
**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): April 11, 2022

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 March 14, 2022, BBQ Holdings, Inc. (the "Company") entered in to an Asset Purchase Agreement (the "APA") with L & S Culinary Concepts, LLC, an Arizona limited liability company, Barrio Culinary Concepts, LLC, an Arizona limited liability company, BCC Desert Ridge, LLC, an Arizona limited liability company, BCC Tempe Marketplace LLC, an Arizona limited liability company, BCC Queen Creek Marketplace, LLC, an Arizona limited liability company, BCC Heritage Market Place, LLC, an Arizona limited liability company, BCC Glendale, LLC, an Arizona limited liability company, BCC Avondale Park 10, LLC, an Arizona limited liability company, and BCC Prasada West, LLC, an Arizona limited liability (collectively and severally, "the Seller"), pursuant to which the Company agreed, subject to specified terms and conditions, to purchase from the Seller substantially all of the assets of the restaurant business known as Barrio Queen (the "Transaction"). The transaction closed on April 11, 2022. The cash purchase price for the Barrio Queen restaurant business was approximately \$28 million, as adjusted pursuant to the terms of the APA.

On April 13, 2022 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 April 13, 2022 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 Statement of Revenues and Direct Expenses of Barrio Queen for the year ended December 26, 2021, and the notes related thereto (the "Audited Revenue and Expense Statement"), and the unaudited Special Purpose Consolidated Statement of Revenues and Direct Expenses of Barrio Queen for the three periods ended ended March 27, 2022, and the notes related thereto (the "Interim Revenue and Expense Statement") are filed as Exhibit 99.1. The Audited Revenue and Expense Statement and the Interim Revenue and Expense Statement are incorporated herein by reference.

The audited Special Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed of Barrio Queen as of December 26, 2021, 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 and Barrio Queen as of April 3, 2022 and the unaudited pro forma condensed combined statement of operations of the Company and Barrio Queen for the fiscal year ended January 2, 2022 and the quarter ended April 3, 2022 are filed as Exhibit 99.3 and are incorporated herein by reference.

The pro forma financial information included in this Amended Form 8-K has been presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations that would have been realized had the Transaction occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the Company will experience after the Transaction.

(c) Exhibits.

Exhibit No.	Description
23.1	<u>Consent of Schechter, Dokken, Kanter, Andrews & Selcer, Ltd.</u>
99.1	<u>Special Purpose Consolidated Statement of Revenues and Direct Expenses of Barrio Queen for the fiscal year ended December 26, 2021 (audited) and the three periods ended March 27, 2022 (unaudited)</u>
99.2	<u>Audited Special Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed of Barrio Queen as of December 26, 2021, and the notes related thereto</u>
99.3	<u>Unaudited Pro Forma Condensed Combined Balance Sheet of the Company and Barrio Queen as of April 3, 2022 and the Unaudited Pro Forma Condensed Combined Statements of Operations of the Company and Barrio Queen for the fiscal year ended January 2, 2022 and the quarter ended April 3, 2022</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: June 24, 2022

By: /s/ Jason Schanno

Name: Jason Schanno

Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated June 24, 2022, with respect to the Special Purpose Consolidated Statement of Revenues and Direct Expenses of Barrio Queen for the fiscal year ended December 26, 2021 and with respect to the Special Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed of Barrio Queen as of December 26, 2021, 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
June 24, 2022

SPECIAL PURPOSE CONSOLIDATED STATEMENTS OF REVENUES AND DIRECT EXPENSES
BARRIO QUEEN
For Year Ended December 26, 2021
(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Barrio Queen and BBQ Holdings, Inc.

Opinion

We have audited the special purpose consolidated statement of revenues and direct expenses of Barrio Queen (the "Company") for the year ended December 26, 2021, and the related notes to the special purpose consolidated statement of revenues and direct expenses.

In our opinion, the accompanying special purpose consolidated financial statement presents fairly, in all material respects, the revenues and direct expenses of the Company for the year ended December 26, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 statement of revenues and direct expenses, the accompanying financial statement has been prepared for the purpose of presenting the revenues and direct expenses of the Company, and is not intended to be a complete presentation of the financial position, results of operations or cash flows of the Company. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

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

In preparing the special purpose consolidated financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the special purpose financial statement is issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- a. Exercise professional judgment and maintain professional skepticism throughout the audit.
- b. Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special purpose consolidated financial statement.

