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

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 9, 2020

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

Minnesota	001-39053	83-4222776
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

(Address of principal executive offices) (Zip Code)

12701 Whitewater Drive, Suite 290, 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. ☐

Item 2.01. Completion of Acquisition or Disposition of Assets.

This Current Report on Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K dated March 12, 2020 (the "Original Form 8-K") filed by BBQ Holdings, Inc. (the "Company") with the Securities and Exchange Commission on March 12, 2020, announcing the completion of the Company's acquisition of certain assets associated with Granite City Food & Brewery Ltd. ("Granite City") in connection with the Chapter 11 filing of Granite City. At that time, the Company stated in the Original Form 8-K that it intended to file the required financial statements and pro forma financial information within 71 days from the date that the Original Form 8-K was required to be filed. This Current Report on Form 8-K/A amends and supplements Item 9.01 of the Original Form 8-K to present certain financial statements of Granite City and to present certain unaudited pro forma condensed combined financial statements of the Company in connection with the Company's acquisition of the Granite City assets, which financial statements and unaudited pro forma condensed combined financial statements are filed as exhibits hereto and are incorporated herein by reference. All of the other items in the Original Form 8-K remain the same and are hereby incorporated by reference into this Current Report on Form 8-K/A.

Item 9.01. Financial Statements and Exhibits.

The following financial statements and pro forma financial information are filed as part of this Current Report on form 8-K/A.

(a) Financial statements of business acquired.

The Audited Special Purpose Statements of Revenues and Direct Expenses of Granite City for the fiscal years ended December 26, 2017 and December 25, 2018, and the Unaudited Special Purpose Statement of Revenues and Direct Expenses of Granite City for the three quarters ended September 24, 2019, as well as the accompanying notes and independent auditors' report are being filed as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated herein by reference.

The Audited Special Purpose Statement of Assets Acquired and Liabilities Assumed of Granite City as of March 9, 2020, as well as the accompanying notes and independent auditors' report is being filed as Exhibit 99.2 to this Current Report on Form 8-K/A and is incorporated herein by reference.

(b) Pro forma financial information.

The following unaudited pro forma financial information of the Company and Granite City is filed as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated herein by reference:

Unaudited Pro Forma Condensed Combined Statement of Operations for the twelve months ended December 30, 2018 and the three quarters September 29, 2019.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Schechter, Dokken, Kanter, Andrews & Selcer, Ltd., Independent Certified Public Accountant.
99.1	Granite City Audited Special Purpose Statements of Revenues and Direct Expenses as of and for the fiscal year ended December 26, 2017 and December 25, 2018 and the Unaudited Special Purpose Statement of Revenues and Direct Expenses as of and for the three quarters ended September 24, 2019.

99.2	Granite City Audited Special Purpose Statement of Assets Acquired and Liabilities Assumed of Granite City as of March 9, 2020.
99.3	The following unaudited pro forma financial information: Unaudited Pro Forma Condensed Combined Statements of Operations for the fiscal year ended December 30, 2018 and the three quarters ended September 29, 2019.

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: May 22, 2020

By: /s/ James G. Gilbertson
Name: James G. Gilbertson
Title: Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our report dated May 22, 2020, with respect to the Statements of Revenues and Direct Expenses of Granite City for the fiscal years ended December 26, 2017 and December 25, 2018 and the Statement of Assets Acquired and Liabilities Assumed of Granite City as of March 9, 2020 included in this Current Report on Form 8-K/A of BBQ Holdings, Inc. We consent to the incorporation by reference of said report in the Registration Statements of BBQ Holdings, Inc. on Forms S-3 (File No. 333-224919,) and on Forms S-8 (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
May 22, 2020

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INDEPENDENT AUDITOR'S REPORT

BBQ Holdings, Inc.
Minneapolis, MN

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose statements of revenues and direct expenses of Granite City Food & Brewery, a business of BBQ Holdings, Inc., for the years ended December 25, 2018 and December 26, 2017, and the related notes to the special purpose financial statements.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 special purpose 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 our judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose 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 financial statements, the accompanying financial statements have been prepared for the purposes of presenting the revenues and direct expenses of Granite City Food & Brewery, a business of BBQ Holdings, Inc., and are not intended to be a complete presentation of the financial position, results of operations or cash flows of Granite City Food & Brewery, a business of BBQ Holdings, Inc. 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 Granite City Food & Brewery, a business of BBQ Holdings, Inc., for the years ended December 25, 2018 and December 26, 2017, in accordance with accounting principles generally accepted in the United States of America.

