately 3.9% from fiscal 2010's pricing.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

As we navigate through fiscal 2011 in the face of rising commodity prices, we remain flexible and adaptable in order to mitigate these price increases with several initiatives:

During the first quarter, we executed regional contracts for several of our key produce items.

We continue to review the way we source, ship, and purchase certain products such as chicken.

We are strategically managing our limited time offerings to positively impact our food cost margins while continuing to deliver a value to our guests.

We continue to find ways to reduce freight costs as we optimize our distribution network.

While we took a price increase earlier in the year, we will evaluate and determine whether we will take an additional price increase later in 2011.

Prior to 2011, we embarked on a strategy to contract various items at a modest cost increase in order to protect ourselves from volatile inflation in 2011. Although this strategy, combined with the initiatives above, has been effective, we still have realized commodity cost increases on certain items. Accordingly, we now anticipate an approximate 20 – 25 basis point decrease in our food and beverage costs as a percent of sales, year over year.

Labor and Benefits Costs

Labor and benefits costs for the three months ended April 3, 2011 were approximately \$10.4 million or 31.9% of net restaurant sales, compared to approximately \$9.2 million or 32.6% of net restaurant sales for the three months ended April 4, 2010. This decrease is primarily due to lower than anticipated medical claims and sales leverage year over year.

We now expect labor and benefits costs as a percentage of sales, to be 15 to 20 basis points higher than fiscal 2010's percentage, primarily due to higher than anticipated health insurance premiums and payroll taxes for fiscal 2011 and operating at our full manager matrix.

Operating Expenses

Operating expenses for the first quarter of fiscal 2011 were approximately \$9.1 million or 27.7% of net restaurant sales, compared to operating expenses of approximately \$7.6 million or 26.9% of net restaurant sales for the first quarter of fiscal 2010. This year over year increase was primarily related to higher occupancy costs, including real estate taxes, due to the full first quarter impact of our New York and New Jersey restaurants. These restaurants have higher occupancy costs, and while we are pleased with their sales performance during the quarter, we need to continue to leverage their sales. Additionally, we had higher supply and repair and maintenance costs, which were partially offset by lower utility costs.

Advertising expense is expected to be approximately 3.5% of net sales, including a 0.75% contribution to the National Ad Fund.

We anticipate operating expenses as a percentage of net sales for fiscal 2011 to be approximately 20 – 25 basis points higher than 2010's percentage. This increase relates to an increase in advertising costs year over year. While we do not anticipate a major change in our advertising strategy, we will look for ways to optimize the dollars spent without compromising our advertising objectives. This increase will be partially offset by projected utility cost savings and better leverage on our occupancy costs for the New York and New Jersey restaurants for the balance of the year.

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

Depreciation and amortization expense for the first quarter of 2011 was approximately \$1.4 million or 3.7% of total revenue compared to \$1.3 million, or 4.0% of total revenue for the first quarter of fiscal 2010.

Pre-opening Expenses

Pre-opening expenses consist of labor, food, utilities, training and rent costs incurred prior to the opening of a restaurant. Included in pre-opening costs is pre-opening rent for approximately 16 weeks prior to opening but this will vary based on lease terms. We did not have any pre-opening expenses for the first quarter of fiscal 2011, and had \$27,000 in the first quarter of 2010. We will be opening one company-owned restaurant in the third quarter of 2011 and therefore anticipate pre-opening expenses in the second and third quarters. Additionally, in the fourth quarter, we anticipate some pre-opening expenses for an-as-yet undetermined company-owned restaurant opening in early 2012. Total pre-opening costs for 2011 are therefore estimated at approximately \$325,000, including pre-opening rent.

Asset Impairment and Estimated Lease Termination and Other Closing Costs

In accordance with FASB Accounting Standards Codification for Property, Plant, and Equipment, we evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant assets exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms 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. Here is a summary of these events and situations during the first quarter of fiscal 2011 and fiscal 2010.

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

Restaurants	Reason	April 3, 2011
Palatine, IL	Costs for a closed restaurant ⁽¹⁾	\$ 23
Gaithersburg, MD	Asset impairment ⁽²⁾	148
Total for 2011		\$ 171

(1) The Company incurred various costs for a previously closed restaurant.

(2) Based on the Company's assessment of expected cash flows, an asset impairment charge was recorded, in accordance with FASB Accounting Standards Codification for Property Plant and Equipment, for this restaurant which will be relocated within its existing market in early 2013.

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

Restaurants	Reason	April 4, 2010
Various	Costs for closed restaurants ⁽¹⁾	\$ 10
Marietta, GA	Gain on lease termination ⁽²⁾	(84)
Total for 2010		\$ (74)

(1) The Company incurred various costs for previously closed restaurants.

