
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 8-K/A
(Amendment No. 1)**

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): July 30, 2021**

BBQ HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

001-39053
(Commission
File Number)

83-4222776
(IRS Employer
Identification No.)

(Address of principal executive offices) (Zip Code)

**12701 Whitewater Drive, Suite 100, Minnetonka, MN 55343
(952) 294-1300**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	BBQ	The Nasdaq Global Market

Indicated by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Introductory Note

As previously announced, on June 24, 2021, BBQ Holdings, Inc. (the “Company”) entered in to a Membership Interest Purchase Agreement (the “MIPA”) with VIBSQ Holdco, LLC, a Delaware limited liability company (the “Seller”) and Bakers Square Holdings, LLC, a Delaware limited liability company (“BSQ Holdings”), Village Inn Holdings, LLC, a Delaware limited liability company (“VI Holdings”), SVCC I, LLC, an Arizona limited liability company (“SVCC” and collectively with BSQ Holdings and VI Holdings, the “Target Companies”), and for certain limited purposes as described in the MIPA, RG Group Holdco, LLC, a Delaware limited liability company (the “Parent”), pursuant to which the Company agreed, subject to specified terms and conditions, to purchase from the Seller all of the issued and outstanding membership interests (the “Interests”) in each of the Target Companies (such purchase of Interests as contemplated by the MIPA, the “Transaction”). The Transaction closed on July 30, 2021. As a result of the Transaction, each of the Target Companies became a wholly-owned subsidiary of the Company, and each of the subsidiaries of the Target Companies, which subsidiaries own or franchise Village Inn Restaurants and Bakers Square Restaurants, became wholly-owned indirect subsidiaries of the Company. The cash purchase price for the Interests was approximately \$13.5 million, subject to adjustment pursuant to the terms of the MIPA.

On August 4, 2021 the Company filed a Current Report on Form 8-K (the “Initial Form 8-K”) with the Securities and Exchange Commission (the “SEC”) disclosing that it had consummated the Transaction and that the financial statements required by Item 9.01(a) and the pro forma financial information required by the Item 9.01(b) of the Current Report on Form 8-K would be filed by amendment. This Amendment No. 1 to Current Report on Form 8-K (this “Amended Form 8-K”) amended the Initial Form 8-K to provide the required financial statements and pro forma financial information.

This Amended Form 8-K should be read in conjunction with the Initial Form 8-K and the Company’s other filings with the SEC. Except as stated herein, this Amended Form 8-K does not reflect events occurring after the filing of the Initial 8-K with the SEC on August 4, 2021 and no attempt has been made in this Amended Form 8-K to modify or update other disclosures as presented in the Initial Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited Special Purpose Consolidated Statements of Revenues and Direct Expenses of VI Holdings and BSQ Holdings for the years ended December 27, 2020 and December 29, 2019, and the notes related thereto (the “Audited Revenue and Expense Statements”), and the unaudited Special Purpose Consolidated Statements of Revenues and Direct Expenses of VI Holdings and BSQ Holdings for the two quarters ended June 13, 2021 and June 14, 2020, and the notes related thereto (the “Interim Revenue and Expense Statements”) are filed as Exhibit 99.1. The Audited Revenue and Expense Statements and the Interim Revenue and Expense Statements are incorporated herein by reference.

The audited Special Purpose Statement of Assets Acquired and Liabilities Assumed of VI Holdings and BSQ Holdings as of December 27, 2020, and the notes related thereto (the “Audited Asset and Liability Statement”), is filed as Exhibit 99.2. The Audited Asset and Liability Statement is incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet of the Company, VI Holdings and BSQ Holdings as of July 4, 2021 and the unaudited pro forma condensed combined statement of operations of the Company, VI Holdings and BSQ Holdings for the fiscal years ended January 3, 2021 and December 29, 2019 and the two quarters ended July 4, 2021 are filed as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	<u>Consent of Schechter, Dokken, Kanter, Andrews & Selcer, Ltd.</u>
99.1	<u>Special Purpose Consolidated Statements of Revenues and Direct Expenses of VI Holdings and BSQ Holdings for Fiscal Years Ended December 27, 2020 and December 29, 2019 (audited) and the two quarters ended June 13, 2021 and June 14, 2020 (unaudited)</u>
99.2	<u>Audited Special Purpose Statement of Assets Acquired and Liabilities Assumed of VI Holdings and BSQ Holdings as of December 27, 2020, and the notes related thereto</u>
99.3	<u>Unaudited pro forma condensed combined balance sheet of the Company, VI Holdings and BSQ Holdings as of July 4, 2021 and the unaudited pro forma condensed combined statement of operations of the Company, VI Holdings and BSQ Holdings for the fiscal years ended January 3, 2021 and December 29, 2019 and the two quarters ended July 4, 2021</u>
Exhibit 104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

BBQ HOLDINGS, INC.