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

Minneapolis, MN
May 22, 2020

GRANITE CITY FOOD & BREWERY
SPECIAL PURPOSE STATEMENTS OF REVENUES AND DIRECT EXPENSES

	Three Quarters Ended September 24, 2019 (unaudited)	Fiscal Years Ended December 25, 2018	December 26, 2017
Revenue:			
Restaurant revenue	$ 52,638,708	$ 73,627,937	$ 73,814,219
Costs of sales			
Food, beverage and retail	14,121,176	19,136,302	19,432,863
Labor	18,628,637	24,736,096	24,969,072
Direct restaurant operating	9,580,688	12,135,467	11,474,151
Occupancy	3,703,564	6,498,222	6,581,852
Cost of sales and occupancy	46,034,065	62,506,087	62,457,938
Depreciation and amortization expenses	2,880,371	3,748,002	4,113,731
Pre-opening expenses	—	—	23,288
Loss on disposal of assets	3,954	52,192	36,152
Total costs and expenses	48,918,390	66,306,281	66,631,109
Operating revenue over direct expense before interest expense	3,720,317	7,321,656	7,183,110
Interest expense	(2,273,337)	(1,469,531)	(1,416,886)
Net revenue over direct expense	$ 1,446,980	$ 5,852,125	$ 5,766,224

The accompanying notes are an integral part of these financial statements.

1.Business Description and Basis of Presentation

Business Description and Sale of Granite City Food & Brewery restaurants

Granite City Food & Brewery Ltd. (the "Company") developed and operated two casual dining concepts: Granite City Food & Brewery® ("Granite City") and Cadillac Ranch All American Bar & Grill®. The Company also owned and operated a centralized beer production facility which facilitated the initial stages of its brewing process. The product created at this beer production facility was then transported to the fermentation vessels at each of the Company's Granite City restaurants where the brewing process was completed.

On February 11, 2020, the Company conducted a U.S. Bankruptcy Code Section 363 Auction and selected BBQ Acquisition, Inc., a Minnesota corporation and wholly-owned subsidiary of BBQ Holdings, Inc. as the successful bidder for the assets associated with the Granite City restaurants. On February 13, 2020, the Company signed an Asset Purchase Agreement, dated February 11, 2020, by and between the Company and BBQ Acquisition, Inc. to purchase certain assets and liabilities of the Company for a purchase price of $3,650,000. The sale was approved by the Bankruptcy Court at a hearing on February 21, 2020. On March 9, 2020 (the "Close Date"), BBQ Acquisitions, Inc. closed on the sale which included 18 Granite City restaurants and the beer production facility ("GC").

Basis of Presentation

GC has not historically been accounted for as a separate entity, subsidiary or division of the Company but was integrated as part of the Company's consolidated financial statements. Additionally, stand-alone financial statements related to GC have not been prepared previously as the Company's financial system was not designed to provide complete financial information of GC. Pursuant to a letter dated April 23, 2020 from the staff of the Division of Corporate Finance (the "Division") of the SEC, the Division stated that it would not object to the substitution of the audited Statements of Revenues and Direct Expenses for fiscal years 2018 and 2017 and unaudited Statements of Revenue and Direct Expenses for the first three quarters of fiscal year 2019 for GC in lieu of the full financial statements required by Rule 3-05 of Regulation S-X. Such statements include:

- Audited Special Purpose Statements of Revenues and Direct Expenses for fiscal year ended December 26, 2017
- Audited Special Purpose Statements of Revenues and Direct Expenses for fiscal year ended December 25, 2018
- Unaudited Special Purpose Statement of Revenues and Direct Expenses for the three quarters ended September 24, 2019

These financial statements have been prepared from the accounting records maintained by the Company.

Revenues and expenses included in the accompanying financial statements are directly attributable to GC. Direct expenses include cost of goods sold, labor, occupancy, depreciation, and other operating expenses. Interest expense is related to interest expense on capital leases for the GC properties under capital leases. Indirect expenses, including interest on debt, income taxes, and corporate overhead expense allocations cannot be practically allocated to GC for these functions. As a result, such costs have been excluded for the accompanying financial statements.