- c. Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- d. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special purpose consolidated financial statement.
- e. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Minneapolis, MN

June 24, 2022

BARRIO QUEENSpecial Purpose Consolidated Statements of Revenues and Direct Expenses
(in thousands)

	Fiscal Year Ended December 26, 2021	For the Three Periods Ended March 27, 2022 (unaudited)
Revenues:		
Restaurant sales	\$ 34,947	\$ 10,005
Retail sales and other revenue	278	73
Total net revenue	35,225	10,078
Costs and expenses:		
Cost of food, beverage and retail	8,485	2,352
Payroll and benefits	13,074	3,548
Restaurant operating costs	7,225	1,850
Costs and expenses, exclusive of depreciation	28,784	7,750
Other income and expense:		
Depreciation	924	227
Net revenue over operating expenses	\$ 5,517	\$ 2,101

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

BARRIO QUEEN

Notes to Special Purpose Consolidated Statements of Revenues and Direct Expenses

(1) Organization and Business

BQ Concepts, LLC, collectively, "we," "our," or the "Company," is an Arizona limited liability company, and a wholly-owned subsidiary of BBQ Holdings, Inc. (the "Buyer"). We purchased Barrio Culinary Concepts, LLC, BCC Heritage Marketplace, LLC, BCC Desert Ridge, LLC, BCC Queen Creek Marketplace, LLC, BCC Tempe Marketplace, LLC, BCC Glendale, LLC, and BCC Avondale Park 10, LLC (collectively "Barrio Queen").

The Company operates authentic Mexican fine-dining and tequila restaurants based in Phoenix, Arizona under the trade name Barrio Queen.

On March 10, 2022 the Company entered into an Asset Purchase Agreement (the "APA") with BBQ Holdings, Inc. ("BBQ") to acquire substantially all of the assets of the restaurant business known as Barrio Queen, which included 7 open restaurants and one under construction. The transaction was consummated on April 11, 2022.

(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. Indirect expenses, income taxes, PPP loan forgiveness, management fees, and Employee Retention Credits have been excluded from the financial statements. The Company has not previously accounted for Barrio Queen as stand-alone businesses, however, we believe the abbreviated financial statements provide the most relevant information to BBQ Holdings, Inc. 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 year ended December 26, 2021 was composed of 52 weeks.

(c) *Property and Equipment, Net*

The Company records property and equipment at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method. The useful lives of assets are 3 to 7 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 15 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 fiscal year 2021, depreciation expense was \$924,000.

(d) *Revenue Recognition*

Revenues consist of Company operated restaurant sales, retail sales, 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.

Retail sales and other revenue consist primarily of merchandise sales in the restaurants and online, for items such as Barrio Queen branded clothing and dishware.

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) Related Party Transactions

Barrio Queen has two store locations that were leased from one of Barrio Queen's owners. For the year ended December 26, 2021 approximately \$580,000 in related party rent expense was incurred, and for the three periods ended March 27, 2022 approximately \$145,000 in related party rent expense was incurred.

(4) Subsequent Events

There have been no material subsequent events from December 26, 2021 through June 24, 2022, the date at which the financial statements were available to be issued.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF:
BARRIO QUEEN
As of December 26, 2021
(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Barrio Queen and BBQ Holdings, Inc.

Opinion

We have audited the special purpose consolidated statement of assets acquired and liabilities assumed of Barrio Queen (the "Company") as of December 26, 2021, and the related notes to the special purpose consolidated financial statement.

In our opinion, the accompanying special purpose consolidated financial statement presents fairly, in all material respects, the assets acquired and liabilities assumed of the Company as of December 26, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 the Company, and is not intended to be a complete presentation of the financial position, results of operations or cash flows of the Company. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

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

In preparing the special purpose consolidated financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the special purpose consolidated financial statement is issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special purpose consolidated financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special purpose consolidated financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Minneapolis, MN
June 24, 2022

BARRIO QUEENSpecial Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed
(in thousands)