Date: September 1, 2021

By: /s/ Jason Schanno

Name: Jason Schanno

Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated September 1, 2021, with respect to the Consolidated Statements of Revenues and Direct Expenses of Bakers Square Holdings, LLC and Village Inn Holdings, LLC for the fiscal years ended December 27, 2020 and December 29, 2019 and with respect to the Statement of Assets Acquired and Liabilities Assumed of Bakers Square Holdings, LLC and Village Inn Holdings, LLC as of December 27, 2020, included in this Current Report on Form 8-K/A of BBQ Holdings, Inc. We consent to the incorporation by reference of said reports in the Registration Statements of BBQ Holdings, Inc. on Forms S-3 (File No. 333-258462 and File No. 333-258481) and on Forms S-8 (File No. 333-255098, File No. 333-226816, File No. 333-208261, File No. 333-204015, File No. 333-176278 and File No. 333-124985).

/s/ Schechter, Dokken, Kanter, Andrews & Selcer, Ltd.

Minneapolis, Minnesota
September 1, 2021

SPECIAL PURPOSE CONSOLIDATED STATEMENTS OF REVENUES AND DIRECT
EXPENSES:

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC

For Years Ended December 27, 2020 and December 29, 2019

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
Village Inn Holdings, LLC & Bakers Square Holdings, LLC
Nashville, Tennessee

We have audited the accompanying consolidated special purpose statements of revenues and direct expenses of Village Inn Holdings, LLC & Bakers Square Holdings, LLC, (the "Company") for the years ended December 27, 2020 and December 29, 2019, and the related notes to the consolidated special purpose statements of revenues and direct expenses.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose statements of revenues and direct expenses in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the special purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the special purpose consolidated statements of revenues and direct expenses, the accompanying financial statements have been prepared for the purpose of presenting the revenues and direct expenses of Village Inn Holdings, LLC & Bakers Square Holdings, LLC, and are not intended to be a complete presentation of the financial position, results of operations or cash flows of Village Inn Holdings, LLC & Bakers Square Holdings, LLC,. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Village Inn Holdings, LLC & Bakers Square Holdings, LLC, for the years ended December 27, 2020, and December 29, 2019, in accordance with accounting principles generally accepted in the United States of America.

Minneapolis, MN
September 1, 2021

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC

Special Purpose Consolidated Statements of Revenues and Direct Expenses

(in thousands)

	Fiscal Year Ended December 27, 2020	Fiscal Year Ended December 29, 2019	For the Six Periods Ended June 13, 2021 (unaudited)	For the Six Periods Ended June 14, 2020 (unaudited)
Revenues:				
Restaurant sales	\$ 42,183	\$ 67,550	\$ 21,942	\$ 18,519
Franchise and other revenue	4,242	4,889	1,602	1,964
Total net revenue	46,425	72,439	23,544	20,483
Costs and expenses:				
Cost of food and beverage	12,280	18,622	5,584	5,495
Payroll and benefits	16,174	24,812	7,676	7,834
Restaurant operating costs	12,835	15,966	6,824	5,828
Cost of franchise revenue	960	829	240	295
Cost of sales, exclusive of depreciation				
Shown separately below	42,249	60,229	20,324	19,452
Depreciation	1,813	1,399	809	586
Impairment and disposal charges, net	41	2	16	-
Net revenue over operating expenses	\$ 2,322	\$ 10,809	\$ 2,395	\$ 445

See Accompanying Notes to Special Purpose Consolidated Statements of Revenues and Direct Expenses.

