December 13, 2010

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Board Members:

Thank you for the opportunity to comment on the FASB’s Proposed Accounting Standards Update - Leases.

Famous Dave’s of America, Inc. (Famous Dave’s) was incorporated in Minnesota on March 14, 1994, and develops, owns, operates and franchises barbeque restaurants under the name "Famous Dave's". We are a NASDAQ company and trade under the ticker symbol “DAVE”. As of December 13, 2010, there were 182 Famous Dave’s restaurants operating in 37 states, including 52 company-owned restaurants and 130 franchise-operated restaurants. We currently have approximately 40 restaurant operating leases; three financing leases, also associated with restaurants; leases for our corporate office and warehouse; a limited number of small office equipment leases; and we currently sublease a portion of our corporate office space. In fiscal 2009, Famous Dave’s had revenues of $136.0 million with occupancy costs including rent, common area maintenance, real estate taxes, and percentage rent of $7.1 million, or 5.2% of total revenue. The Famous Dave’s brand, including company-owned and franchise-operated restaurants, approximates $500 million in system-wide sales.

Famous Dave’s respectfully disagrees with, and does not support the exposure draft. It is our position that the currently required disclosures provide sufficient information and transparency to enable investors to make informed investment decisions. We would support enhanced disclosures in MD&A, such as the company’s philosophy with regard to leasing, historical trends as to renewing leases, and intentions for entering into future leases.

The exposure draft presumes that all leases are in essence “financing transactions” requiring the accounting for, and presentation of, a right-to-use asset and lease liability on the balance sheet for every lease. We understand that the joint boards of the IASB and the FASB believe that this
accounting treatment and presentation would provide greater transparency and usefulness to the readers of the financial statements. Famous Dave’s respectfully disagrees with this viewpoint, and feels that this treatment will unnecessarily gross up balance sheets while providing no greater clarity to the financial statement reader. Additionally, we strongly believe that the economic benefit that we derive from our leases does not differ materially period to period, and therefore, we view our leases as fixed costs that should be properly spread ratably over the term of the lease.

We have several conceptual and operational concerns with the exposure draft:

- Accounting and Reporting Concerns
  - Comparability
    - A major concern for companies will be the loss of period over period comparability that exists today. In year one of a lease, expenses will be at their highest point and they will reduce over time based on the effective interest rate method. If a renewal option is exercised, that was not previously included in the right-to-use asset and lease obligation, the associated expense will drastically increase in the year the option is exercised. This will introduce tremendous volatility to the Statement of Operations and distract the reader from other major components of a company’s results.

- As stated above, Famous Dave’s believes its operating leases provide a ratable economic benefit over the life of the lease. The effective interest expense approach doesn’t provide stability with regard to occupancy costs and resulting, operating income. Additionally, in order for management and the board of directors to properly analyze and compare operating results without the volatility this proposed standard will have on earnings, companies will be required to restate its internal reports to effectively remove the effects of this proposed standard.

  - Measuring and Assessing Performance
    - Even though at the end of the lease term, the net impact to the Statement of Operations will be the same under the current or proposed standard, the proposed accounting treatment will result in significantly higher expense recorded at the beginning of the lease term compared to the current accounting treatment. This in particular will negatively impact companies that are growing. Additionally, by using the amortization table approach and front-loading expense, this proposed standard does not reflect the straight line economic benefits provided for in the lease. This will result in a schism that grows over the term of the lease and it will become increasingly difficult to measure and assess the true operating performance of an entity. We are very concerned that management of companies will spend an exorbitant amount of time addressing questions about the volatility caused by this lease standard rather than talking about core business issues with the board of directors as well as with analyst and investor communities.
o Renewal Options  
  ▪ The proposed standard requires that lease renewal options and contingent rent be included in the right-to-use asset and the lease obligation liability. Inclusion of these items creates an inconsistency with other existing accounting standards. First, a liability is defined as “probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.” A renewal option gives a lessee the contractual right to extend a contract if it will provide additional economic benefit. However, a renewal option does not meet the definition of a liability; the base term is a contractual obligation but a renewal option is just an option - not an obligation. Based on the fact that an option does not meet the definition of a liability until it is exercised, it should not be included in either the right-to-use asset or lease obligation liability.

