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

FORM 10-K

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

For the fiscal year ended January 2, 2022

or

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

Commission file number 001-39053

BBQ HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota	**83-4222776**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
12701 Whitewater Drive, Suite 100 Minnetonka, MN	**55343**
Address of Principal Executive Offices	Zip Code

Registrant's Telephone Number, Including Area Code **(952) 294-1300**

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**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☑
Non-accelerated Filer ☐	Smaller Reporting Company ☑
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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $89.7 million as of July 4, 2021, (the last business day of the registrant's most recently completed second quarter), assuming solely for the purpose of this calculation that all directors, officers, and more than 10% shareholders of the registrant are affiliates. The determination of affiliate status for this purpose is not necessarily conclusive for any other purpose. As of March 11, 2022, 10,500,388 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the definitive Proxy Statement for our 2022 Annual Meeting of Shareholders which is to be filed within 120 days after the end of the fiscal year ended January 2, 2022, are incorporated by reference into Part III of this Form 10-K, to the extent described in Part III.

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Certain statements contained in this Annual Report on Form 10-K include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are based on information currently available to us as of the date of this Annual Report, and we assume no obligation to update any forward-looking statements except as otherwise required by applicable law. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors may include, among others, those factors listed in Item 1A of and elsewhere in this Annual Report and our other filings with the Securities and Exchange Commission ("SEC"). The following discussion should be read in conjunction with our financial statements and related footnotes appearing elsewhere in this Annual Report.

PART I

ITEM 1. BUSINESS

Summary of Business Results and Plans

In September 2019 a holding company reorganization was completed in which Famous Dave's of America, Inc. ("FDA") became a wholly owned subsidiary of the new parent holding company named BBQ Holdings, Inc. ("BBQ Holdings"). As used in this Form 10-K, "Company", "we" and "our" refer to BBQ Holdings and its wholly owned subsidiaries. BBQ Holdings was incorporated on March 29, 2019 under the laws of the State of Minnesota, while FDA was incorporated in Minnesota on March 14, 1994. We develop, own and operate restaurants under the name "Famous Dave's", "Village Inn", "Granite City", Real Urban Barbecue", "Clark Crew BBQ", "Tahoe Joe's Steakhouse", and "Bakers Square." Additionally, we franchise restaurants under the name "Famous Dave's" and "Village Inn". As of January 2, 2022, there were 143 Famous Dave's restaurants operating in three countries, including 39 Company-owned restaurants and 104 franchise-operated restaurants. The Clark Crew BBQ restaurant opened in December 2019 in Oklahoma City, Oklahoma. BBQ Holdings has a 20% ownership in this venture. In March 2020, we purchased 18 Granite City Food & Brewery restaurants throughout the Midwest and one Real Urban Barbecue restaurant located in Vernon Hills, Illinois. On July 30, 2021, we completed the purchase of the Village Inn family restaurant concept with 21 Company-owned restaurants and 108 franchised restaurants, and the Bakers Square pie and comfort food concept currently with 14 Company-owned restaurants and four locations where the Bakers Square pies are licensed. On October 4, 2021, we opened our second Real Urban Barbecue restaurant located in Oak Brook, Illinois and on October 8, 2021 we acquired the Tahoe Joe's Steakhouse brand.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic and the United States declared a National Public Health Emergency. 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. Reopening of restaurant dining rooms resumed, generally at reduced capacity, at various points since mid-2020. While restrictions on the type of permitted service and occupancy capacity continued to change in various jurisdiction, currently nearly all of our restaurants are operating with no capacity restrictions on indoor dining. We cannot predict the severity of another surge, what additional restrictions may be enacted, to what extent we can maintain off-premise sales volumes, whether we can maintain sufficient staffing levels, or if individuals will be comfortable returning to our dining rooms during or following social distancing protocols, and what long-lasting effects the COVID-19 pandemic may have on the restaurants industry as a whole. The potential impact of the COVID-19 pandemic on consumer spending behavior, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses, will determine the significance of the impact to our operating results and financial position. Although we have experienced some recovery from the initial impact of COVID-19, the long-term impact of COVID-19 and its variants on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted (see Item 1A — Risk Factors). Due to the continuous development and fluidity of this situation, we cannot determine the ultimate impact of the COVID-19 pandemic will have on our consolidated financial condition, liquidity, and future results of operations.

The following table includes the number of Company-owned, franchise-operated and licensed restaurants as of the dates presented:

	BBQ Holdings	
	Year Ended January 2, 2022	Year Ended January 3, 2021
Company-owned restaurants:		
Famous Dave's	39	27
Granite City Food & Brewery	18	18
Real Urban Barbecue	2	1
Clark Crew BBQ	1	1
Village Inn	21	—
Bakers Square	14	—
Tahoe Joe's	5	—
End of period	100	47
% of system	32 %	32 %
Franchise-operated restaurants:		
Famous Dave's	104	98
Village Inn	108	—
Bakers Square	4	—
End of period	216	98
% of system	68 %	68 %
System end of period total	316	145

Of the 100 Company-owned restaurants, 11 are ghost kitchens operating out of the kitchen of another restaurant location or a shared kitchen space. Of the 216 franchise-operated restaurants, 23 are ghost kitchens operating out of the kitchen of another restaurant location or a shared kitchen space.

Throughout this Annual Report on Form 10-K, we refer to certain metrics of our franchise-operated restaurants; however, franchise-operated restaurants are not owned by us and therefore are not included in our consolidated results of operations and financial position. We believe that disclosure of certain information related to franchise-operated restaurants provides useful information to investors as the performance of franchise-operated restaurants directly impacts royalty and other revenues that we receive from our franchisees and has an impact on the perceived success and value of the Famous Dave’s and Village Inn brands.

Financial Information about Segments

Since its inception, our revenue, operating income and assets have been attributable to the single industry segment of the foodservice industry. Our revenue and operating results for each of the last two fiscal years, and our assets for each of the last two fiscal years, are disclosed in Item 8. Financial Statements and Supplementary Data to this Annual Report on Form 10-K.

Narrative Description of Business

We operate seven casual dining concepts under the names Famous Dave’s, Village Inn, Granite City Food & Brewery, Real Urban Barbecue, Clark Crew BBQ, Tahoe Joe’s Steakhouse, and Bakers Square.

Famous Dave's Overview

Famous Dave's restaurants, a majority of which offer full table service, feature wood-smoked and off-the-grill entrée favorites that fit into the barbeque category. We differentiate ourselves by providing high-quality food in distinctive and comfortable environments with signature décor and signage. Our prototypical design includes a designated bar, a signature exterior smokestack, a separate entrance for our to-go business and a patio. The Famous Dave's concept can be adapted to fit various location sizes and desired service styles such as full-service, counter-service or line-service.

Each restaurant features a distinctive selection of authentic hickory-smoked and off-the-grill barbecue favorites, such as flame-grilled St. Louis-style and baby back ribs, Texas beef brisket, Georgia chopped pork, country-roasted chicken and signature sandwiches and salads. Also, enticing side items, such as corn bread, potato salad, coleslaw and Wilbur Beans®, accompany the broad entrée selection. Handmade desserts, including bread pudding and banana pudding, are another specialty. To complement our entrée and appetizer items and to suit different customer tastes, we offer six regional barbeque sauces: Rich & Sassy®, Texas Pit ®, Georgia Mustard®, Devil's Spit®, Sweet and Zesty® and Wilbur's Revenge ®. These sauces, in addition to a variety of seasonings, rubs, marinades and other items are also distributed in retail grocery stores throughout the country under licensing agreements.

Our Famous Dave's restaurants are free-standing units which average approximately 6,000 square feet in size and are typically open from 11:00am to 10:00pm.

Village Inn Over Overview

Village Inn is focused on family dining and appeals to a large segment of the population, and we believe it has a strong reputation for fast and friendly service, fresh food and reasonable prices. We are known for serving fresh breakfast items throughout the day, including our Ultimate Skillet meals, made-from-scratch buttermilk pancakes and fluffy three-egg omelets. We have also successfully leveraged our strong breakfast heritage to establish a well-developed brand platform encompassing a broad selection of traditional American fare for lunch and dinner, at price-points that position us in the mid-range of the family-dining segment. Village Inn also offers a variety of signature freshly baked pies. We frequently review and update our menus with the assistance of our team of in-house research and development chefs to enhance the attractiveness of our menu offerings to our customers. Customer loyalty is one of Village Inn's strongest characteristics, with a significant number of customers who patronize our restaurants three or more times a month.

Our Village Inn restaurants are predominantly free-standing units which average approximately 5,000 square feet in size and can seat between 120 and 180 people. We are typically open from 6:00am to 10:00pm, allowing us to effectively generate revenue in all three-day periods. To improve our efficiency and purchasing power, our menus are standardized throughout the United States, with some variations driven by regional preferences.

Granite City Overview

The Granite City restaurant theme is upscale casual dining with a wide variety of menu items that are prepared fresh daily, including Granite City's award-winning signature line of hand-crafted beers finished on-site. The extensive menu features moderately priced favorites served in generous portions. Granite City's attractive price points, high service standards, and great food and beer combine for a memorable dining experience.