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC
Notes to Special Purpose Consolidated Statements of Revenues and Direct Expenses

(1) Organization and Business

Village Inn Holdings, LLC (“VI”) and Bakers Square Holdings, LLC (“BSQ”), collectively, “we,” “our,” or the “Company,” are Delaware limited liability companies, formed on August 17, 2020 as wholly owned subsidiaries of RG Group Holdco, LLC, ultimately owned by Cannae Holdings, Inc. Prior to the August 17, 2020 formation, the Company was a subsidiary of American Blue Ribbon Holdings, LLC, which was also a subsidiary of Cannae Holdings, Inc.

The Company operates family dining restaurants under the tradenames Village Inn and Bakers Square, and franchises restaurants under the Village Inn tradename. Our Company operated and franchised restaurants are located across 20 states and are concentrated in the Southeast, Midwest, and the Rocky Mountain regions.

On June 25, 2021, the Company entered into a Membership Interest Purchase Agreement (“MIPA”) with BBQ Holdings, Inc. (“BBQ”) to acquire 21 Company operated Village Inn restaurants, 13 Company operated Bakers Square restaurants, and become the franchisor of 117 Village Inn franchise locations. The transaction was consummated on July 30, 2021.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company as well as wholly owned subsidiaries. All intercompany profits, transactions, and balances have been eliminated. The revenues and direct expenses presented in the Special Purpose Consolidated Statements of Revenues and Direct Expenses are representative of the operational activity of the Company operated locations in addition to the revenues and cost of revenues associated with the franchise locations identified in the MIPA. Indirect expenses, inclusive of corporate allocation of shared service charges, interest on term loan and related revolver facility, and income taxes, have been excluded from the financial statements. The Company has not previously accounted for VI or BSQ as stand-alone businesses, however, we believe the abbreviated financial statements provide the most relevant information to BBQ. The financial statements are not meant to be indicative of the Company’s financial condition.

(b) Fiscal Year

The Company utilizes a 52/53 week fiscal year where the last day of the fiscal year is the last Sunday in December. The fiscal years ended December 27, 2020 and December 29, 2019 were each composed of 52 weeks.

(c) Property and Equipment, Net

The Company records property and equipment, including internally developed software, at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method. The useful lives of assets are 3 to 15 years for furniture, fixtures, and equipment. Leasehold improvements are depreciated over the lesser of the useful life or the remaining lease term, inclusive of renewal periods, not to exceed 20 years. Gains or losses are recognized upon the disposal of property and equipment, and the asset and related accumulated depreciation is removed from the accounts. For 2020 and 2019, depreciation expense was \$1.8 million and \$1.4 million, respectively.

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC
Notes to Special Purpose Consolidated Statements of Revenues and Direct Expenses

(d) ***Revenue Recognition***

Revenues consist of Company operated restaurant sales, franchise revenue, and to a lesser extent, other revenue. Restaurant sales include food and beverage sales and are net of discounts and applicable state and local sales taxes.

Franchise revenue and other revenue consist of development fees and royalties on sales by franchised units. Royalties are calculated as a percentage of the franchisee sales and recognized in the period in which the sales are generated. Initial franchise fees are generally between \$20,000 and \$50,000 per restaurant. The fees are recognized as income upon commencement of the franchise operation and completion of all material services and conditions by the Company.

Revenue resulting from the sale of gift cards is recognized in the period in which the gift card is redeemed. The Company recognizes gift card breakage on gift cards sold, as restaurant sales, for which the likelihood of redemption is remote based on historical redemption patterns.

(e) ***Use of Estimates***

Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods to prepare these financial statements in conformity with GAAP. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets. Actual results could differ from those estimates.

(3) Subsequent Events

From December 27, 2020 through September 1, 2021, three Village Inn franchise restaurants and one Company operated Bakers Square have closed.

Subsequent events have been evaluated and disclosed through September 1, 2021, the date at which the financial statements were available to be issued.