The accompanying financial statements are not indicative of the financial conditions or results of operations of GC going forward due to the omission of various expenses. Future results of operations and financial position could differ materially from the historical results presented herein.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. As a result, public health measures were taken to minimize exposure to the virus. These measures, some of which are government-mandated, have been implemented globally resulting in a dramatic decrease in economic activity. “Stay-at-home” orders, with the exception of conducting certain essential functions, quarantines, travel restrictions and other governmental restrictions to reduce the spread of COVID-19 have had an adverse impact on GC’s business. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Should the existence of the COVID-19 pandemic continue for an extended period, future business operations, including the results of operations, will be significantly affected.

Balance sheets, statements of cash flows and statements of stockholders’ equity are not presented as BBQ Acquisitions, Inc. did not acquire all of the assets nor assume all of the liabilities of the Company, and the preparation of such financial information is not practical given the nature of the limited amount of information available specifically related to GC.

2. Summary of Significant Accounting Policies

Fiscal year

The Company utilized a 52/53-week fiscal year ending on the last Tuesday in December for financial reporting purposes. Fiscal year 2018 ended on December 25, 2018 and fiscal year 2017 ended on December 26, 2017. Fiscal years 2018 and 2017 each consisted of 52 weeks. The three quarters of fiscal year 2019 ended September 24, 2019 and consisted of 39 weeks.

Interim financial information

The statement of revenues and direct expenses for the three quarters ended September 24, 2019 and the related notes are unaudited and, in the opinion of management, reflect all adjustments necessary for a fair presentation of the financial statements and related notes for the interim period presented. The results of this interim period are not necessarily indicative of results to be expected for any future period.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Significant estimates include estimates related to depreciable assets useful lives and gift card liabilities. Actual results could differ from these estimates.

Right-of-use assets and liabilities

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (“ASU 842”), which superseded ASU 840, Leases. Under this new guidance, at the lease commencement date, a lessee recognizes a ROU and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset. The new guidance was effective for the Company's fiscal year 2019. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carryforward the historical lease classification. In addition, the Company elected certain practical expedients and accounting policies including the lessee practical expedient to not separate lease components. The Company also made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The Company recognized those lease payments in the statements of revenues and direct expenses on a straight-line basis over the lease term.

The Company elected to use the effective date as its date of initial application. Consequently, financial information was not updated and the disclosures required under the new standard was not provided for dates and periods before December 26, 2018.

Depreciation

The Company recorded property and equipment at cost and depreciated it over the estimated useful lives of the assets. Leasehold improvements were depreciated over the term of the related lease or the estimated useful life, whichever was shorter. Depreciation and amortization of assets were computed on the straight-line method for financial reporting purposes. The estimated useful lives are as follows:

Computer hardware and software	3 - 5 years
Furniture and restaurant equipment	3 - 8 years
Brewery equipment	20 years
Building and leasehold improvements	10 - 30 years

Revenue recognition

Revenue was derived from the sale of prepared food, beverage and select retail items. Revenue was recognized at the time of sale and reported on the Company's statements of revenue and direct expenses net of sales taxes collected. Revenue derived from gift card sales was recognized at the time the gift card was redeemed.

Cost of revenues

Cost of revenues included purchasing cost of food, beverage and retail merchandise, labor, occupancy, depreciation, and various direct restaurant operating expenses.

3.Leases

GC had operating and finance leases for restaurant properties with remaining lease terms of up to 38 years, inclusive of options to extend. In particular some of GC's leases included options to extend such leases for up to five five-year options. As of the Close Date, the Company operated nine restaurants under finance (capital) lease agreements and nine under operating ROU lease agreements. Under certain of the leases, the Company was required to pay additional contingent rent based upon restaurant sales. Contingent rent was $181,194, $263,080 and $215,093 for the first three quarters of 2019, fiscal year 2018 and fiscal year 2017, respectively.