Our prototypical Granite City restaurant consists of an approximately 9,800 square foot facility conveniently located just off one or more interstate highways and centrally located within the respective area's retail, lodging and transportation activity. Granite City restaurants have open atmospheres as well as floor-to-ceiling window systems creating, where designs permit, expansive views of outdoor patio areas used for dining during warm weather months. This window treatment allows activity to be viewed both inside and outside the restaurant and creates a bright, open environment. We use granite and other rock materials along with natural woods and glass to create a balanced, clean, natural interior feel. The interiors are accented with vintage photographs of the local area brewing industry, as well as historical photos of the community landscape. We believe our design creates a fun and energetic atmosphere that promotes a destination dining experience. Our Granite City restaurants are free-standing units and are typically open from 11:00am to 11:00pm.

In addition to operating our restaurants, we operate a centralized beer production facility which facilitates the initial stages of our brewing process. The product produced at our beer production facility is then transported to the fermentation vessels at each of our Granite City restaurants where the brewing process is completed. We believe that this brewing process improves the economics of microbrewing as it eliminates the initial stages of brewing and storage at multiple locations. Our company holds patents by the United States Patent and Trademark Office for our brewing process and for an apparatus for distributed production of beer.

Real Urban Barbeque Overview

Real Urban Barbecue built its reputation on authentic, wood-fired BBQ favorites. Real Urban's award-winning menu is served in a comfortable, casual environment built around a line service model that is efficient for operators and convenient for guests. The casual BBQ theme at Real Urban is highlighted by unique custom-designed BBQ-centric décor, roadside signage, and handwritten menus proudly displayed on oversized chalkboards. The interior is designed around corrugated metal, barn wood accents, and a warm color scheme that enhances the dining experience. We believe the casual, neighborhood environment created by the custom décor and comfortable booths creates a local hangout that guests are proud to have in their neighborhood. Guests can find all the BBQ staples including ribs, brisket, pork, chicken, and sausage. The sizeable menu also includes a variety of side dishes and handmade desserts. After opening in 2012, Real Urban quickly became known for its sweet and savory BBQ sauce that is proprietary to the brand. Guests crave the smooth, tomato-based sauce that is the perfect blend of savory and sweet.

Real Urban or as it is affectionately known to regulars, RUB, differentiates itself by generating revenue from several lines of business. Dine-in, takeout, catering and a robust consumer packaged goods business all contribute to the success of Real Urban. A strategic partnership with Lou Malnati's Taste of Chicago catalog has allowed the concept to ship large quantities of products nationwide.

Our Real Urban BBQ restaurants are in-line or end-cap units which average approximately 4,500 square feet in size and are typically open from 11:00am to 9:00pm.

Clark Crew BBQ Overview

Clark Crew BBQ launched in December 2019 with great anticipation from the community in Oklahoma City. Featuring premium, slow-smoked proteins, and hand-crafted sides, Clark Crew quickly became one of the top-grossing restaurants in all of Oklahoma. The concept was built around one of the most decorated pitmasters to ever compete on the KCBS BBQ circuit, Travis Clark. Travis and his crew have competed on the biggest BBQ stages in the world and racked up over 700 Top-10 awards, along with World Championships, National Team of the Year, and Oklahoma Team of the Year before shifting their focus to opening a BBQ restaurant that would allow Travis to share his talents with the masses. In partnership with BBQ Holdings the dream to open Clark Crew BBQ was quickly realized when all parties involved had the same goal; to create an upscale BBQ concept that offers competition quality BBQ to the communities it serves. BBQ Holdings has a 20% ownership interest in this venture.

The Clark Crew restaurant theme was built around a dedicated smokehouse that would be the pride of any pitmaster. Featuring Old-Hickory and Camelback high-end smokers and ample room to produce some of the world's best BBQ, the smokehouse provides great viewing opportunities for guests entering the restaurant while the sweet smoky smell of BBQ fills the neighboring community. Boasting over 8,000 square feet, Clark Crew's footprint is the perfect size for the flagship location of an emerging BBQ concept.

Tahoe Joe's Overview

Tahoe Joe's Famous Steakhouse is a lodge-styled, quality-driven, value-oriented blend of casual and fine dining elements known for its scratch-made, theme-based creations and use of Choice grade beef which has resulted in proven, cross-demographic appeal. Many ingredients are locally sourced and feature, cultured sour dough, almond wood-fired grill, and top graded beef relative to competitors. Each restaurant design is inspired by a first-rate ski lodge in the Sierra Nevada Mountains that provides a destination property, and aspirational branding draw. Lake Tahoe remains California's premier ski destination, providing a relevant foundation for the brand's continued success. Tahoe Joe's price-point uniquely positions itself in the "goldilocks" zone of the steakhouse segment. Additionally, when compared to the high-end steakhouses in the segment, it is one of the most affordable concepts that features Choice grade beef.

Our Tahoe Joe's restaurants are free-standing units which average approximately 7,000 square feet in size and can generally seat between 160 and 200 people. We are typically open from 11:00am to 11:00pm.

Bakers Square Overview

The Bakers Square concept began in 1983 when Poppin Fresh Pies restaurants were acquired from the Pillsbury Restaurant Group. The foundation of the Bakers Square concept is our signature freshly baked pies, which traditionally have accounted for 25% of Bakers Square's sales. Building upon our reputation for quality pies, we have extended our offerings to include popular traditional American fare for breakfast, lunch and dinner. Bakers Square offers a variety of multi-layer specialty pies made from premium ingredients, which differentiates the concept from our family-dining competitors. Many of our customers complement their lunch or dinner with a serving of pie, while others purchase whole pies for at-home consumption throughout the year, and particularly around the holidays. As with Village Inn, we use our team of in-house research and development chefs to regularly update the Bakers Square menu offerings to attract a wider demographic range of diners and increase repeat business from existing customers.

Our Bakers Square restaurants are free-standing units which average approximately 4,500 square feet in size and are typically open from 11:00am to 10:00pm. As with Village Inn, our menus are standardized across the United States, with some variations driven by regional preferences.

Growth

In fiscal year 2021, our franchise system opened 22 Famous Dave's locations. Of these, 18 were ghost kitchens* and four were brick and mortar Famous Dave's locations. We also acquired four franchise Famous Dave's that now operate as Company-owned restaurants**. In addition, we opened one Company-owned Real Urban BBQ location and one of our Village Inn franchisees opened one Village Inn for a total of 28 locations.

Cedar Rapids, IA*
Fort Wayne, IN*
Meridian, ID*
Twin Falls, ID*
Ammon, ID*
San Antonio, TX*
Branson, MO
Zona Rosa, KS*
Austin-Slaughter, TX*
Austin-Parmer, TX*
Houston, TX*
Baytown, TX*
Alexandria, TX*
Joplin, MO*
Hermitage, TN**
Knoxville, TN**
Louisville, KY**
Smyrna, TN**
Laredo, TX*
Brownsville, TX*
Paradise Road, LV
Victorville, CA*

Nakheel Mall, Dubai
Corpus Christi, TX*
Lexington, KY*
Oakbrook, IL
Coon Rapids, MN
Clinton, IA

A summary of the 28 openings in fiscal year 2021 follows:

2021	Famous Dave's BBQ			Village Inn	
	Full Service	Counter/Line	Ghost	Full Service	
US	5	3	18	1	
International	1				
TOTAL	6	3	18	1	28

Ghost kitchen locations either operate out of the kitchen of another restaurant location or a shared kitchen space.

In fiscal year 2021, in partnership with one of our franchise groups, we opened our new line-service prototype design in Coon Rapids, Minnesota. This design was built from the learnings we had opening our smaller footprint locations, as well as the current model being executed at our Real Urban BBQ locations. Through our new prototypes for Famous Dave's and Village Inn, along with our ghost kitchen locations, we expect 12-16 units to open in fiscal year 2022. We offer conversion packages that provide our franchisees with the flexibility to convert existing restaurants. Given the flexibility and scalability of our concepts, we believe that there are a variety of development opportunities available now and in the future.

In fiscal year 2022, we expect to open our new Village Inn prototype in Omaha, Nebraska. Also, in 2022, we expect to open two Company-owned locations including a Village Inn dual concept with Granite City and a Famous Dave's ghost kitchen in a Granite City. Finally, in the fourth quarter of 2022 or the first quarter of 2023, we expect to open two line-service prototype restaurants in Arizona**.**

Operating Strategy

Our ability to achieve sustainable, profitable growth is dependent upon delivering consistent, high-quality food and hospitality. Key elements of our strategy include the following:

During fiscal year 2021, we continued to focus on operational excellence and integrity, and on creating a consistently enjoyable guest experience, both in terms of food, food delivery and hospitality, across our system. While this changed throughout the year as we dealt with the pandemic, we believe our commitment to our guests remained intact as we evolved our service models.