**SPECIAL PURPOSE STATEMENT OF ASSETS ACQUIRED AND LIABILITIES
ASSUMED OF:**

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC

As of December 27, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
Village Inn Holdings, LLC and Bakers Square Holdings, LLC
Nashville, Tennessee

We have audited the accompanying special purpose statement of assets acquired and liabilities assumed of Village Inn Holdings, LLC and Bakers Square Holdings, LLC (the "Company") as of December 27, 2020, and the related notes to the special purpose financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purposes financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the special purpose financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the special purpose financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the special purpose statement of assets acquired and liabilities assumed, the accompanying financial statement has been prepared for the purpose of presenting the assets acquired and liabilities assumed of Village Inn Holdings, LLC & Bakers Square Holdings, LLC, and is not intended to be a complete presentation of the financial position, results of operations or cash flows of Village Inn Holdings, LLC & Bakers Square Holdings, LLC,. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets acquired and liabilities assumed of Village Inn Holdings, LLC & Bakers Square Holdings, LLC as of December 27, 2020, in accordance with accounting principles generally accepted in the United States of America.

Minneapolis, MN
September 1, 2021

VILLAGE INN HOLDINGS, LLC & BAKERS SQUARE HOLDINGS, LLC

Special Purpose Statement of Assets Acquired and Liabilities Assumed

(in thousands)

	<u>December 27,</u> <u>2020</u>
Assets Acquired	
Cash and cash equivalents	\$ 50
Inventory, net	554
Prepaid expenses and other current assets	370
Property and equipment, net	9,612
Right-of-use assets	16,003
Intangible assets, net	14,369
Other noncurrent assets	364
	<hr/>
Total assets acquired	\$ 41,322
	<hr/> <hr/>
Liabilities Assumed	
Deferred revenue	\$ 2,306
Lease liability, finance	70
Lease liability, operating	2,549
Noncurrent lease liability, finance	176
Noncurrent lease liability, operating	13,545
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Total liabilities assumed	\$ 18,646
	<hr/> <hr/>
Net Assets Acquired	\$ 22,676

See Accompanying Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed.

BBQ HOLDINGS, INC.

Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed

(1) Organization and Business

Village Inn Holdings, LLC (“VI”) and Bakers Square Holdings, LLC (“BSQ”), collectively, “we,” “our,” or the “Company,” are Delaware limited liability companies, formed on August 17, 2020 as a wholly owned subsidiary of RG Group Holdco, LLC, ultimately owned by Cannae Holdings, Inc.

The Company operates family dining restaurants under the tradenames Village Inn and Bakers Square, and franchises restaurants under the Village Inn tradenames. As of December 27, 2020, the Company operated 21 Village Inn restaurants, 13 Bakers Square restaurants, and had franchise agreements with 117 Village Inn locations. Our franchised restaurants are located across 20 states and are concentrated in the Southeast, Midwest, and the Rocky Mountain regions.

On June 25, 2021, the Company entered into a Membership Interest Purchase Agreement (“MIPA”) with BBQ Holdings, Inc. (“BBQ”) to acquire and assume the respective assets and liabilities presented on the Special Purpose Statement of Acquired Assets and Assumed Liabilities. The transaction was consummated on July 30, 2021.

(2) Summary of Significant Accounting Policies

(a) *Principles of Consolidation and Basis of Presentation*

The financial statement is prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company as well as wholly owned subsidiaries. All intercompany profits, transactions, and balances have been eliminated. As the Company has not previously accounted for VI or BSQ as stand-alone businesses, the abbreviated financial statements were prepared to present the assets acquired and liabilities assumed as part of the MIPA. The financial statement is not meant to be indicative of the Company’s financial condition.

(b) *Fiscal Year*

The Company utilizes a 52/53 week fiscal year where the last day of the fiscal year is the last Sunday in December.

(c) *Inventory*

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first in, first out method for restaurant inventory. Inventory primarily consists of food, beverages, finished pies, packaging, and supplies.

The Company obtains the majority of restaurant food products and supplies from four distributors. Although the Company believes alternative vendors could be found in a timely manner, any disruption of these services could potentially have an adverse impact on operating results.

BBQ HOLDINGS, INC.

Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed

(d) ***Property and Equipment, Net***

The Company records property and equipment, including internally developed software, at cost less accumulated depreciation and amortization. Depreciation and amortization expense are calculated using the straight-line method. The useful lives of assets are 30 years for buildings and 3 to 25 years for furniture, fixtures, and equipment. Leasehold improvements are amortized over the lesser of the useful life or the remaining lease term, inclusive of renewal periods, not to exceed 20 years. Equipment under capitalized leases is amortized to its expected residual value to the Company at the end of the lease term. Gains or losses are recognized upon the disposal of property and equipment, and the asset and related accumulated depreciation and amortization are removed from the accounts. Maintenance, repairs, and betterments that do not enhance the value of or increase the life of the assets are expensed as incurred. The Company capitalizes all direct external costs associated with obtaining the land, building, and equipment for each new restaurant, as well as construction period interest. The Company also capitalizes all direct external costs associated with obtaining the dining room and kitchen equipment, signage, and other assets and equipment. In addition, for each new restaurant and remodeled restaurant, the Company capitalizes a portion of the internal direct costs of its real estate and construction departments.