4. Subsequent events

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

On February 11, 2020, the Company conducted a U.S. Bankruptcy Code Section 363 Auction and selected BBQ Acquisition, Inc., a Minnesota corporation and wholly-owned subsidiary of BBQ Holdings, Inc. as the successful bidder for the assets associated with the Granite City restaurants. On February 13, 2020, the Company signed an Asset Purchase Agreement, dated February 11, 2020, by and between the Company and BBQ Acquisition, Inc. to purchase certain assets and liabilities of the Company for a purchase price of $3,650,000. The sale was approved by the Bankruptcy Court at a hearing on February 21, 2020. On March 9, 2020, BBQ Acquisitions, Inc. closed on the sale which included 18 Granite City restaurants and the beer production facility.

In March 2020, the World Health Organization declared the outbreak COVID-19 as a pandemic. As a result, public health measures were taken to minimize exposure to the virus. These measures, some of which are government-mandated, have been implemented globally resulting in a dramatic decrease in economic activity. “Stay-at-home” orders, with the exception of conducting certain essential functions, quarantines, travel restrictions and other governmental restrictions to reduce the spread of COVID-19 have had an adverse impact on GC’s business. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Should the existence of the COVID-19 pandemic continue for an extended period, future business operations, including the results of operations, will be significantly affected.

Exhibit 99.2

INDEX TO SPECIAL PURPOSE STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED

INDEPENDENT AUDITOR'S REPORT

Board of Directors
BBQ Holdings, Inc.
Minnetonka, Minnesota

Report on the Special Purpose Financial Statement

We have audited the accompanying special purpose statement of assets acquired and liabilities assumed of Granite City Food & Brewery, a business of BBQ Holdings, Inc, and the related notes to the special purpose financial statement.

Management's Responsibility for the Special Purpose Financial Statement

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 purpose financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's 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 our 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, we consider 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 financial statement, the accompanying financial statement has been prepared for the purposes of presenting the assets acquired and liabilities assumed of Granite City Food & Brewery, a business of BBQ Holdings, Inc, and is not intended to be a complete presentation of the financial position, results of operations or cash flows of Granite City Food & Brewery, a business of BBQ Holdings, Inc. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the special purpose financial statement referred to above presents fairly, in all material respects, the assets acquired and liabilities assumed of Granite City Food & Brewery, a business of BBQ Holdings, Inc., as of March 9, 2020, in accordance with accounting principles generally accepted in the United States of America.

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

Minneapolis, MN
May 22, 2020

GRANITE CITY FOOD & BREWERY
SPECIAL PURPOSE STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED

		March 9, 2020
ASSETS ACQUIRED		
Cash	$	127,849
Inventory		980,031
Property, equipment and leasehold improvements		17,818,212
Operating lease right-of-use assets		50,968,108
Intangible and other assets		8,328,505
Total assets acquired	$	78,222,705
LIABILITIES ASSUMED		
Gift card liabilities	$	3,922,842
Operating lease liabilities		50,968,108
Total liabilities assumed	$	54,890,950
NET ASSETS ACQUIRED	$	23,331,755

The accompanying notes are an integral part of this financial statement

BBQ HOLDINGS, INC.
NOTES TO THE SPECIAL PURPOSE STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED

1.Business Description and Basis of Presentation

Business Description

On February 11, 2020, BBQ Acquisition, Inc., a Minnesota corporation and wholly-owned subsidiary of BBQ Holdings, Inc. (the “Company”), entered into an Asset Purchase Agreement with Granite City Food & Brewery Ltd. (“Granite City”) to acquire certain assets associated with Granite City restaurants in connection with the Chapter 11 filing of Granite City (the “Granite City Acquisition”). The Granite City Acquisition was approved by the Bankruptcy Court at a hearing on February 21, 2020. The purchase price for the assets purchased was $3,650,000 plus certain assumed liabilities including gift card liabilities and cure costs. The Company closed the Granite City Acquisition on March 9, 2020 (the “Close Date”) using cash on hand and borrowing under its existing loan agreement with Choice Financial Group. The Granite City Acquisition included 18 Granite City restaurants and a centralized beer production facility (“GC”). The beer production facility manages the initial stages of the Granite City brewing process. The product created at this facility is then transported to the fermentation vessels at each of the Granite City restaurants where the brewing process is completed.

The Company develops, owns and operates restaurants under the name “Famous Dave’s”, “Clark Crew BBQ” and “Real Urban Barbecue.” Additionally, the Company franchises restaurants under the name “Famous Dave’s”. As of the Close Date, there were 124 Famous Dave’s restaurants operating in 31 states, Canada, and the United Arab Emirates, including 30 Company-owned restaurants and 94 franchise-operated restaurants.