We define operational excellence as an unyielding commitment to superior service for our guests during every visit. We continue to look for ways to provide convenience and value to our guests through reducing ticket times and streamlining off-premise operations. Operational excellence involves daily monitoring to ensure we execute our recipes at a high level, inclusive of preparation, cooking, and handling procedures, rotation, sanitation, cleanliness and safety.

Our menus focus is on several popular smoked, barbequed, grilled meats, entrée items, baked pies, breakfast favorites, delicious side dishes and appetizers all of which are prepared using proprietary seasoning ingredients, sauces and mixes. In order to enhance our appeal, expand our audience, increase frequency, and feature our crave-able products, our culinary team has worked tirelessly to continue to innovate in the ever-changing landscape.

Human Resources and Training/Development - A key ingredient to our success lies with our ability to hire, train, engage and retain employees at all levels of our organization. We place a great deal of importance on creating an exceptional working environment for all of our employees. Through our training and development resources, tools and programs, we continually enhance and support superior performance within our restaurants and support center.

We are a performance-based organization, committed to recognizing and rewarding performance at all levels of the organization. Our performance management process includes performance-calibration as a means of providing measurable, comparative employee evaluations relative to peer contribution, taking into account specific core competencies and goals. It is designed to provide a complete picture of performance that is consistent across the organization. We offer a total rewards program that is benchmarked closely against the industry and includes health and welfare coverage, 401(k) and non-qualified deferred compensation with a company match, base pay and incentive pay programs developed to sustain our competitive position in the market. Our human resource and training teams focus on the selection and retention of talent through programs in overall workforce planning, performance management, development, safety and risk reduction, and continued enhancements in our organizational structures for all positions in the business.

In the training and development arena, we offer a variety of ongoing on-the-job and classroom and eLearning training programs for the operations teams (hourly employees, restaurant managers) in an effort to create defined career paths. Our management training program provides new restaurant managers a foundational-based training for restaurant operations and several learning sessions focused on the basic behaviors and skills of a manager.

Restaurant Operations

Our ability to manage multiple concepts in geographically diverse locations is central to our overall success. In each market, we place specific emphasis on the position of the general manager and seek talented individuals that bring a diverse set of skills, knowledge, and experience to our company. We strive to maintain quality and consistency in each of our restaurants through the careful training and supervision of employees and the establishment of, and adherence to, high standards relating to performance, food and beverage preparation, and maintenance of facilities.

All managers must complete an eight-week training program, during which they are instructed in areas such as food quality and preparation, customer service, hospitality, and employee relations. We have prepared operation manuals relating to food and beverage quality and service standards. New employees participate in training under the supervision of our management. We have a comprehensive operations scorecard and training tool that helps us measure the operational effectiveness of our restaurants. We have a senior vice president of operations who is responsible for overseeing all Company-owned restaurants. This individual, as well as our directors of operations for each brand and area directors, works closely with the store-level management to support day-to-day restaurant operations. In addition, the senior vice president and directors of operations assist in the professional development of our area directors and store-level management. They are instrumental in driving our vision of operational integrity and contributing to the improvement of results achieved at our restaurants, including building sales, developing personnel, and growing profits.

Off-Premise

In addition to our lively and entertaining dine-in experience, we provide our guests with maximum convenience by offering an expedient take-out service along with catering and third-party delivery. The level of take-out varies from concept to concept. As an example, to-go business at Famous Dave’s accounts for approximately 55% of total revenue, in comparison to Granite City where to-go business is approximately 21% of total revenue. High quality, fair prices and avoidance of preparation time, make take-out of our product particularly attractive. The BBQ brands have a unique competitive advantage in the to-go line of business; the food stays fresh longer and travels well. Our off-premise sales provide us with revenue opportunities beyond our in-house seating capacity and we continue to seek ways to leverage these segments of our business. We see catering and delivery as a tremendous opportunity for new consumers to access our business.

At Famous Dave’s, our restaurants have been designed specifically to accommodate a significant level of to-go sales, including a separate to-go entrance with prominent and distinct signage, and, for added convenience, we separately staff the to-go counter. To further enhance sales for all our brands, we offer our guests the ability to order online to improve convenience. We believe our focus on to-go enables us to capture a greater portion of the "take-out" market by allowing consumers to "trade within our brands," when dining in is not always an option. We pursue efforts to increase awareness of to-go in all Company-owned and franchise-operated restaurants by featuring signage and merchandising both inside and outside the restaurants. Additionally, we contract with several Delivery Service Providers ("DSP") to offer our guests additional methods for receiving our food.

Off-Premise Technology – We believe that we earn a significant amount of repeat business by providing high-quality food, efficient friendly service, and adequate technology that streamlines the guests ordering experience and our operating procedures. In 2021, we eliminated all third-party tablets from our operations. Digital orders are now directly injected into our Point-of-Sale system using technology developed by our online ordering provider, OLO. This allows several operational efficiencies to ensure order accuracy, but most importantly, helps create labor efficiencies. We are also piloting a new curbside enhancement program that enables guests to simply text or click a link in their order confirmation email to notify the restaurant electronically when they arrive. This provides a streamlined curbside solution with the goal of increasing order frequency.

Marketing, Promotion and Sales

BBQ Holdings' brands primarily rely on digital marketing, direct marketing, social media, word of mouth and strategic partnerships to acquire new guests. At our core, BBQ Holdings is focused on building a best-in-class digital footprint and online guest experience for all brands. The internal marketing team is responsible for the advertising, promotion, creative development and branding for all the BBQ Holdings concepts. Franchise-operated Famous Dave's and Village Inn restaurants place the advertising and marketing programs in their local market based on contractual requirements.

Our focus on collecting first-party data began paying off for several BBQ Holdings' brands in 2021, including Famous Dave's and Granite City. Loyalty sales were up 59% through the third quarter of fiscal year 2021 for Famous Dave's, and Granite City exceeded 25,000 loyalty members within six months of launching the program. Marketing automation, recall campaigns and highly targeted marketing messages are being delivered to loyalty members, SMS subscribers and guests purchasing through our e-commerce channels. These tools will be implemented at Village Inn, Bakers Square, Real Urban BBQ, Clark Crew and Tahoe Joes in 2022.

In fiscal year 2021, all of our brands experienced an increase demand for dine-in sales versus 2020. New and improved happy hour specials, Daily Deals and dine-in-only specials were offered at multiple brands to help improve guest counts and maximize dine-in sales opportunities. We expect our off-premise business to continue to be strong as in-restaurant dining trends improve. Promotions with delivery service partners were leveraged during strategic times throughout the year for each brand. Inclement weather and the ongoing pandemic have presented an opportunity to increase delivery sales through third-party apps and the BBQ Holdings' brands are well positioned to take advantage of these opportunities.

We successfully leveraged our internal marketing channels, as well as paid-social media campaigns during all the major holidays in 2021. Bundled theme meals and special occasion offers were utilized across the brands to build sales on key holidays such as Mother's Day, Easter, Father's Day, Labor Day and Thanksgiving. Famous Dave's surpassed 2019 and 2020 sales figures on every major holiday in 2021. Other calendar events such as National Pork Month, National Beer Month, National Pancake Day, National Pie Day and many others will be leveraged for creative marketing promotions designed to spark interest and incite trial. A comprehensive marketing calendar has been developed for each brand to leverage holidays and seasonal events.

Value Proposition and Guest Frequency – We remain competitive with our value offerings across our brands and are committed to offering consistent, quality products at a compelling everyday value. We offered Famous Deals throughout fiscal year 2021 at Famous Dave's and Granite City. The value offerings are intended to drive weekday dine-in traffic. Not only did the offers increase traffic, but we were also able to successfully maintain check averages and profit by requiring the purchase of a beverage with the purchase of a Daily Deal. Daily Deals were also instrumental in driving traffic back to Granite City locations in 2021. The Daily Deals promotion featured $5 burgers and many other food and drink specials. Granite City's guests quickly responded to the offers and guest counts steadily increased. Daily Deals averaged well over 9,000 units per week sold and we have continued to maintain that volume into fiscal year 2022. All our brands benefited from the rollout of family-style meal options. Each of these promotional offers was built around value and convenience, allowing guests to feed a group of four for as little as $29.99. Bundled meal deals, 2-for-$20 offers, free delivery, and free dessert promotions were also used across the brands in fiscal year 2021 to further reinforce our value message. Daily Deals will be evaluated and updated quarterly to provide new product news to our guests and protect margins.

BBQ Holdings successfully launched a virtual concept, $5 Burgers, in all Company-owned Famous Dave's locations in 2021. Village Inn and Bakers Square offer Village Bowls, a delivery-only virtual concept. This added incremental revenue at over 100 locations systemwide. Granite City and Johnny Carinos locations served as ghost kitchens for Famous Dave's, resulting in over $8,000 in average weekly sales at top performing locations. Virtual concepts and ghost kitchens will be instrumental in 2022 to maximize revenue and improve operating margins for each brand.