	<u>December 26, 2021</u>
Assets Acquired	
Cash and cash equivalents	\$ 53
Inventory, net	401
Prepaid expenses	44
Property and equipment, net	6,838
Right-of-use assets	13,454
Other noncurrent assets	<u>19</u>
Total assets acquired	<u>\$ 20,809</u>
Liabilities Assumed	
Current liabilities	\$ 1,719
Lease liability, operating	1,397
Noncurrent lease liability, operating	<u>14,263</u>
Total liabilities assumed	<u>\$ 17,379</u>
Net Assets Acquired	<u>\$ 3,430</u>

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

BARRIO QUEEN

Notes to Special Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed

(1) Organization and Business

BQ Concepts, LLC, collectively, "we," "our," or the "Company," is an Arizona limited liability company, and a wholly-owned subsidiary of BBQ Holdings, Inc. (the "Buyer"). We purchased Barrio Culinary Concepts, LLC, BCC Heritage Marketplace, LLC, BCC Desert Ridge, LLC, BCC Queen Creek Marketplace, LLC, BCC Tempe Marketplace, LLC, BCC Glendale, LLC, and BCC Avondale Park 10, LLC (collectively "Barrio Queen").

The Company operates authentic Mexican fine-dining and tequila restaurants based in Phoenix, Arizona under the trade name Barrio Queen.

On March 10, 2022 the Company entered into an Asset Purchase Agreement (the "APA") with BBQ Holdings, Inc. ("BBQ") to acquire substantially all of the assets of the restaurant business known as Barrio Queen, which included 7 open restaurants and one under construction. The transaction was consummated on April 11, 2022.

(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 Barrio Queen as stand-alone businesses, the abbreviated financial statements were prepared to present the assets acquired and liabilities assumed as part of the APA. 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. The fiscal year ended December 26, 2021 was composed of 52 weeks.

(c) Inventory, Net

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

The Company obtains the majority of restaurant food products and supplies from three 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.

(d) Property and Equipment, Net

The Company records property and equipment at cost less accumulated depreciation and amortization. Depreciation and amortization expense are calculated using the straight-line method. The useful lives of assets are 3 to 7 years for furniture, fixtures, and equipment. Leasehold improvements are amortized over the lesser of the useful life or the remaining lease term, not to exceed 15 years.

(e) 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. Gift card liability is included in Current liabilities seen on the Special Purpose Consolidated Statement of Assets Acquired and Liabilities Assumed.

(f) Leases

The Company has land and building leases that are recorded as right-of-use (“ROU”) assets and lease liabilities. Most of the leases have rent escalation clauses. The Company uses a lease life or expected lease term which generally ranges from 5-15 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 15-year lease term is reasonably assured as the top end of the range. The Company begins recognizing rent expense on the date that the Company becomes legally obligated under the lease.

(g) 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 right-of-use assets and lease liabilities. Actual results could differ from those estimates.

(3) Inventory, net

Inventory, net consists of the following:

	<u>December 26, 2021</u>	
	(in thousands)	
Restaurant and other inventory:		
Food and beverage	\$	364
Retail merchandise		28
Supplies and other inventory		9
		<u>401</u>
Inventory, net	\$	<u>401</u>

(4) Property and Equipment, net

Property and equipment, net consist of the following:

	<u>December 26, 2021</u>	
	(in thousands)	
Leasehold improvements	\$	6,144
Equipment		2,833
Furniture and fixtures		935
		<u>9,912</u>
Less accumulated depreciation		(3,074)
		<u>6,838</u>
Property and equipment, net	\$	<u>6,838</u>

(5) Leases

The Company is party to operating lease arrangements 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 Consolidated Statement of Assets Acquired and Liabilities Assumed as of December 26, 2021.

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

Fiscal Year Ending	<u>Operating Leases</u>
2022	1,752
2023	1,779
2024	1,806
2025	1,712
2026	1,578
Thereafter	10,418
	<hr/>
Total lease payments, undiscounted	19,045
Less: discount	(3,385)
Total operating lease liability as of December 26, 2021, at present value	15,660
Less: operating lease liability as of December 26, 2021, current	1,397
	<hr/>
Operating lease liability as of December 26, 2021, long-term	<u>14,263</u>

(6) Related Party Transactions

Barrio Queen has two store locations that were leased from one of Barrio Queen’s owners. For the year ended December 26, 2021 approximately \$580,000 in related party rent expense was incurred.