o Contingent Rent  
  ▪ Including contingent rents in leases is often an effective strategy in lease negotiations because companies can negotiate a manageable level of base rent, while allowing the landlord to participate, and benefit economically, from the growth in sales over time from a successful operation. This proposed standard could have a negative impact on a company’s real estate strategy because it will require companies to record amortization and interest expense for these contingent rentals, years in advance of recording the restaurant sales that would cause the contingent rents to occur. Contingent rents do not meet the definition of a liability because they are not probable until certain sales levels are met per the lease. Once those criteria are met, at that time, a liability should be required to be incurred and recorded.
  ▪ The requirements of this proposed standard are highly impractical because companies would be required to estimate and record a liability years in advance of the liability actually being incurred. In our case, a typical lease term is 20 years plus renewal options that could cover an additional 10 or 20 years. Further, the standard provides that if actual contingent rent is different from the estimated contingent rent, that expense adjustment is to be recorded in the period determined and incurred. When adjustments to estimated contingent rent are made to reflect actual contingent rent, further volatility will be introduced into the Statement of Operations which will cause confusion with the financial statement user. This will result in significant time educating the financial statement user as to why the company’s contingent rent obligations did not meet expected results instead of focusing on material business issues.

o Impairment  
  ▪ Under this proposed standard, a right-to-use asset will be created and like all other assets it will also need to be evaluated for impairment. As
companies perform their annual impairment tests and determine the need to record a full impairment charge, they will also need to impair the right-to-use asset. The write-off of this “grossed up” asset will further increase the volatility of the statement of operations and potentially result in credit agreement covenant defaults.

- Complexity and Costs of Implementation and Reporting
  
  o Implementation of this proposed standard will cost companies significant time and money. Companies will be required to evaluate every lease in its portfolio in accordance with the proposed standard. On a quarterly basis, not only will companies need to perform the same analysis for any new leases, but they will be required to review every existing lease in accordance with the proposed standard. Additionally, as a result of this proposed standard, the Statement of Operations as well as the Balance Sheet will reflect a greater degree of management judgment, as every underlying assumption for the initial recording, and ongoing evaluation of each lease will be based on management’s best estimate. Extra time will be spent managing lease accounting compliance versus focusing on managing the business. Additionally, since more management estimates will be involved in complying with the new standard, any deviation from original estimates will need to be explained, resulting in complicating descriptions versus additional transparency. Lastly, additional costs will be incurred for software systems and new personnel that will be needed to efficiently and effectively manage the requirements of this proposed standard.

  o Because liabilities will be “grossed up” by the new standard, companies will need to address the potentially negative impact on their bank covenants. Banks will either require credit agreements to be amended, of course for a fee, or will allow companies to continue reporting under a current definition which supports the current accounting standards. The latter option will not only create confusion, but will require companies to restate the impact of the new standard to conform to their current covenant requirements. Regardless, either option will be at an increased cost.

  o As a result of a number of immaterial leases, and no materiality thresholds in the proposed standard, a disproportionate amount of time and money will be spent on accounting for these minimal leases with no benefit to the users of the financial statements.

  o Finally, at adoption and every quarter thereafter, companies will spend considerable money and effort to get their auditors comfortable with management’s assumptions and the accounting treatment for its portfolio of leases. This will undoubtedly result in higher audit fees.

In conclusion, based on the items noted above, Famous Dave’s respectfully disagrees with this proposed accounting standard. It is our position that the current lease standard provides sufficient information and transparency to enable investors to make informed investment decisions. Again, we would, support enhanced disclosures in MD&A.
On behalf of Famous Dave’s of America, Inc., I want to thank you for this opportunity to provide our comments on the proposed lease accounting standard. If you would like to discuss our comment letter further, I can be reached at 952-294-1300.

Respectfully Submitted,

[Signature]

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