In fiscal year 2021, Famous Dave's and Granite City aggressively pursued additional gift card sales through retail expansion. Major retailers, such as Target, Amazon and Costco are now offering branded gift cards for both brands. Gift card sales increased 282% and 276% respectively, over 2020. Village Inn gift cards will be rolled out to retail locations in 2022 through strategic partnerships with Blackhawk Networks, Incomm, Costco and Sam's Club.

The BBQ Holdings team manages a marketing fund for Famous Dave's and Village Inn locations. A percentage of sales is contributed from participating Company-owned and franchise locations. These funds are used to develop advertising campaigns, promotional materials, and fund key digital initiatives such as the loyalty program, SMS platform, website maintenance, and operational costs of the gift card expansion project.

Location Strategy

We prepare an overall market development strategy for each market. The creation of this market strategy starts with identifying trade areas that align demographically with the target guest profile. The identified trade areas are then assessed for viability and vitality and prioritized by sales and unit-level margin opportunities for future development. Since markets are dynamic, the market strategy includes a continual and ongoing assessment of all existing restaurant locations. If financially feasible, a restaurant may be relocated as the retail or residential focus in a trade area changes.

In addition to assessing markets and trade areas for full-service development, we are also looking at opportunities to build smaller footprint restaurants. These lower-cost, line service buildouts based on a Fast-Casual/QSR restaurant model offer a convenience alternative to our larger, destination-oriented restaurants. We can develop new markets using this convenience model or use them as fill-ins in areas where our restaurants are already present but have under-serviced populations.

The ghost kitchen service model will allow us to access new markets or strategically locate restaurants in existing markets where a full-service or small footprint line service restaurant is unlikely to be financially viable. The trade area will determine which restaurant type is appropriate.

We expect to continue to grow our Famous Dave's and Village Inn franchise programs. Our goal is to continue to improve the economics of our current restaurant prototypes, while providing more cost-effective development options for our franchisees. We believe the new prototypes launching last year for Famous Dave's and this year for Village Inn will allow for this expansion.

Purchasing

In order to maximize the quality and operational efficiencies of our food products, we strive to obtain consistent quality items at competitive prices from reliable sources, including identifying secondary suppliers for many of our key products. Additionally, our secondary suppliers help us assure supply chain integrity and better logistics. Finally, to reduce freight costs, we continually aim to optimize our distribution networks, where the products are shipped directly to the restaurants through our foodservice distributors. Each restaurant's management team determines the daily quantities of food items needed and orders such quantities to be delivered to their restaurant.

Approximately 90% of our food and non-alcoholic beverage purchases collectively across brands are on contract, with the majority being proteins. In the three barbecue-centric brands, pork represents approximately 32% of our total purchases, while beef, which includes hamburger and brisket, is approximately 14%, chicken is approximately 14%, and seafood is approximately 2%. In our Granite City brand, beef represents 21% of total purchases, while poultry is approximately 16%, seafood is 3%, various other proteins make up approximately 12%, and produce makes up approximately 8% of our spend. In the Village Inn and Bakers Square brands, approximately 29% of our total purchases are proteins, desserts & confections make up 18%, processed and fresh produce make up 12%, and 10% of our purchases are dairy products. In the Tahoe Joe's brand 48% of purchases are beef and pork, 8% is poultry, and 7% is seafood.

We leverage our spend across our various brands and, where applicable, align contract pricing on like items to drive down landed costs. Our purchasing team is also responsible for managing the procurement of non-food items for our restaurants, including restaurant equipment, smallwares and restaurant supplies.

Information Technology

We recognize the importance of leveraging information and technology to support and extend our competitive position in the restaurant industry. We quickly adapted to remote work and removed barriers for our staff to be able to support and innovate for our restaurants from any workplace. We continue to invest in initiatives that provide secure and efficient operations, enhance the guest experience and provide benchmarks that allow us to evaluate our operational metrics and demise disparate systems.

We utilize industry-leading service providers and cloud services to streamline processes at both the restaurant and support center. Interfaces between point-of-sale, labor management, inventory management, menu management, digital platforms and financial systems are the foundation of our enterprise analytics platform. This approach has laid the groundwork to allow our infrastructure to become much more scalable, as we also continue to implement and support solutions to capitalize on current digital market trends to drive sales and realize operational efficiency.

Trademarks

Our company has registered various trademarks, makes use of various unregistered marks, and intends to vigorously defend these marks. We highly value our trademarks, trade names and service marks and will defend against any improper use of its marks to the fullest extent allowable by law.

Franchise Program

Our goals continue to be a valued franchisor, to enhance communication and recognition of best practices throughout the system and to continue to expand our franchisee network domestically and internationally. Our growth and success depend in part upon our ability to attract, contract with and retain qualified franchisees. It also depends upon the ability of those franchisees to successfully operate their restaurants with our standards of quality and promote and develop both the Village Inn and Famous Dave's brand awareness.

Although we have established criteria to evaluate prospective franchisees, and our franchise agreements include certain operating standards, each franchisee operates his or her restaurants independently. Various laws limit our ability to influence the day-to-day operation of our franchise restaurants. We cannot assure you that the franchisees will be able to successfully operate Village Inn and Famous Dave's restaurants in a manner consistent with our standards for operational excellence, service and food quality.

As of January 2, 2022, we had 49 ownership groups with franchise-operated restaurants in the following locations:

United States	Famous Dave's	Village Inn	Total
Alaska	—	1	1
Arkansas	—	3	3
Arizona	2	9	11
California	14	—	14
Colorado	1	19	20
Delaware	1	—	1
Florida	2	19	21
Iowa	2	8	10
Idaho	3	—	3
Illinois	7	2	9
Indiana	2	—	2
Kansas	1	7	8
Kentucky	1	—	1
Louisiana	1	—	1
Maryland	3	—	3
Michigan	4	—	4
Minnesota	4	3	7
Missouri	2	4	6
Montana	4	—	4
North Dakota	2	—	2
Nebraska	2	4	6
New Mexico	—	7	7
Nevada	6	—	6
Ohio	2	—	2
Oklahoma	—	1	1
Oregon	2	—	2
South Carolina	1	—	1
South Dakota	1	—	1
Texas	12	6	18
Utah	2	6	8
Virginia	3	3	6
Washington	5	1	6
Wisconsin	5	—	5
Wyoming	—	5	5
Domestic	**97**	**108**	**205**
Canada	1	—	1
United Arab Emirates	6	—	6
International	**7**	**—**	**7**
Total franchise-operated restaurants	**104**	**108**	**212**

Our franchise operations department is led by our director of franchise operations for each respective brand. They guide the efforts of our franchise business consultants. The director of franchise operations and the franchise business consultants have the responsibility of supporting our franchisees throughout the system. The director of franchise operations and the franchise business consultants manage the relationship between us and our franchisees and provide an understanding of the roles, responsibilities, differences, and accountabilities of that relationship. They are active participants towards enhancing performance, as they partner in strategic and operations planning sessions with our franchise partners and review the individual strategies and tactics for obtaining superior performance for the franchisee. They ensure compliance with obligations under our area development and franchise agreements. Franchisees are encouraged to utilize all available assistance from the franchise business consultants and the support center but are not required to do so.

We have a comprehensive operations scorecard and training tool that helps us measure the operational effectiveness of our franchise-operated restaurants. This scorecard is used to evaluate, monitor and improve operations in areas such as guest satisfaction, health and safety standards, community involvement, and local store marketing effectiveness, among other operating metrics. Also, we generally provide support as it relates to all aspects of franchise operations including store openings and operating performance. Finally, we solicit feedback from our franchise system by having an active dialogue with all franchisees throughout the year.

The franchisee's investment for both Village Inn and Famous Dave's depends primarily upon restaurant size. This investment includes the area development fee, initial franchise fee, real estate and leasehold improvements, fixtures and equipment, point-of-sale systems, business licenses, deposits, initial food inventory, small-wares, décor and training fees as well as working capital. In fiscal year 2021, certain franchisees were required to contribute 1.0% of net sales to a marketing fund dedicated to providing digital and creative services. Currently, franchisees are required to spend approximately 1.5% of their net sales annually on local marketing activities.

Seasonality

Our Famous Dave's restaurants typically generate higher revenue in the second and third quarters of our fiscal year as a result of seasonal traffic increases and high catering sales experienced during the summer months. Our Granite City restaurants typically generate higher revenue in the second and fourth quarters of our fiscal year as a result of warmer weather and increased patio seating in the second quarter and holiday activity in the fourth quarter. Our Village Inn and Bakers Square restaurants typically generate higher sales and revenue during the holiday season between Thanksgiving and New Year's due to the high volumes of holiday pie sales during that time.