Basis of Presentation

GC has not historically been accounted for as a separate entity, subsidiary or division of Granite City Food & Brewery Ltd. Additionally, stand-alone financial statements related to GC have not been prepared previously as Granite City Food & Brewery Ltd.’s financial system was not designed to provide complete financial information of GC. Pursuant to a letter dated April 23, 2020 from the staff of the Division of Corporate Finance (the “Division”) of the SEC, the Division stated that it would permit the substitution of an audited Statement of Assets Acquired and Liabilities Assumed (the “Financial Statement”) prepared on the basis of the allocation of the purchase price as of the Closing Date in lieu of the full financial statements for the acquired assets required by Rule 3- 05 of Regulation S-X.

The Financial Statement has been derived from the purchase price allocation, which represents the fair value of assets acquired and liabilities assumed at the Close Date. The Financial Statement is not meant to be indicative of the financial condition of GC going forward and includes only the specific assets and liabilities related to GC that has been acquired by the Company in accordance with the asset purchase agreement.

The Company accounted for the Granite City Acquisition using the purchase method of accounting in accordance with ASC 805 “Business Combinations”. The assets acquired and the liabilities assumed were provisionally recorded at estimated fair values based on information available.

2.Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Financial Statement in conformity with generally accepted accounting principles in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statement. Management solicited a professional valuation firm to provide an unbiased opinion of the value of assets acquired and liabilities assumed. Additionally, management relied on historical experience and various other assumptions it believes to be reasonable in making such estimates. Components of the Financial Statement particularly subject to estimation include the fair value and estimated lives of assets acquired and liabilities assumed. Actual results may differ from management's estimates.

Cash and cash equivalents

Cash in the Financial Statement reflects cash on hand at the GC restaurants at the Close Date.

Inventory

Inventory, consisting of food, beverages, retail items and beer production supplies, is stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Property and equipment

Property and equipment consist primarily of restaurant, brewing and office equipment, furniture and fixtures, and leasehold improvements. Property and equipment is stated at its estimated fair value at the Close Date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement framework establishes a three-tier hierarchy. The three levels, in order of priority, are as follows.

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

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

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

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

The carrying amounts of cash reported in the Financial Statement is equal to the actual cash on hand. The Company believes that the carrying amount of liabilities approximates fair value due to its borrowing rate and lease terms. Inventories, property and equipment and intangible assets were valued using Level 3 inputs.

Right-of-use assets and liabilities

Right-of-use ("ROU") assets and liabilities represent the Company's right to use and obligation to make lease payments for the GC restaurant properties. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term, including options to extend the lease when it is reasonably certain management will exercise such option. As the leases assumed do not provide an implicit rate, the Company used its incremental borrowing rate at the Close Date in determining the present value of lease payments. The incremental borrowing rate was determined by adjusting the secured borrowing interest rate for the longer-term nature of the leases. Variable lease payments primarily consist of maintenance and other operating expenses from real estate leases and have been estimated and included in the ROU assets and liabilities recorded.

Intangible and other assets

Intangible assets include trademarks for which registrations continue indefinitely, liquor licenses and loyalty members database.

Gift card liabilities

Revenue derived from gift card sales is recognized at the time of redemption. The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Gift card liability is presented on the Financial Statement at the Close Date net of estimated breakage.

3. Preliminary Purchase Price Allocation

The Financial Statement is presented on the basis of the Company's preliminary purchase price allocation. The valuation of net assets acquired and liabilities assumed is based on estimates and assumptions made at the time of the acquisition and as a result, the allocation of purchase price and estimated useful lives of property and equipment, and intangible assets is considered preliminary at this time. As additional information becomes available, the preliminary purchase price allocation may be revised during the remainder of the measurement period, which will not exceed 12 months from the acquisition date. Any such revisions or changes may be material.

4. Property and Equipment

The following is a summary of property and equipment by major classifications:

	March 9, 2020
Equipment	$ 9,856,740
Furniture and fixtures	1,999,710
Leasehold improvements	5,961,762
Property, equipment and leasehold improvements	$ 17,818,212

5. Intangible and Other Assets

The fair value of intangible assets includes trademarks, trade names and patents ($7.7 million), customer loyalty database ($0.2 million), and liquor licenses ($0.4 million). Intangible assets will begin amortization on a straight-line basis after the acquisition date. The useful lives of trademarks and trade names and patents is estimated to be 20 years and the useful life of the loyalty member database is estimated to be 3 years.