(2) During the year, the Company negotiated lease buyout for this location. Total termination fees were approximately \$506,000 less lease reserve of approximately \$591,000 for a net gain of approximately \$84,000.

General and Administrative Expenses

General and administrative expenses for the first quarter of 2011 were approximately \$4.3 million or 11.7% of total revenue, compared to approximately \$3.8 million or 11.7% of total revenue for the first quarter of fiscal 2010. General and administrative expenses as a percent of total revenue, excluding stock-based compensation and board of directors cash compensation were 10.5% for the first quarter of 2011 and 10.6% for the first quarter of 2010.

For the first quarter, stock-based compensation and board of director cash compensation expense was \$422,000 compared to stock-based compensation expense of \$355,000 for the first quarter of 2010. In the first quarter of fiscal 2010, the Board was compensated with stock, therefore there was no cash compensation. This year over year change reflects a higher stock price in 2010. We are expecting stock-based compensation and board of director cash compensation to be approximately \$1.7 million in fiscal 2011, as follows (in thousands):

Performance Shares	Restricted Stock Units	Board of Directors Shares	Board of Directors Cash Compensation	Total
\$1,103	\$136	\$64	\$400	\$1,703

We affirm our previous guidance and expect G&A expenses as a percentage of revenue, to be approximately 20 25 basis points unfavorable to 2010 s percentage.

Interest Expense

Interest expense was approximately \$279,000 or 0.8% of total revenue for the first quarter of fiscal 2011, compared to approximately \$300,000 or 0.9% of total revenue for the comparable time frame of fiscal 2010. For the first quarter of fiscal 2011, interest expense decreased year over year due to lower debt levels partially offset by slightly higher interest rates. We expect interest expense to be essentially flat as a percentage of revenue, year over year.

Interest Income

Interest income was approximately \$6,000 and \$39,000 for the first quarter of fiscal 2011 and fiscal 2010, respectively. Interest income reflects interest earned on short-term cash and cash equivalent balances and on outstanding notes and accounts receivable balances.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Provision for Income Taxes

For the first quarter of 2011, we recorded an estimated provision for income taxes of approximately \$608,000 or 34.0% of income before income taxes, compared to a tax provision of approximately \$1.4 million or 34.3% of income before income taxes, for the first quarter of 2010. We previously estimated a tax rate of 34.4%, however, due to the increased realization of certain tax credits, we now expect a 34.0% effective tax rate for 2011.

Basic and Diluted Net Income Per Common Share

Net income for the three months ended April 3, 2011 was approximately \$1.2 million or \$0.15 per basic share and \$0.14 per diluted share on approximately 8,118,000 weighted average basic shares outstanding and 8,302,000 weighted average diluted shares outstanding, respectively. Net income for the three months ended April 4, 2010 was approximately \$2.7 million or \$0.30 per basic and diluted share on approximately 8,999,000 weighted average basic shares outstanding and 9,162,000 weighted average diluted shares outstanding, respectively.

Financial Condition, Liquidity and Capital Resources

Our balance of unrestricted cash and cash equivalents was approximately \$2.7 million at April 3, 2011 and at January 2, 2011.

Our current ratio, which measures our immediate short-term liquidity, was 0.99 at April 3, 2011 and 0.81 at January 2, 2011. The current ratio is computed by dividing total current assets by total current liabilities. The change in our ratio was primarily due to decreases in our accrued compensation and benefits since the end of fiscal 2010 due to the bonus payout in the first quarter. As is true with most restaurant companies, we often operate in a negative working capital environment due to the fact that we receive cash up front from customers and then pay our vendors on a delayed basis.

Net cash provided by operations through the first quarter of 2011 was approximately \$525,000 and reflects net income of approximately \$1.2 million, depreciation and amortization of approximately \$1.4 million, stock-based compensation of \$326,000, and an increase in accounts payable of \$445,000. These net increases were partially offset by an approximate \$1.9 million decrease in accrued compensation and benefits and a \$840,000 decrease in other current liabilities.

Net cash provided by operating activities for the three months ended April 4, 2010 was approximately \$364,000. Cash provided by operating activities was primarily from net income of approximately \$2.7 million, depreciation and amortization of approximately \$1.3 million, and an increase in deferred taxes of approximately \$764,000. These net increases were partially offset by an approximate \$2.3 million gain on the acquisition of the seven restaurants in New York and New Jersey and an approximate \$2.2 million decrease in accrued compensation and benefits.

Net cash used for investing activities was approximately \$447,000 for the first quarter of fiscal 2011 and \$7.5 million for the first quarter of fiscal 2010. During the first quarter of 2011, we used approximately \$580,000 on capital expenditures for our existing restaurants and for other infrastructure projects. In fiscal 2010, we used approximately \$703,000 on capital expenditures for our existing restaurants and other infrastructure projects. Additionally, we used approximately \$6.8 million for the acquisition of seven restaurants in New York and New Jersey.