Government Regulation

Our company is subject to extensive state and local government regulation by various governmental agencies, including state and local licensing, zoning, land use, construction and environmental regulations and various regulations relating to the sale of food and alcoholic beverages, sanitation, disposal of refuse and waste products, public health, safety and fire standards. Our restaurants are subject to periodic inspections by governmental agencies to ensure conformity with such regulations. Any difficulty or failure to obtain required licensing or other regulatory approvals could delay or prevent the opening of a new restaurant, and the suspension of, or inability to renew a license, could interrupt operations at an existing restaurant, any of which would adversely affect our operations. Restaurant operating costs are also affected by other government actions that are beyond our control, including increases in minimum hourly wage requirements, worker's compensation insurance rates, health care insurance costs, property and casualty insurance, and unemployment and other taxes. We are also subject to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We are also subject to extensive state and federal government regulation by various governmental agencies due to our digital and social media footprint in the collection of customer's or potential customer's data. This includes data storage and privacy laws on a state and federal basis.

As a franchisor, we are subject to federal regulation and certain state laws that govern the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Bills have been introduced in Congress from time to time that would provide for federal regulation of substantive aspects of the franchisor-franchisee relationship. As proposed, such legislation would limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise, and the ability of a franchisor to designate sources of supply.

The 1990 Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. We have in the past and could in the future be required to incur costs to modify our restaurants in order to provide service to, or make reasonable accommodations for, disabled persons. Our restaurants are currently designed to be accessible to the disabled, and we believe we are in substantial compliance with all current applicable regulations relating to this Act.

Team Members

As of January 2, 2022, we employed approximately 4,350 team members of which approximately 397 were salaried full-time employees. None of our team members are covered by a collective bargaining agreement.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website (www.bbq-holdings.com) as soon as reasonably practicable after we electronically file the material with or furnish it to the SEC. Additionally, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Information on our website or linked to our website is not incorporated by reference into this Annual Report.

ITEM 1A. RISK FACTORS

We make written and oral statements from time to time, including statements contained in this Annual Report on Form 10-K regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends and other matters that are forward-looking statements within the meaning of Sections 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements containing the words or phrases "will likely result," "anticipates," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "intends," "target," "goal," "plans," "objective," "should" or similar expressions identify forward-looking statements which may appear in documents, reports, filings with the SEC, news releases, written or oral presentations made by our officers or other representatives to analysts, shareholders, investors, news organizations, and others, and discussions with our management and other representatives of our company. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Any forward-looking statements made by us or on our behalf speak only as of the date on which such statement is made. Our forward-looking statements are based upon our management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. In addition, forward-looking statements may reflect assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Except as otherwise required by applicable law, we do not undertake any obligation to update or keep current either (i) any forward-looking statements to reflect events or circumstances arising after the date of such statement, or (ii) the important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or which are reflected from time to time in any forward-looking statement which may be made by us or on our behalf.

In addition to other matters identified or described by us from time to time in filings with the SEC, including the risks described below and elsewhere in this Annual Report on Form 10-K, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement that may be made by us or on our behalf.

Risks Related to Our Operations

Health concerns arising from the recent global coronavirus COVID-19 outbreak or other diseases have and may in the future adversely affect our business and results of operations.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic and the United States declared a National Public Health Emergency. 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. During the first quarter of 2021, mandated restrictions began to ease in a number of the markets in which the Company operates. Although the Company has experienced some recovery from the initial impact of COVID-19, the long-term impact of COVID-19 on the economy and on its business remains uncertain, the duration and scope of which cannot currently be predicted. As new variants of COVID-19 are being discovered and cases in unvaccinated people rise throughout the markets in which the Company does business, the Company cannot predict the severity of another surge, what additional restrictions may be enacted, to what extent it can maintain off-premise sales volumes, whether it can maintain sufficient staffing levels, or if individuals will be comfortable returning to its dining rooms during or following social distancing protocols, and what long-lasting effects the COVID-19 pandemic may have on the restaurants industry as a whole. The potential impact of the COVID-19 pandemic on consumer spending behavior, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses, will determine the significance of the impact to the Company's operating results and financial position.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. Despite the fact that vaccines are now widely available across the country, there were widespread increases in diagnosed cases reported since the end of the second quarter largely due to the spread of COVID-19 variants. The duration of the disruption on global, national, and local economies cannot be reasonably estimated at this time due to the ongoing effects of this situation. Management is continually evaluating the impact of this global crisis on its financial condition, liquidity, operations, suppliers, industry, and workforce and will take additional actions as necessary.

The United States and other countries have experienced, or may experience in the future, outbreaks of other viruses, norovirus, Avian Flu or "SARS," and H1N1 or "swine flu," or other diseases such as bovine spongiform encephalopathy, commonly known as "mad cow disease." To the extent that a virus or disease is food-borne, or perceived to be food-borne, future outbreaks may adversely affect the price and availability of certain food products.

The complete integration of the operations of newly acquired restaurants may prove to be more difficult, costly and time consuming than expected, which could cause us not to realize some or all of the anticipated benefits and synergies of such acquisitions.

The acquisitions of various restaurants have involved substantial non-recurring costs, including significant transaction costs, regulatory costs and integration costs, such as facilities, systems and employment-related costs, and we may incur unanticipated costs or unknown liabilities which may be significant. Uncertainties associated with the manner in which the combined company following acquisitions will fare in the global economic environment may adversely affect the combined company's business and operations. The operations of various concepts can lead us to incur unknown or new types of costs and liabilities, subject us to new regulatory and compliance frameworks, new market risks, involve operations in new geographies and challenging labor, regulatory and tax regimes as well as the execution and compliance costs and risks associated with such activities.

Uncertainties associated with restaurant acquisitions may adversely affect our brands' respective abilities to attract and retain management and other key employees during the integration periods, and may disrupt our businesses which could impact our ability to retain customers, adversely affecting each or all our concept's respective businesses and operations, which could cause us not to realize some or all of the anticipated benefits of our acquisitions.

A failure to maintain continued compliance with the financial covenants of our credit facilities may result in termination of the credit facilities and may have a material adverse effect on our ability to accomplish our business objectives.

On November 23, 2021, we and certain of our affiliates entered into a credit agreement with JP Morgan Chase Bank, N.A. providing for a up to $5.0 million revolving line and $15.0 million term loan (collectively "Loan"). We are subject to various financial and non-financial covenants under the credit agreement. The Company's obligations under the Credit Agreement are secured by substantially all of its assets, excluding real property.

As of January 2, 2022, we were in compliance with all of our covenants under the Loan; however, there can be no assurance that we will be able to comply with all of our financial and non-financial covenants in the future. A failure to comply with these covenants could cause us to be in default of our credit agreement and JPMorgan Chase Bank, N.A. would be within its rights to accelerate the maturity dates of any amount owed on the Loan. If we were unable to repay outstanding amounts, either using current cash reserves, a replacement facility or another source of capital, our lender would have the right to foreclose on our personal property, which serves as collateral for the Loan. Replacement financing may be unavailable to us on similar terms or at all. Termination of the Loan without adequate replacement, either through a similar facility or other sources of capital, would have a material and adverse impact on our ability to continue our business operations.

Our future revenue, operating income, and cash flows are dependent on consumer preference and our ability to successfully execute our plan.

Our company's future revenue and operating income will depend upon various factors, including continued and additional market acceptance of the BBQ Holdings brands and new operating platforms, the quality of our restaurant operations, our ability to grow our brands, our ability to successfully expand into new and existing markets, our ability to successfully execute our franchise program, our ability to raise additional financing as needed, discretionary consumer spending, the overall success of the venues where BBQ Holdings restaurants are or will be located, economic conditions affecting disposable consumer income, general economic conditions and the continued popularity of the BBQ Holdings brands. An adverse change in any or all of these conditions would have a negative effect on our operations and the market value of our Common Stock.

We may choose not to open any more Company-owned restaurants and anticipate that most future restaurant growth will be through our franchisees. There is no guarantee that any of these franchise-operated restaurants will open when planned, or at all, due to many factors that may affect the development and construction of our restaurants, including landlord delays, weather interference, unforeseen engineering problems, environmental problems, construction or zoning problems, local government regulations, modifications in design to the size and scope of the project, and other unanticipated increases in costs, any of which could give rise to delays and cost overruns. There can be no assurance that we will successfully implement our growth plan for our Company-owned and franchise-operated restaurants. In addition, we also face all of the risks, expenses and difficulties frequently encountered in the development of an expanding business.

Our failure to execute our franchise program may negatively impact our revenue, operating income and cash flows.

Our growth and success depend in part upon increasing the number of our franchised restaurants through execution of area development and franchise agreements with new and existing franchisees in new and existing markets. Our ability to successfully franchise additional restaurants or re-franchise existing Company-owned restaurants will depend on various factors, including our ability to attract, contract with and retain quality franchisees, the availability of suitable sites, the negotiation of acceptable leases or purchase terms for new locations, the negotiation of acceptable terms for the re-franchising of existing Company-owned restaurants, permitting and regulatory compliance, the ability to meet construction schedules, the financial and other capabilities of our franchisees, our ability to manage this anticipated expansion and general economic and business conditions. We may also be subject to additional impairment charges, lease termination and other charges, and increased financial statement disclosure requirements. Many of the foregoing factors are beyond our control or the control of our franchisees and there can be no assurance that we will be able to successfully carry out our franchising and refranchising strategy on terms acceptable to our management and Board, or at all.