(7) Subsequent Events

There have been no material subsequent events from December 26, 2021 through June 24, 2022, 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., BARRIO QUEEN AS OF APRIL 3, 2022 AND THE UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS OF BBQ HOLDINGS, INC., BARRIO QUEEN FOR FISCAL YEAR ENDED JANUARY 2, 2022 AND THE QUARTER ENDED APRIL 3, 2022**
(in thousands)

The following Unaudited Pro Forma Condensed Combined Statements of Operations for fiscal years ended January 2, 2022 and the quarter ended April 3, 2022, and the Unaudited Pro Forma Condensed Combined Balance Sheet as of April 3, 2022 and are presented as if BBQ Holdings, Inc. (“the Company”) acquired Barrio Queen (“BQ”) 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 2, 2022, and the Company’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2022. Additionally, these statements should be read in conjunction with the audited Special Purpose Consolidated Statement of Revenues and Direct Expenses of Barrio Queen for the fiscal year ended December 26, 2021 and the unaudited three periods ended March 27, 2022. 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 Barrio Queen 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 2, 2022
(in thousands, except per share data)

	BBQ Holdings, Inc. (1)	Barrio Queen (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	\$ 187,872	\$ 34,947	\$ —	\$ 222,819
Franchise royalty and fee revenue	12,187	—	—	12,187
Franchisee national advertising fund contributions	1,711	—	—	1,711
Licensing and other revenue	4,672	278	—	4,950
Total revenue	206,442	35,225	—	241,667
Costs and expenses:				
Food and beverage costs	55,969	8,485	—	64,454
Labor and benefits costs	59,297	13,074	—	72,371
Operating expenses	55,223	7,225	—	62,448
Depreciation and amortization expenses	7,395	924	—	8,319
General and administrative expenses	19,176	—	1,636	20,812
National advertising fund expenses	1,711	—	—	1,711
Asset impairment, estimated lease termination charges and other closing costs, net	116	—	—	116
Pre-opening expenses	204	—	—	204
Gain on disposal of property, net	(979)	—	—	(979)
Total costs and expenses	198,112	29,708	1,636	229,456
Income (loss) from operations	8,330	5,517	(1,636)	12,211
Other income (expense):				
Interest expense	(583)	—	(216)	(799)
Interest income	178	—	—	178
Gain on forgiveness of debt	14,109	4,822	—	18,931
Gain on bargain purchase	2,995	—	—	2,995
Total other income (expense):	16,699	4,822	(216)	21,305
Income before income taxes	25,029	10,339	(1,852)	33,516
Income tax (expense) benefit	(661)	—	—	(661)
Net income	24,368	10,339	(1,852)	32,855
Net (income) loss attributable to non-controlling interest	(347)	—	—	(347)
Net income attributable to shareholders	\$ 24,021	\$ 10,339	\$ (1,852)	\$ 32,508
Income per common share:				
Basic net income per share attributable to shareholders	\$ 2.44			\$ 3.31
Diluted net income per share attributable to shareholders	\$ 2.42			\$ 3.28
Weighted average shares outstanding - basic	9,826			9,826
Weighted average shares outstanding - diluted	9,922			9,922

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS FOR THE QUARTER ENDED APRIL 3, 2022
(in thousands, except per share data)

	BBQ Holdings, Inc. (1)	Barrio Queen (2)	Pro Forma Adjustments (3)	Pro Forma BBQ Holdings, Inc.
Revenue:				
Restaurant sales, net	\$ 58,731	\$ 10,005	\$ —	\$ 68,736
Franchise royalty and fee revenue	3,607	—	—	3,607
Franchisee national advertising fund contributions	490	—	—	490
Licensing and other revenue	1,356	73	—	1,429
Total revenue	64,184	10,078	—	74,262
Costs and expenses:				
Food and beverage costs	18,357	2,352	—	20,709
Labor and benefits costs	19,386	3,548	—	22,934
Operating expenses	17,239	1,850	—	19,089
Depreciation and amortization expenses	2,423	227	—	2,650
General and administrative expenses	5,291	—	415	5,706
National advertising fund expenses	490	—	—	490
Asset impairment, estimated lease termination charges and other closing costs, net	409	—	—	409
Pre-opening expenses	65	—	—	65
Gain on disposal of property, net	44	—	—	44
Total costs and expenses	63,704	7,977	415	72,096
Income (loss) from operations	480	2,101	(415)	2,166
Other income (expense):				
Interest expense	(120)	—	(55)	(175)
Interest income	8	—	—	8
Gain on bargain purchase	38	—	—	38
Total other income (expense):	(74)	—	(55)	(129)
Income before income taxes	406	2,101	(470)	2,037
Income tax (expense) benefit	241	—	—	241
Net income	647	2,101	(470)	2,278
Net (income) loss attributable to non-controlling interest	120	—	—	120
Net income attributable to shareholders	\$ 767	\$ 2,101	\$ (470)	\$ 2,398
Income per common share:				
Basic net income per share attributable to shareholders	\$ 0.07			\$ 0.24
Diluted net income per share attributable to shareholders	\$ 0.07			\$ 0.24
Weighted average shares outstanding - basic	10,552			9,826
Weighted average shares outstanding - diluted	10,649			9,922

Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended January 2, 2022 and the quarter ended April 3, 2022:

- (1) Reflects the Company's historical operations for the period indicated as previously filed.
- (2) Reflects the revenues and direct expenses of Barrio Queen
- (3) Represents the adjustment needed to reflect corporate overhead and the debt issued to acquire Barrio Queen. Currently, the Company is unable to estimate the tax implications of Barrio Queen's operating income on our effective tax rate, and as such we have not estimated any income tax expense or benefit related to this acquisition.

BBQ HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF APRIL 3, 2022
(in thousands)

ASSETS	BBQ Holdings, Inc. (4)	Barrio Queen (5)	Pro Forma Adjustments (6)	Pro Forma BBQ Holdings, Inc.
Current assets:				
Cash and cash equivalents	\$ 35,431	\$ 3,632	\$ (17,942)	\$ 21,121
Restricted cash	1,677			1,677
Accounts receivable, net of allowance for doubtful accounts	3,188	1,832		5,020
Inventories	3,281	402		3,683
Prepaid expenses and other current assets	4,313	80		4,393
Total current assets	47,890	5,946	(17,942)	35,894
Property, equipment and leasehold improvements, net	39,748	6,634		46,382
Other assets:				
Operating lease right-of-use assets	81,248	13,158		94,406
Goodwill	5,676		28,505	34,181
Intangible assets, net	23,714			23,714
Deferred tax asset, net	3,922			3,922
Other assets	1,493	331		1,824
Total assets	\$ 203,691	\$ 26,069	\$ 10,563	\$ 240,323
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 6,951	\$ 1,154		\$ 8,105
Current portion of lease liabilities	12,511	1,407		13,918
Current portion of long-term debt and finance lease liabilities	1,488			1,488
Accrued compensation and benefits	6,157	597		6,754
Gift card liabilities	8,809			8,809
Other current liabilities	8,752	625		9,377
Total current liabilities	44,668	3,783	—	48,451
Long-term liabilities:				
Lease liabilities, less current portion	79,362	13,907		93,269
Finance lease liabilities, less current portion	292			292
Long-term debt, less current portion	12,819		10,563	23,382
Other liabilities	1,087			1,087
Total liabilities	138,228	17,690	10,563	166,481
Shareholders' equity:	65,463	8,379		73,842
Total equity	\$ 203,691	\$ 26,069	\$ 10,563	\$ 240,323

Unaudited Pro Forma Condensed Combined Balance Sheet as of April 3, 2022:

- (4) Reflects the Company's historical financial position as of April 3, 2022 as previously filed.
- (5) Reflects the unaudited historical financial position as of the end of the first quarter of fiscal year 2022.
- (6) Reflects adjustments for cash used for the purchase of Barrio Queen, assets not acquired and liabilities not assumed.

Note: The Barrio Queen acquisition was funded with approximately \$18.0 million in cash and \$10.5 million in debt, shown above in the Pro Forma Adjustments column. The corresponding \$28.5 million adjustment to goodwill is provisional in nature and is used exclusively for the purpose of balancing this Unaudited Pro Forma Condensed Combined Balance Sheet. It is not indicative of any adjustment to goodwill in the Company's books and records as the acquisition is currently being evaluated, including the fair value of the assets acquired and liabilities assumed, in accordance with ASC 842.