We still expect total 2011 capital expenditures to be approximately \$5.5 million, reflecting continued investments in our existing restaurants, including several significant remodeling projects, as well as, the conversion costs for a new company-owned restaurant, and continued investments in corporate infrastructure systems.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Net cash used for financing activities was approximately \$61,000 in the first quarter of fiscal 2011 and net cash provided by financing activities was approximately \$5.7 million for the first quarter of fiscal 2010. During the first quarter of 2011, we had draws of \$11.0 million on our line of credit and had repayments of \$8.6 million. During the three months, we also used approximately \$2.5 million to repurchase 245,809 shares at an average price of \$10.28, excluding commissions, under our current share repurchase program. During the three months ended April 4, 2010, we had draws of \$6.5 million on our line of credit and had repayments of \$4.5 million. In addition, we borrowed \$6.8 million of long-term debt to finance the acquisition of the New York and New Jersey restaurants. During the quarter, we also used approximately \$3.0 million to repurchase approximately 430,000 shares at an average price of \$6.92, excluding commissions, under our current share repurchase program.

The Company and certain of its subsidiaries (collectively known as the Borrower) currently have a Credit Agreement with Wells Fargo Bank, National Association, as administrative agent and lender (the Lender). The Credit Agreement, contains a \$30.0 million revolving credit facility (the Facility) with an opportunity, subject to the Company meeting identified covenants and elections, to increase the commitment to \$50.0 million.

Principal amounts outstanding under the Facility bear interest either at an adjusted Eurodollar rate plus an applicable margin or at a Base Rate plus an applicable margin. The Base Rate is defined in the agreement as the greater of the Federal Funds Rate (0.25% at April 3, 2011) plus 1.5% or Wells Fargo s prime rate (3.25% at April 3, 2011). The applicable margin will depend on the Company s Adjusted Leverage Ratio, as defined, at the end of the previous quarter and will range from 1.00% to 2.00% for Eurodollar Rate Loans and from -0.50% to +0.50% for Base Rate Loans. Unused portions of the Facility will be subject to an unused Facility fee which will be equal to either 0.25% or 0.375% of the unused portion, depending on the Company s Adjusted Leverage Ratio. Our rate for the unused portion of the Facility as of April 3, 2011, was 0.375%. An increase option exercise fee will apply to increased amounts between \$30.0 and \$50.0 million. Our current weighted average interest rate for the first quarter of fiscal 2011 was 2.76%.

The Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Borrower with respect to indebtedness, liens, investments, distributions, mergers and acquisitions, dispositions of assets and transactions with affiliates of the Borrower, among others. The Facility also includes various financial covenants that have maximum target capital expenditures, cash flow ratios, and adjusted leverage ratios. If the Company s Adjusted Leverage Ratio is greater than 3.00 to 1.00, an additional covenant applies that limits the maximum royalty receivable aged past 30 days. In addition, capital expenditure limits include permitted stock repurchase limits (limited to \$10.0 million in aggregate during any 12 month period, and \$20.0 million in aggregate during the term of the agreement).

The Company amended the Credit Agreement on March 4, 2010 in connection with the acquisition of seven New York and New Jersey restaurants (see Note 12 to our Consolidated Financial Statements). This amendment provided for an additional \$6.8 million of long-term debt in the form of a term loan with a maturity date of March 4, 2017. Principal amounts outstanding under this term loan bear interest at an adjusted Eurodollar rate plus 225 basis points for an interest rate period of one, two, three, or six months. Our current weighted average interest rate for the first quarter was 2.69%. There is a required minimum annual amortization of 5.0% of the principal balance.

The Credit Agreement currently provides for up to \$3.0 million in letters of credit to be used by the Company, with any amounts outstanding reducing our availability for general corporate purchases, and also allows for the termination of the Facility by the Borrower without penalty at any time. At April 3, 2011 we had \$15.4 million in borrowings under this Facility, and had approximately \$779,000 in letters of credit for real estate locations. We were in compliance with all covenants as of April 3, 2011.

We expect to use any borrowings under the Credit Agreement for general working capital purchases as needed. Under the Facility, the Borrower has granted the Lender a security interest in all current and future personal property of the Borrower.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Contractual Obligations

See Notes 8 and 9 to our Consolidated Financial Statements in our Fiscal 2010 Annual Report on Form 10-K for the details of our contractual obligations.

Under the agreements governing our long-term debt obligations, we are subject to two main financial covenants. We are subject to an Adjusted Leverage Ratio covenant and a franchise royalty covenant under our combined credit facility and term loan.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our significant accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 2, 2011. The accounting policies used in preparing our interim 2011 consolidated financial statements are the same as those described in our Fiscal 2010 Annual Report on Form 10-K.