(e) ***Intangible Assets***

The Company's intangible assets include tradename and franchise rights and are subject to amortization. Amortization expense is calculated using the straight-line method over a period of 15 years.

(f) ***Deferred Revenue***

Revenue resulting from the sale of gift cards is recognized in the period in which the gift card is redeemed. The Company recognizes gift card breakage on gift cards sold, as restaurant sales, for which the likelihood of redemption is remote based on historical redemption patterns.

(g) ***Leases***

The Company has land only, building only, and land and building leases that are recorded as right-of-use ("ROU") assets and lease liabilities. Most of the leases have rent escalation clauses and some have rent holiday and contingent rent provisions. Contingent rentals are accrued each accounting period as the liabilities are incurred utilizing prorated periodic sales targets. The Company uses a lease life or expected lease term that is inclusive of renewal periods, not to exceed 20 years. Based upon the size of the investment that the Company makes at a restaurant site, the economic penalty incurred by discontinuing use of the leased facility, and its historical experience with respect to the length of time a restaurant operates at a specific location, the Company has concluded that a 20-year lease term is reasonably assured. The Company begins recognizing rent expense on the date that the Company becomes legally obligated under the lease.

Certain leases provide for rent holidays, which are included in the lease life used for the straight-line rent calculation. Rent expense and an accrued rent liability are recorded during the rent holiday period, during which the Company has possession of and access to the property, including the preopening period during construction, but is typically not required or obligated to, and normally does not, make rent payments.

BBQ HOLDINGS, INC.

Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed

(h) *Use of Estimates*

Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods to prepare these financial statements in conformity with GAAP. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets. Actual results could differ from those estimates.

(3) **Inventory, net**

Inventory, net consists of the following:

	<u>December 27,</u> <u>2020</u>
	<u>(in thousands)</u>
Restaurant and other inventory:	
Food and beverage	\$ 272
Pies	197
Supplies and other inventory	85
	<hr/>
Inventory, net	<u>\$ 554</u>

(4) **Property and Equipment, net**

Property and equipment, net consists of the following:

	<u>December 27,</u> <u>2020</u>
	<u>(in thousands)</u>
Land	\$ 1,480
Buildings and improvements	5,781
Equipment	3,271
Projects in process	9
	<hr/>
	10,541
Less accumulated depreciation	<u>(929)</u>
	<hr/>
Property and equipment, net	<u>\$ 9,612</u>

BBQ HOLDINGS, INC.

Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed

(5) Intangible Assets, net

Intangible assets, net consist of the following:

	December 27, 2020
	(in thousands)
Franchise rights	\$ 7,710
Tradename	6,900
	<u>14,610</u>
Less accumulated amortization	<u>(241)</u>
Intangible assets, net	<u>\$ 14,369</u>

Franchise rights amortization expense and tradename amortization expense were \$135 thousand and \$106 thousand, respectively, for the period from August 17, 2020 (inception) to December 27, 2020. The Company's intangible assets are subject to amortization calculated using the straight-line method over a period of 15 years.

(6) Leases

The Company is party to operating lease arrangements primarily for leased real estate for restaurants. ROU assets and lease liabilities related to operating leases under Accounting Standards Codification ("ASC") 842 are recorded at commencement when we are party to a contract which conveys the right for the Company to control an asset for a specified period of time. ROU assets and lease liabilities related to operating leases are recorded as lease assets and lease liabilities, respectively, on the Special Purpose Statements of Assets Acquired and Liabilities Assumed as of December 27, 2020.