6. Lease Commitments

At the Close Date, the Company determined that each of the GC leases was an operating lease. As such, the Company recognized ROU assets and operating lease liabilities on the Financial Statement based on the present value of future lease payments over the lease terms at that date.

Future maturities and other supplemental information related to the GC lease liabilities, as of the Close Date, are as follows:

Fiscal Year	
2020	$ 4,536,811
2021	5,503,049
2022	5,596,784
2023	5,731,656
2024	5,766,103
Thereafter	43,249,723
Total operating lease obligations	70,384,126
Less imputed interest	(19,416,018)
Total	$ 50,968,108

7.Subsequent events

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

In March 2020, the World Health Organization declared the outbreak COVID-19 as a pandemic. As a result, public health measures were taken to minimize exposure to the virus. These measures, some of which are government-mandated, have been implemented globally resulting in a dramatic decrease in economic activity. "Stay-at-home" orders, with the exception of conducting certain essential functions, quarantines, travel restrictions and other governmental restrictions to reduce the spread of COVID-19 have had an adverse impact on GC's business. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Should the existence of the COVID-19 pandemic continue for an extended period, future business operations, including the results of operations, will be significantly affected.

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 30, 2018 AND THE THREE QUARTERS ENDED SEPTEMBER 29, 2019
(*in thousands*)

The following Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 30, 2018, and the three quarters ended September 29, 2019, are presented as if the Company acquired the 18 Granite City Restaurants as of the beginning of the first fiscal year presented. These unaudited Pro Forma Consolidated 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 December 31, 2018, and the Company’s Quarterly Report on Form 10-Q for the three quarters ended September 29, 2019. Additionally, these statements should be read in conjunction with the audited Special Purpose Statements of Revenues and Direct Expenses of Granite City Food & Brewery for the fiscal year ended December 25, 2018 and the unaudited three quarters ended September 24, 2019. The Pro Forma Consolidated Statements of Operations are unaudited and are not necessarily indicative of what the actual results of operations would have been had the Company acquired the Granite City Restaurants 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 CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 30, 2018 AND THE THREE QUARTERS ENDED SEPTEMBER 29, 2019
(*in thousands*)

Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 30, 2018:
Certain amounts do not sum due to rounding

	BBQ Holdings, Inc. (1)	Granite City (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	$ 38,051	$ 73,628	$ —	$ 111,679
Franchise royalty and fee revenue	13,871	—	—	13,871
Franchisee national advertising fund contributions	1,932	—	—	1,932
Licensing and other revenue	1,034	—	—	1,034
Total revenue	54,888	73,628	—	128,516
Costs and expenses:				
Food and beverage costs	11,973	19,136	—	31,109
Labor and benefits costs	13,663	24,736	—	38,399
Operating expenses	11,932	18,634	(556)	30,010
Depreciation and amortization expenses	1,264	3,748	—	5,012
General and administrative expenses	7,988	—	3,287	11,275
National advertising fund expenses	1,932	—	—	1,932
Asset impairment, estimated lease termination charges and other closing costs, net	145	—	—	145
Net loss on disposal of property and bargain purchases	29	52	—	81
Total costs and expenses	48,926	66,306	2,731	117,963
Income from operations	5,962	7,322	(2,731)	10,553
Other income (expense):				
Interest expense	(493)	(1,470)	229	(1,733)
Interest income	122	—	—	122
Total other expense	(371)	(1,470)	229	(1,611)
Income before income taxes	5,591	5,852	(2,502)	8,942
Income tax (expense) benefit	(729)	—	(777)	(1,506)
Net income	$ 4,862	$ 5,852	$ (3,279)	$ 7,435
Basic net income per share	$ 0.57			$ 0.86
Diluted net income per share	$ 0.56			$ 0.86
Weighted average shares outstanding - basic	8,599			8,599
Weighted average shares outstanding - diluted	8,624			8,624

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 30, 2018 AND THE THREE QUARTERS ENDED SEPTEMBER 29, 2019
(*in thousands*)

Unaudited Pro Forma Consolidated Statement of Operations for the three quarters ended September 29, 2019:
Certain amounts do not sum due to rounding