Forward-Looking Information

Famous Dave s makes written and oral statements from time to time, including statements contained in this Form 10-Q regarding its business and prospects, such as projections of future performance, statements of management s plans and objectives, forecasts of market trends and other matters that are forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. Statements containing the words or phrases "will likely result", "anticipates", "are expected to", "will continue", "is anticipated", "expects", "believes", "expects", "intends", "target", "goal", "plans", "objective", "should" or similar expressions are 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 assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. We do not undertake any obligation to update or keep current either (i) any forward-looking statements to reflect events or circumstances arising after the date of such statement, or (ii) the important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or which are reflected from time to time in any forward-looking statement which may be made by us or on our behalf.

In addition to other matters identified or described by us from time to time in filings with the SEC, 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.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Additional Information on Famous Dave s

We are currently subject to the informational requirements of the Exchange Act of 1934, as amended. As a result, we are required to file periodic reports and other information with the SEC, such as annual, quarterly and current reports, proxy and information statements. You are advised to read this Form 10-Q in conjunction with the other reports, proxy statements and other documents we file from time to time with the SEC. If you would like more information regarding Famous Dave s, you may read and copy the reports, proxy and information statements and other documents we file with the SEC, at prescribed rates, at the SEC s public reference room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain information regarding the operation of the SEC s public reference rooms by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public free of charge at the SEC s website. The address of this website is <http://www.sec.gov>. Our most current SEC filings, such as our annual, quarterly and current reports, proxy statements and press releases are available to the public free of charge on our website.

The address of our website is www.famousdaves.com. Our website is not intended to be, and is not, a part of this Quarterly Report on Form 10-Q. We will provide electronic or paper copies of our SEC filings (excluding exhibits) to any Famous Dave s shareholder free of charge upon receipt of a written request for any such filing. All requests for our SEC filings should be sent to the attention of Investor Relations at Famous Dave s, Inc., 12701 Whitewater Drive, Suite 200, Minnetonka, MN 55343.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Company s financial instruments include cash and cash equivalents and long-term debt. Our Company includes as unrestrictive cash and cash equivalents investments with original maturities of three months or less when purchased and which are readily convertible into known amounts of cash. Our Company s unrestricted cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. We have no derivative financial instruments or derivative commodity instruments in our cash and cash equivalents. Our total outstanding long-term debt as of April 3, 2011 was approximately \$25.7 million, including our line of credit, our term loan with Wells Fargo and financing lease obligations. The terms of our credit facility with Wells Fargo Bank, National Association, as administrative agent and lender are discussed above under *Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources*.

Some of the food products purchased by us are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties and other factors that are outside our control. To control this risk in part, we have fixed-priced purchase commitments for food from vendors. In addition, we believe that substantially all of our food is available from several sources, which helps to control food commodity risks. We have secondary source suppliers for certain items and in 2011 we have continued to make this a key area of focus in order to protect the supply chain and to ensure a more fair and competitive pricing environment. We believe we have the ability to increase menu prices, or vary the menu options offered, if needed, in response to a food product price increase.

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

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

There have been no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal control over financial reporting or in other factors that could significantly affect our internal control over financial reporting during the period covered by this report.

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

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

Item 2. PURCHASES OF EQUITY SECURITIES BY THE ISSUER

On November 4, 2010, our Board of Directors adopted a stock repurchase plan that authorized the repurchase of up to 1.0 million shares of our common stock from time-to-time in both the open market or through privately negotiated transactions. Since its adoption, we have repurchased 419,909 of the 1.0 million shares under this program, for approximately \$4.3 million at an average market price per share of \$10.30, excluding commissions.

The following table includes information about our share repurchases for the first quarter ended April 3, 2011:

Period		Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) (1)	Total Number of Shares (or Units) Purchased as Part of Publically Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
Month #1 (January 3, 2011	January 30, 2011)	45,781	10.81	45,781	780,119
Month #2 (January 31, 2011	February 27, 2011)	123,477	10.51	123,477	656,642
Month #3 (February 28, 2011	April 3, 2011)	76,551	9.61	76,551	580,091

(1) Excluding commissions.

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FAMOUS DAVE S OF AMERICA, INC. AND SUBSIDIARIES

Item 6. EXHIBITS

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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

**FAMOUS DAVE S OF AMERICA, INC.
(Registrant)**

Dated: May 13, 2011

By: /s/ Christopher O Donnell
Christopher O Donnell
President and Chief Executive Officer
Director (Principal Executive Officer)

Dated: May 13, 2011

/s/ Diana Garvis Purcel
Diana Garvis Purcel
Chief Financial Officer and Secretary
(Principal Financial and Accounting
Officer)

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