Future payments under operating lease arrangements accounted for under ASC Topic 842 are as follows (in thousands):

Fiscal Year Ending	Operating Leases
2021	\$ 3,463
2022	3,356
2023	3,121
2024	2,773
2025	2,266
Thereafter	<u>4,709</u>
Total lease payments, undiscounted	19,688
Less: discount	<u>(3,594)</u>
Total operating lease liability as of December 27, 2020, at present value	16,094
Less: operating lease liability as of December 27, 2020, current	<u>(2,549)</u>
Operating lease liability as of December 27, 2020, long-term	<u>\$ 13,545</u>

BBQ HOLDINGS, INC.

Notes to Special Purpose Statement of Assets Acquired and Liabilities Assumed

(7) Subsequent Events

From December 27, 2020 through September 1, 2021, three Village Inn franchise restaurants and one Company operated Bakers Square have closed.

Subsequent events have been evaluated and disclosed through September 1, 2021, the date at which the financial statements were available to be issued.

BBQ HOLDINGS, INC.**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET OF BBQ HOLDINGS, INC.,
VILLAGE INN HOLDINGS, LLC AND BAKERS SQUARE HOLDINGS, LLC AS OF JULY 4, 2021 AND THE
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS OF BBQ HOLDINGS,
INC., VILLAGE INN HOLDINGS, LLC AND BAKERS SQUARE HOLDINGS, LLC FOR FISCAL YEARS ENDED
JANUARY 3, 2021 AND DECEMBER 29, 2019 AND THE TWO QUARTERS ENDED JULY 4, 2021
(in thousands)**

The following Unaudited Pro Forma Condensed Combined Statements of Operations for fiscal years ended January 3, 2021 and December 29, 2019, and the two quarters ended July 4, 2021, and the Unaudited Pro Forma Condensed Combined Balance Sheet as of July 4, 2021 and are presented as if BBQ Holdings, Inc. (“the Company”) acquired Village Inn Holdings, LLC (“VI Holdings”) and Bakers Square Holdings, LLC (“BSQ Holdings”) as of the beginning of the first fiscal year presented. These unaudited Pro Forma Condensed Combined Statements of Operations should be read in conjunction with the audited Consolidated Statements of Operations and the Company’s historical financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended January 3, 2021, and the Company’s Quarterly Report on Form 10-Q for the two quarters ended July 4, 2021. Additionally, these statements should be read in conjunction with the audited Special Purpose Statements of Revenues and Direct Expenses of VI Holdings and BSQ Holdings for the fiscal years ended December 27, 2020 and December 29, 2019 and the unaudited two quarters ended June 13, 2021 and June 14, 2020. The Pro Forma Condensed Combined Statements of Operations are unaudited and are not necessarily indicative of what the actual results of operations would have been had the Company acquired VI Holdings and BSQ Holdings at the beginning of each period presented, nor does it purport to present the future results of operations of the Company. Future results of operations could differ materially from the historical results presented herein.

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS FOR
THE YEAR ENDED JANUARY 3, 2021
(in thousands)

	BBQ Holdings, Inc. (1)	VI Holdings & BSQ Holdings (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	\$ 109,544	\$ 42,183	\$ —	\$ 151,727
Franchise royalty and fee revenue	8,919	4,242	—	13,161
Franchisee national advertising fund contributions	1,124		—	1,124
Licensing and other revenue	1,850		—	1,850
Total revenue	<u>121,437</u>	<u>46,425</u>	<u>—</u>	<u>167,862</u>
Costs and expenses:				
Food and beverage costs	33,867	12,280	—	46,147
Labor and benefits costs	37,228	16,174	—	53,402
Operating expenses	36,984	12,835	—	49,819
Depreciation and amortization expenses	5,121	1,813	—	6,934
General and administrative expenses	14,395	960	3,600	18,955
National advertising fund expenses	1,124		—	1,124
Asset impairment, estimated lease termination charges and other closing costs, net	5,683	41	—	5,724
Pre-opening expenses	10		—	10
Net gain on disposal of property and bargain purchases	(1,810)		—	(1,810)
Total costs and expenses	<u>132,602</u>	<u>44,103</u>	<u>3,600</u>	<u>180,305</u>
Income (loss) from operations	(11,165)	2,322	(3,600)	(12,443)
Other income (expense):				
Interest expense	(805)		—	(805)
Interest income	154		—	154
Gain on bargain purchase	13,246		—	13,246
Total other income	<u>12,595</u>	<u>—</u>	<u>—</u>	<u>12,595</u>
Income (loss) before income taxes	1,430	2,322	(3,600)	152
Income tax benefit (expense)	<u>2,837</u>	<u>—</u>	<u>142</u>	<u>2,979</u>
Net income (loss)	4,267	2,322	(3,458)	3,131
Less: Net loss attributable to non-controlling interest	680	—	—	680
Net income (loss) attributable to shareholders	<u>\$ 4,947</u>	<u>\$ 2,322</u>	<u>\$ (3,458)</u>	<u>\$ 3,811</u>
Basic net income per share attributable to shareholders	<u>\$ 0.54</u>			<u>\$ 0.38</u>
Diluted net income per share attributable to shareholders	<u>\$ 0.54</u>			<u>\$ 0.37</u>
Weighted average shares outstanding - basic	9,155		1,000	10,155
Weighted average shares outstanding - diluted	9,168		1,000	10,168