Our growth and success also depend upon the ability of our franchisees to operate their restaurants successfully to our standards and promote the BBQ Holdings brands. Although we have established criteria to evaluate prospective franchisees, and our franchise agreements include certain operating standards, each franchisee operates its restaurant independently. Various laws limit our ability to influence the day-to-day operation of our franchise restaurants. We cannot assure you that our franchisees will be able to successfully operate BBQ Holdings restaurants in a manner consistent with our concepts and standards, which could reduce their sales and, correspondingly, our franchise royalties, and could adversely affect our revenue, operating income and cash flows, and our ability to leverage the BBQ Holdings brands. In addition, there can be no assurance that our franchisees will have access to financial resources necessary to open the restaurants required by their respective area development agreements, which would negatively impact our growth plans.

We are subject to risks associated with long-term non-cancellable leases and the costs of exiting leases at restaurants we have closed or may close in the future may be greater than we estimate or could be greater than the funds we raise to address closure costs.

Payments under our operating leases account for a significant portion of our operating expenses and we expect the new restaurants we open in the future will similarly be leased. Our leases generally have an initial term of 5 to 20 years and generally can be extended only in five-year increments (at increased rates). All of our leases require a fixed annual rent, although some require the payment of additional rent if restaurant sales exceed a negotiated amount. Generally, our leases are “net” leases, which require us to pay all of the cost of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. In connection with closing restaurants, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations.

As part of our business strategy, we have effected, and may continue to effect, acquisitions of and joint ventures with additional brands. Failure to find suitable candidates or successfully integrate any such brands could negatively impact our future growth.

As part of our growth strategy, we have acquired, and entered into joint ventures with, new brands. In the future, we may not be able to find other suitable acquisition and joint venture candidates at acceptable prices, and we may not be able to complete these acquisitions.

Additionally, we may experience difficulties in integrating new brands, including coordinating and consolidating geographically separated systems and facilities, retraining and integrating the management and personnel of the acquired brands, combining financial accounting and reporting systems, establishing and maintaining effective internal control over financial reporting, and implementing operational procedures and disciplines to control costs and increase profitability. We may also be required to obtain additional financing to fund future acquisitions, but there can be no assurance that we will be able to obtain such additional financing on acceptable terms or at all.

Development initiatives outside our core business could result in adverse consequences.

Our business expansion into non-traditional restaurant formats, including restaurants with a smaller footprint, restaurants located in non-traditional locations and restaurants that operate on a delivery-only and/or ghost kitchen basis, could create new operating and reputational risks.

We may not be successful in maintaining or expanding our international footprint.

Our current franchise program includes one restaurant in Manitoba, Canada, and six restaurants in the United Arab Emirates. Because there are a very limited number of international restaurants, we may not be completely aware of the development efforts involved and barriers to entry into new foreign markets. As a result, we may incur more expenses than originally anticipated and there is a risk that we may not be successful in expanding internationally. If we are successful in maintaining or expanding our international footprint, our future results could be materially adversely affected by a variety of uncontrollable and changing factors affecting international operations including, among others, regulatory, social, political or economic conditions in a specific country or region, trade protection measures and other regulatory requirements, government spending patterns and changes in the laws and policies. Furthermore, by maintaining or expanding our international footprint, our brand value could be harmed by factors outside of our control, including, among other things, difficulties in achieving the consistency of product quality and service compared to our U.S. restaurants and an inability to obtain adequate and reliable supplies of ingredients and products.

Increases in income tax rates or changes in income tax laws and income tax reform could adversely affect us.

Increases in income tax rates in the United States or other changes in income tax laws in any particular jurisdiction could reduce our after-tax income from such jurisdiction and could adversely affect our business, financial condition or results of operations. Due tax law changes in December 2017, net interest expense deductions are limited to 30% of adjusted taxable income and the net operating loss deduction is limited to 80% of taxable income. With the enactment of the Coronavirus Aid, Relief, and Economic Security Act (“CARES”) legislation, the net interest expense limitation increased from 30% to 50% for 2019 and 2020. If we fail to generate significant taxable income, we may not be able to fully deduct the interest expense on our debt, which could result in us having to pay increased federal income taxes. We have also generated substantial taxable losses in the past and may continue to do so in the future. Although the treatment of tax losses generated before December 31, 2017 has not changed, subsequent tax losses generated will only be able to offset 80% of taxable income, although the losses may be carried forward indefinitely. As such, we may have to pay federal income taxes in the future despite having significant net operating loss carryforwards for federal income tax purposes.

Our ability to exploit our brand depends on our ability to protect our intellectual property, and if any third parties make unauthorized use of our intellectual property, our competitive position and business could suffer.

We believe that our trademarks and other intellectual proprietary rights are important to our success and our competitive position. Accordingly, we have registered various trademarks and make use of various unregistered marks. However, the actions we have taken or may take in the future to establish and protect our trademarks and other intellectual proprietary rights may be inadequate to prevent others from imitating our products and concept or claiming violations of their trademarks and proprietary rights by us. Although we intend to defend against any improper use of our marks to the fullest extent allowable by law, litigation related to such defense, regardless of the merit or resolution, may be costly and time consuming and divert the efforts and attention of our management.

Our financial performance is affected by our ability to contract with reliable suppliers and food service distributors at competitive prices.

In order to maximize operating efficiencies, we have entered into arrangements with food manufacturers and distributors pursuant to which we obtain approximately 90% of the products used by our company, including, but not limited to, pork, poultry, beef and seafood. Although we may be able to obtain competitive products and prices from alternative suppliers, an interruption in the supply of products delivered by our food suppliers could adversely affect our operations in the short term. Due to the rising market price environment, our food costs may increase without the desire and/or ability to pass that price increase to our customers.

Our suppliers have been disrupted by worker absenteeism, quarantines, restrictions on employees’ ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Furthermore, an extended duration of the COVID-19 pandemic could result in significant disruptions in our supply chain. For example, quarantines, shelter-in-place and similar government orders, travel restrictions and health impacts of the COVID-19 pandemic, could impact the availability or productivity of personnel at suppliers, distributors, freight carriers and other necessary components of our supply chain. These events could materially and adversely affect our operations, business, financial results and financial condition.

Although we do contract for utilities in all available states, the costs of these energy-related items will fluctuate due to factors that may not be predictable, such as the economy, current political/international relations and weather conditions. Because we cannot control these types of factors, there is a risk that prices of energy/utility items will increase beyond our current projections and adversely affect our operations.

If there is a lack of sufficient labor or labor costs increase, our operating results may be adversely affected.

Labor is a primary component in the cost of operating our restaurants. If we face labor shortages or increased labor costs, because of increased competition for employees, a decrease in the labor supply to us or our key suppliers due to changes in immigration policy including barriers to immigrants entering, working in, or remaining in the United States, higher employee-turnover rates, unionization of restaurant workers, or changes in federal, state, or local laws, including those related to prevailing wages or in other employee benefits costs (including costs associated with health insurance coverage or workers' compensation insurance), this could have a material adverse effect on our operating results.

If a significant portion of our employees were to become union organized, our labor costs could increase. Potential changes in labor laws could increase the likelihood of some or all of our employees being subjected to greater organized labor influence and could have an adverse effect on our business and financial results by imposing requirements that could potentially increase our costs.

We could be adversely impacted if our information technology and computer systems do not perform properly or if we fail to protect our customers' credit card information or our employees' personal data.

We rely heavily on information technology to conduct our business, including point-of-sale processing in our and our franchisees' restaurants, online ordering and delivery, management of our supply chain, collection of cash and other receivables, payment of obligations and various other processes and procedures, and any material failure or interruption of service could adversely affect our operations. Our ability to effectively and efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrades or the transition to replacement systems, inaccurate or fraudulent manipulation of sales reporting from our restaurants resulting in loss of sales and royalty payments, or a breach in security of these systems could be harmful and cause delays in customer service, reduce efficiency in our operations and negatively impact our business. Significant capital investment might be required to remediate any problems. In addition, we outsource certain essential technology-based business processes to third-party vendors and we may share sensitive financial and other information with third party vendors which subjects us to risks, including disruptions in business, increased costs and exposure to data breaches or privacy law compliance issues of our third-party vendors.

Recently, retailers have experienced actual or potential security breaches in which credit and debit card information may have been compromised, including several highly-publicized incidents. Although we take it very seriously and expend resources to ensure that our information technology operates securely and effectively, any security breaches could result in disruptions to operations or unauthorized disclosure of confidential information. If our customers' consumer data or our team members' personal data are compromised, our operations could be adversely affected, our reputation could be harmed, and we could be subjected to litigation or the imposition of penalties and other remedial costs. In addition, as a franchisor, we are subject to additional reputation risk associated with data breaches that could occur at one of our franchise locations that could potentially harm the BBQ Holdings brand reputation.

Failure to achieve our projected cost savings from our efficiency initiatives could adversely affect our results of operations and eliminate potential funding for growth opportunities.