	BBQ Holdings, Inc. (1)	Granite City (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	$ 47,326	$ 52,639	$ —	$ 99,965
Franchise royalty and fee revenue	9,560	—	—	9,560
Franchisee national advertising fund contributions	1,275	—	—	1,275
Licensing and other revenue	839	—	—	839
Total revenue	59,000	52,639	—	111,639
Costs and expenses:				
Food and beverage costs	15,068	14,121	—	29,189
Labor and benefits costs	17,253	18,629	—	35,882
Operating expenses	14,489	13,284	2,635	30,408
Depreciation and amortization expenses	1,355	2,880	(1,030)	3,206
General and administrative expenses	7,547	—	2,465	10,012
National advertising fund expenses	1,275	—	—	1,275
Asset impairment, estimated lease termination charges and other closing costs, net	718	—	—	718
Pre-opening expenses	94	—	—	94
Net (gain) loss on disposal of property and bargain purchases	(174)	4	—	(170)
Total costs and expenses	57,625	48,918	4,071	110,614
Income from operations	1,375	3,720	(4,071)	1,024
Other income (expense):				
Interest expense	(392)	(2,273)	2,273	(392)
Interest income	114	—	—	114
Total other expense	(278)	(2,273)	2,273	(278)
Income before income taxes	1,097	1,447	(1,798)	746
Income tax (expense) benefit	(25)	—	81	56
Net income	1,072	1,447	(1,716)	803
Less: Net loss attributable to non-controlling interest	67	—	—	67
Net income attributable to shareholders	$ 1,139	$ 1,447	$ (1,716)	$ 870
Basic net income per share	$ 0.13			$ 0.10
Diluted net income per share	$ 0.12			$ 0.09
Weighted average shares outstanding - basic	9,095			9,095
Weighted average shares outstanding - diluted	9,193			9,193

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 30, 2018 AND THE THREE QUARTERS ENDED SEPTEMBER 29, 2019
(*in thousands*)

Unaudited pro forma Consolidated Statements of Operations for the year ended December 30, 2018 and the three months ended September 29, 2019

(1) Reflects the Company's historical operations for the period indicated as previously filed.
(2) Reflects the revenues and direct expenses of the 18 Granite City locations acquired.
(3) Represents the adjustment needed to reflect corporate overhead, renegotiated lease agreements for acquired Granite City locations, and the Company's statutory tax rate.

BBQ HOLDINGS, INC.
NON-GAAP PRO FORMA RECONCILIATION FOR THE YEAR ENDED DECEMBER 30, 2018 AND THE THREE QUARTERS ENDED SEPTEMBER 29, 2019
(*in thousands*)
Certain amounts do not sum due to rounding

For the year ended December 30, 2018	BBQ Holdings, Inc.	Granite City	Pro Forma Adjustments	Pro Forma BBQ Holdings, Inc.
Net income	$ 4,862	$ 5,852	$ (3,279)	$ 7,435
Asset impairment and estimated lease termination charges and other closing costs	145	—	—	145
Depreciation and amortization	1,264	3,748	—	5,012
Interest expense, net	371	1,470	(229)	1,611
Net (gain) loss on disposal of equipment	29	52	—	81
Stock-based compensation	278	60	—	338
Severance	58	—	—	58
Provision for income taxes	729	—	777	1,506
Adjusted EBITDA	$ 7,736	$ 11,182	$ (2,731)	$ 16,187

For the three quarters ended September 29, 2019	BBQ Holdings, Inc.	Granite City	Pro Forma Adjustments	Pro Forma BBQ Holdings, Inc.
Net income	$ 1,072	$ 1,447	$ (1,716)	$ 803
Asset impairment and estimated lease termination charges and other closing costs	718	—	—	718
Depreciation and amortization	1,355	2,880	(1,030)	3,206
Interest expense, net	278	2,273	(2,273)	278
Net (gain) loss on disposal of equipment	(174)	4	—	(170)
Stock-based compensation	354	21	—	375
Acquisition costs	770	—	—	770
Pre-opening costs	94	—	—	94
Severance	13	—	—	13
Provision for income taxes	25	—	(81)	(56)
Adjusted EBITDA	$ 4,505	$ 6,626	$ (5,101)	$ 6,030