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS FOR
THE YEAR ENDED DECEMBER 29, 2019
(in thousands)

	BBQ Holdings, Inc. (1)	VI Holdings & BSQ Holdings (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	\$ 68,564	\$ 67,550	\$ —	\$ 136,114
Franchise royalty and fee revenue	12,126	4,889	—	17,015
Franchisee national advertising fund contributions	1,616	—	—	1,616
Licensing and other revenue	1,249	—	—	1,249
Total revenue	83,555	72,439	—	155,994
Costs and expenses:				
Food and beverage costs	21,541	18,622	—	40,163
Labor and benefits costs	24,565	24,812	—	49,377
Operating expenses	22,555	15,966	—	38,521
Depreciation and amortization expenses	2,231	1,399	—	3,630
General and administrative expenses	10,992	829	3,600	15,421
National advertising fund expenses	1,616	—	—	1,616
Asset impairment, estimated lease termination charges and other closing costs, net	1,296	2	—	1,298
Pre-opening expenses	460	—	—	460
Net gain on disposal of property and bargain purchases	(74)	—	—	(74)
Total costs and expenses	85,182	61,630	3,600	150,412
(Loss) income from operations	(1,627)	10,809	(3,600)	5,582
Other income (expense):				
Interest expense	(494)	—	—	(494)
Interest income	215	—	—	215
Total other expense	(279)	—	—	(279)
(Loss) income before income taxes	(1,906)	10,809	(3,600)	5,303
Income tax benefit (expense)	659	—	(1,175)	(516)
Net (loss) income	(1,247)	10,809	(4,775)	4,787
Less: Net loss attributable to non-controlling interest	598	—	—	598
Net (loss) income attributable to shareholders	\$ (649)	\$ 10,809	\$ (4,775)	\$ 5,385
Basic net (loss) income per share attributable to shareholders	\$ (0.07)			\$ 0.53
Diluted net (loss) income per share attributable to shareholders	\$ (0.07)			\$ 0.53
Weighted average shares outstanding - basic	9,099		1,000	10,099
Weighted average shares outstanding - diluted	9,099		1,000	10,099

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS FOR
THE TWO QUARTERS ENDED JULY 4, 2021
(in thousands)