In recent years, we have identified strategies and taken steps to reduce operating costs and free up resources to reinvest in our business. These strategies include supply chain efficiencies, reducing food waste, implementing labor scheduling tools and various information systems projects. We continue to evaluate and implement further cost-saving initiatives. However, the ability to reduce our operating costs through these initiatives is subject to risks and uncertainties, such as our ability to obtain improved supply pricing and the reliability of any new suppliers or technology, and we cannot assure you that these activities, or any other activities that we may undertake in the future, will achieve the desired cost savings and efficiencies. Failure to achieve such desired savings could adversely affect our results of operations and financial condition and curtail investment in growth opportunities.

We evaluate restaurant sites and long-lived assets for impairment and expenses recognized as a result of any impairment would negatively affect our financial condition and consolidated results of operations.

We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant site exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms, discount rate and other factors. If these estimates change in the future, we may be required to take additional impairment charges for the related assets, which would negatively affect our financial condition and consolidated results of operations. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates.

Changes in consumer buying patterns, particularly e-commerce sites and off premise sales affect our revenues, operating results and liquidity.

Our restaurants are primarily located near high consumer activity areas such as regional malls, lifestyle centers, “big box” shopping centers and entertainment centers. We depend in large part on a high volume of visitors to these centers to attract customers to our restaurants. E-commerce or online shopping continues to increase and negatively impact consumer traffic at traditional “brick and mortar” retail sites located in regional malls, lifestyle centers, “big box” shopping centers and entertainment centers. A decline in visitors to these centers near our restaurants may negatively affect our sales. Additionally, e-commerce or online shopping has caused some “brick and mortar” retail sites to cease operations, and it may continue to cause future “brick and mortar” retail sites to cease operations. These closures of traditional “brick and mortar” retail sites may lead to reduced customer traffic and a general deterioration in the surrounding retail centers in which our restaurants are located and may contribute to lower customer traffic at our restaurants.

In the last several years, off-premise sales, specifically delivery, have increased due to consumer demand for convenience. While we plan to continue to invest in the growth of our off-premise sales, there can be no guarantee that we will be able to increase our off-premise sales. Off-premise sales could also cannibalize dine in sales, or our systems and procedures may not be sufficient to handle off-premise sales, which require additional investments in technology or people. Additionally, a large percentage of delivery from our restaurants is through third-party delivery companies. These-third party delivery companies require us to pay them a commission, which lowers our profit margin on those sales; however, we believe that the majority of such sales are incremental. Any bad press, whether true or not, regarding third-party delivery companies or their business model may negatively impact our sales. If these third-party delivery companies cease doing business with us, or cannot make their scheduled deliveries, or do not continue their relationship with us on favorable terms, it will have a negative impact on sales or result in increased third-party delivery fees.

Risks Related to Our Industry

Litigation could have a material adverse impact on our business and our financial performance.

We are subject to lawsuits, administrative proceedings and claims that arise in the regular course of business. These matters typically involve claims by consumers, employees and others regarding issues such as food borne illness, food safety, premises liability, “dram shop” statute liability, compliance with wage and hour requirements, work-related injuries, promotional advertising, discrimination, harassment, disability and other operational issues common to the foodservice industry, as well as contract disputes and intellectual property infringement matters. Significant legal fees and costs in complex class action litigation or an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have a material adverse effect on our financial position and results of operations.

Challenging economic conditions may have a negative effect on our business and financial results.

The restaurant industry is affected by macro-economic factors, including changes in national, regional, and local economic conditions, employment levels and consumer spending patterns. Challenging economic conditions may negatively impact consumer spending and thus cause a decline in our financial results. For example, international, domestic and regional economic conditions, consumer income levels, financial market volatility, social unrest, governmental, political and budget matters, inflation and increased gasoline prices generally may have a negative effect on consumer confidence and discretionary spending. In recent years, we believe these factors and conditions have affected consumer traffic and comparable restaurant sales for us and throughout our industry and may continue to result in a challenging sales environment in the casual dining sector. A decline in economic conditions or negative developments with respect to any of the other factors mentioned above, generally or in particular markets in which we or our franchisees operate, and our guests' reactions to these trends could result in increased pressure with respect to our pricing, traffic levels, commodity and other costs and the continuation of our innovation and productivity initiatives, which could negatively impact our business and results of operations. These factors could also cause us or our franchisees to, among other things, reduce the number and frequency of new restaurant openings, impair the assets of or close restaurants as well as delay remodeling of existing restaurant locations. Further, poor economic conditions may force nearby businesses to shut down, which could cause our restaurant locations to be less attractive.

Competition may reduce our revenue, operating income, and cash flows.

Competition in the restaurant industry is intense. The restaurant industry is affected by changes in consumer preferences, as well as by national, regional and local economic conditions, including real estate and demographic trends, traffic patterns, the cost and availability of qualified labor and product availability. Discretionary spending priorities, traffic patterns, tourist travel, weather conditions and the type, number and location of competing restaurants, among other factors, will also directly affect the performance of our restaurants. Changes in any of these factors in the markets where we currently operate our restaurants could adversely affect the results of our operations.

Increased competition by existing or future competitors may reduce our sales. Our restaurants compete with moderately-priced restaurants primarily on the basis of quality of food and service, atmosphere, location and value. We also compete with other restaurants and retail establishments for quality sites.

Many of our competitors have substantially greater financial, marketing and other resources than we do. Regional and national restaurant companies continue to expand their operations into our current and anticipated market areas. We believe our ability to compete effectively depends on our ongoing ability to promote our brand and offer high quality food and hospitality in a distinctive and comfortable environment. If we are unable to respond, or unable to respond in a timely manner, to the various competitive factors affecting the restaurant industry, our revenue, operating income and cash flows, as well as our growth plans, could be adversely affected.

We compete directly and indirectly for customer traffic with national and regional casual dining restaurant chains, as well as independently-owned restaurants. In addition, we face competition for customer traffic from fast casual and quick-service restaurants, home delivery services, mobile food service, grocery stores and meal kits that are increasing the quality and variety of their food products in response to customer demand. This increased competition, coupled with an oversupply of restaurants, has driven casual dining industry comparable traffic declines in recent years. This backdrop has made it even more challenging to improve customer traffic. We believe that many consumers remain focused on value and if our competitors, many of whom have significantly greater resources to market aggressively to customers, are able to promote and deliver a higher degree of perceived value, our customer traffic could suffer.

New information or attitudes regarding diet, health and the consumption of alcoholic beverages may materially affect customer demand and have an adverse impact on our results of operations.

Regulations and consumer eating habits may change as a result of new information or attitudes regarding diet and health. Such changes may include regulations that impact the ingredients and nutritional content of the food and beverages we offer. For example, several municipalities and states have approved restrictions on the use of trans-fats by restaurants. The success of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in any consumer health regulations and our ability to adapt our menu offerings to trends in food consumption. If consumer health regulations or consumer eating habits change significantly, we may be required to modify or delete certain menu items. To the extent we are unable to respond with appropriate changes to our menu offerings, it may materially affect customer demand and have an adverse impact on our results of operations. The risks and costs associated with nutritional disclosures on our menus may also impact our operations, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of nutritional information obtained from third-party suppliers.

The restaurant industry is subject to extensive government regulation that could negatively impact our business.

The restaurant industry is subject to extensive federal, state, and local government regulation by various government agencies, including state and local licensing, zoning, land use, construction and environmental regulations and various regulations relating to the preparation and sale of food and alcoholic beverages, sanitation, disposal of refuse and waste products, public health, safety and fire standards, adjustments to tip credits, minimum wage requirements, working conditions, hiring and employment practices, workers’ compensation and citizenship requirements. Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 (“ADA”) and related state accessibility statutes. Under the ADA and related state laws, we must provide equivalent service to disabled persons and make reasonable accommodation for their employment, and when constructing or undertaking significant remodeling of our restaurants, we must make those facilities accessible. Due to the fact that we offer and sell franchises, we are also subject to federal regulation and certain state laws which govern the offer and sale of franchises. Many state franchise laws impose substantive requirements on franchise agreements, including limitations on non-competition provisions and termination or non-renewal of a franchise. We may also be subject in certain states to “dram-shop” statutes, which provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. In addition, our operating results would be adversely affected in the event we fail to maintain our food and liquor licenses.

Any change in the current status of such regulations, including an increase in team member benefits costs, any and all insurance rates, or other costs associated with team members, could substantially increase our compliance and labor costs. Because we pay many of our restaurant-level team members rates based on either the federal or the state minimum wage, increases in the minimum wage would lead to increased labor costs. As a franchisor, we may be party to complaints naming us as a joint employer of workers at our franchisees. Such complaints or similar complaints could result in legal proceedings against us, based on the actions of our franchisees. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. Furthermore, restaurant operating costs are affected by increases in unemployment tax rates and similar costs over which we have no control.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are subject to laws and regulations requiring disclosure of calorie, fat, trans fat, salt and allergen content. There is a risk that consumers’ dining preferences may be impacted by such menu labeling. If we elect to alter our recipes in response to such a change in dining preferences, doing so could increase our costs and/or change the flavor profile of our menu offerings which could have an adverse impact on our results of operations.