	<u>BBQ Holdings, Inc. (1)</u>	<u>VI Holdings & BSQ Holdings (2)</u>	<u>Pro Forma Adjustments (3)</u>	<u>Pro Forma BBQ Holdings, Inc.</u>
Revenue:				
Restaurant sales, net	\$ 74,808	\$ 21,942	\$ —	\$ 96,750
Franchise royalty and fee revenue	5,320	1,602	—	6,922
Franchisee national advertising fund contributions	749		—	749
Licensing and other revenue	1,962		—	1,962
Total revenue	<u>82,839</u>	<u>23,544</u>	<u>—</u>	<u>106,383</u>
Costs and expenses:				
Food and beverage costs	21,989	5,584	—	27,573
Labor and benefits costs	22,683	7,676	—	30,359
Operating expenses	21,843	6,824	—	28,667
Depreciation and amortization expenses	2,985	809	—	3,794
General and administrative expenses	8,582	240	1,800	10,622
National advertising fund expenses	749		—	749
Asset impairment, estimated lease termination charges and other closing costs, net	37	16	—	53
Pre-opening expenses	120		—	120
Net loss on disposal of property and bargain purchases	135		—	135
Total costs and expenses	<u>79,123</u>	<u>21,149</u>	<u>1,800</u>	<u>102,072</u>
Income (loss) from operations	3,716	2,395	(1,800)	4,311
Other income (expense):				
Interest expense	(315)		—	(315)
Interest income	98		—	98
Gain upon debt extinguishment	14,109		—	14,109
Gain on bargain purchase	—		—	-
Total other income (expense)	<u>13,892</u>	<u>—</u>	<u>—</u>	<u>13,892</u>
Income (loss) before income taxes	17,608	2,395	(1,800)	18,203
Income tax expense	<u>(481)</u>	<u>—</u>	<u>16</u>	<u>(465)</u>
Net income (loss)	17,127	2,395	(1,784)	17,738
Less: Net income attributable to non-controlling interest	(542)	—	—	(542)
Net income (loss) attributable to shareholders	<u>\$ 16,585</u>	<u>\$ 2,395</u>	<u>\$ (1,784)</u>	<u>\$ 17,196</u>
Basic net income per share attributable to shareholders	<u>\$ 1.79</u>			<u>\$ 1.68</u>
Diluted net income per share attributable to shareholders	<u>\$ 1.73</u>			<u>\$ 1.63</u>
Weighted average shares outstanding - basic	9,256		1,000	10,256
Weighted average shares outstanding - diluted	9,567		1,000	10,567

Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended January 3, 2021 and December 29, 2019 and the two quarters ended July 4, 2021

- (1) Reflects the Company's historical operations for the period indicated as previously filed.
- (2) Reflects the revenues and direct expenses of VI Holdings and BSQ Holdings.
- (3) Represents the adjustment needed to reflect corporate overhead, the Company's statutory tax rate, and the number of shares outstanding.

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JULY 4, 2021
(in thousands)

ASSETS	BBQ Holdings, Inc. (4)	VI Holdings & BSQ Holdings (5)	Pro Forma Adjustments (6)	Pro Forma BBQ Holdings, Inc.
Current assets:				
Cash and cash equivalents	\$ 39,182	\$ 2,207	\$ (15,159)	\$ 26,230
Accounts receivable, net of allowance for doubtful accounts	4,966	2,376	(2,376)	4,966
Inventories	2,433	462		2,895
Prepaid expenses and other current assets	2,881	359	(162)	3,078
Assets held for sale	1,024			1,024
Total current assets	50,486	5,404	(17,697)	38,193
Property, equipment and leasehold improvements, net	31,112	8,909		40,021
Other assets:				
Operating lease right-of-use assets	60,787	16,722		77,509
Goodwill	601			601
Intangible assets, net	9,733	14,145		23,878
Deferred tax asset, net	4,623			4,623
Other assets	1,660	2,035	(2,035)	1,660
	<u>\$ 159,002</u>	<u>\$ 47,215</u>	<u>\$ (19,732)</u>	<u>\$ 186,485</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 7,050	\$ 1,882	\$ (1,882)	\$ 7,050
Current portion of lease liabilities	6,844	2,762		9,606
Current portion of long-term debt	2,165			2,165
Accrued compensation and benefits	6,313	3,027	(3,027)	6,313
Other current liabilities	8,814	8,419	(7,202)	10,031
Total current liabilities	31,186	16,090	(12,111)	35,165
Long-term liabilities:				
Lease liabilities, less current portion	61,839	12,777		74,616
Long-term debt, less current portion	7,131	10,740	(10,740)	7,131
Other liabilities	1,376	2,122	244	3,742
Total liabilities	101,532	41,729	(22,607)	120,654
Shareholders' equity:				
Total equity	57,470	5,486	2,875	65,831
	<u>\$ 159,002</u>	<u>\$ 47,215</u>	<u>\$ (19,732)</u>	<u>\$ 186,485</u>

Unaudited Pro Forma Condensed Combined Balance as of July 4, 2021:

- (4) Reflects the Company's historical financial position as of July 4, 2021 as previously filed.
- (5) Reflects the unaudited historical financial position as of the end of the second quarter of fiscal year 2021.
- (6) Reflects adjustments for cash used for the purchase of VI Holdings and BSQ Holdings, assets not acquired and liabilities not assumed.