We are subject to laws relating to information security and privacy. As a merchant and service provider of point-of-sale services, we are also subject to the Payment Card Industry Data Security Standard issued by the Payment Card Industry Council ("PCI DSS").

We are subject to the risks associated with the food services industry, including the risk that incidents of food-borne illnesses or food tampering could damage our reputation and reduce our restaurant sales.

Our industry is susceptible to the risk of food-borne illnesses. As with any restaurant operation, we cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by third-party food suppliers and distributors outside of our control and/or multiple locations being affected rather than a single restaurant. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media or on social media of one or more instances of food-borne illness in one of our Company-owned restaurants, one of our franchise-operated restaurants or in one of our competitor's restaurants could negatively affect our restaurant sales, force the closure of some of our restaurants and conceivably have a national impact if highly publicized. This risk exists even if it were later determined that the illness had been wrongly attributed to the restaurant. Furthermore, other illnesses could adversely affect the supply of some of our food products and significantly increase our costs. A decrease in customer traffic as a result of these health concerns or negative publicity could materially harm our business, results of operations and financial condition.

A significant negative publicity event could have an adverse impact on our business or our relationships with customers, partners and franchisees.

Our business and reputation could be adversely affected by a negative publicity event resulting from any key stakeholder's statements and actions. If we were unable to rebuild the trust of our customers, franchisees, business partners and suppliers, and if further negative publicity continued, we could experience a substantial negative impact on our business. We could also experience additional claims or litigation as a consequence of those events.

Significant adverse weather conditions and other disasters or unforeseen events could negatively impact our results of operations.

Adverse weather conditions and natural disasters and other unforeseen events, such as winter storms, severe temperatures, thunderstorms, floods, hurricanes and earthquakes, terror attacks, war and widespread/pandemic illness, and the effects of such events on economic conditions and consumer spending patterns, could negatively impact our results of operations. Temporary and prolonged restaurant closures may occur and consumer traffic may decline due to the actual or perceived effects from these events. Severe winter weather conditions have impacted our customer traffic and results of operations in the past.

Risks Related to Ownership of Our Common Stock

Minnesota law and our Articles protect our directors from certain types of lawsuits, which could make it difficult for us to recover damages from them in the event of a lawsuit.

Minnesota law provides that our directors will not be liable to our company or to our shareholders for monetary damages for all but certain types of conduct as directors. Our Articles require us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require our company to use its assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

Pursuant to its authority to designate and issue shares of our stock as it deems appropriate, our board of directors may assign rights and privileges to currently undesignated shares which could adversely affect the rights of existing shareholders.

Our authorized capital consists of 100,000,000 shares of capital stock. Our Board of Directors, without any action by the shareholders, may designate and issue shares in such classes or series (including classes or series of preferred stock) as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of preferred stock and other classes of common stock that may be issued could be superior to the rights granted to the current holders of our common stock. Our Board’s ability to designate and issue such undesignated shares could impede or deter an unsolicited tender offer or takeover proposal. Further, the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of common stock.

Anti-takeover provisions in Minnesota law might discourage or delay acquisition attempts for us that you might consider favorable.

We are subject to the provisions of Section 302A.673 of the Minnesota Business Corporation Act, which regulates business combinations. Section 302A.673 generally prohibits any business combination by an issuing public corporation, or any of its subsidiaries, with an interested shareholder, which means any shareholder that purchases 10% or more of our voting shares within four years following the date the person became an interested shareholder, unless the business combination is approved by a committee composed solely of one or more disinterested members of our Board before the date the person became an interested shareholder.

We are also subject to Section 302A.675 of the Minnesota Business Corporation Act, which generally prohibits an offeror from acquiring our shares within two years following the offeror's last purchase of our shares pursuant to a takeover offer with respect to that class, unless our shareholders may sell their shares to the offeror upon substantially equivalent terms as those provided in the earlier takeover offer. This provision does not apply if the share acquisition is approved by a committee of disinterested members of our Board before the purchase of any shares by the offeror pursuant to the earlier takeover offer.

These anti-takeover provisions could discourage, delay or prevent a transaction involving a change in control of our Company, even if doing so would benefit our shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We believe that our properties will be suitable for our needs and adequate for operations for the foreseeable future. The following table sets forth certain information about our existing Company-owned restaurant locations ("brick-and-mortar locations"), as of January 2, 2022:

Location	Brand	Square Footage	Owned or Leased	Date Opened/Acquired
1 Roseville, MN	Famous Dave's	4,800	Leased	6/10/1996
2 Maple Grove, MN	Famous Dave's	6,100	Leased	4/28/1997
3 Highland Park, MN	Famous Dave's	5,200	Leased	6/16/1997
4 Apple Valley, MN	Famous Dave's	3,800	Leased	7/18/1997
5 Forest Lake, MN	Famous Dave's	4,500	Leased	10/13/1997
6 Minnetonka, MN	Famous Dave's	5,500	Owned	12/20/1997
7 Plymouth, MN	Famous Dave's	2,100	Owned	12/29/1997
8 Des Moines (West), IA	Famous Dave's	5,700	Leased	4/10/1998
9 Westbury, NY	Famous Dave's	6,400	Leased	10/25/2005
10 Mountainside, NJ	Famous Dave's	8,800	Leased	3/25/2002
11 Janesville, WI	Famous Dave's	4,100	Leased	8/7/2018
12 Greenwood, IN	Famous Dave's	5,700	Leased	10/9/2018
13 Aurora, CO	Famous Dave's	6,727	Leased	3/5/2019
14 Grand Junction, CO	Famous Dave's	6,175	Leased	6/4/2019
15 Stapleton, CO	Famous Dave's	7,344	Leased	3/5/2019
16 Thornton, CO	Famous Dave's	6,446	Leased	3/5/2019
17 Madison, WI	Famous Dave's	4,298	Leased	5/15/2019
18 Greenfield, WI	Famous Dave's	6,700	Leased	5/15/2019
19 Flint, MI	Famous Dave's	5,626	Leased	5/1/2019
20 Saginaw, MI	Famous Dave's	6,157	Leased	5/1/2019
21 Toledo, OH	Famous Dave's	5,537	Leased	5/1/2019
22 Peoria, AZ	Famous Dave's	6,500	Leased	7/11/2019
23 Chandler, AZ	Famous Dave's	6,500	Leased	7/11/2019
24 Mesa, AZ	Famous Dave's	6,500	Leased	7/11/2019
25 Cedar Falls, IA	Famous Dave's	5,400	Leased	6/18/2019
26 Minneapolis, MN	Famous Dave's	4,500	Leased	12/19/2019
27 Woodbury, MN	Famous Dave's	14,000	Leased	5/3/2021
28 Louisville, KY	Famous Dave's	5,517	Leased	7/13/2021
29 Hermitage, TN	Famous Dave's	5,654	Leased	7/13/2021
30 Knoxville, TN	Famous Dave's	5,519	Leased	7/13/2021
31 Smyrna, TN	Famous Dave's	6,208	Leased	7/13/2021
32 St. Cloud, MN	Granite City	8,800	Leased	3/9/2020
33 Sioux Falls, SD	Granite City	8,800	Leased	3/9/2020
34 Fargo, ND	Granite City	8,800	Leased	3/9/2020
35 Cedar Rapids, IA	Granite City	8,800	Leased	3/9/2020
36 Davenport, IA	Granite City	8,800	Leased	3/9/2020
37 Lincoln, NE	Granite City	8,800	Leased	3/9/2020
38 Maple Grove, MN	Granite City	8,800	Leased	3/9/2020
39 Eagan, MN	Granite City	8,800	Leased	3/9/2020
40 Kansas City, MO	Granite City	8,800	Leased	3/9/2020
41 Kansas City, KS	Granite City	8,800	Leased	3/9/2020
42 Roseville, MN	Granite City	8,800	Leased	3/9/2020
43 Ft. Wayne, IN	Granite City	8,800	Leased	3/9/2020
44 Creve Coeur, MO	Granite City	8,800	Leased	3/9/2020
45 Troy, MI	Granite City	8,800	Leased	3/9/2020
46 Franklin, TN	Granite City	8,800	Leased	3/9/2020
47 Naperville, IL	Granite City	10,800	Leased	3/9/2020

48 Northville, MI	Granite City	10,645	Leased	3/9/2020
49 Schaumburg, IL	Granite City	10,800	Leased	3/9/2020
50 Oklahoma City, OK	Clark Crew BBQ	7,402	Leased	12/9/2019
51 Vernon Hills, IL	Real Urban BBQ	5,200	Leased	3/16/2020
52 Oak Brook, IL	Real Urban BBQ	4,075	Leased	10/4/2021
53 Bellevue, NE	Village Inn	5,065	Leased	7/30/2021
54 Davenport, IA	Village Inn	5,159	Leased	7/30/2021
55 Lincoln, NE	Village Inn	5,600	Leased	7/30/2021
56 Omaha, NE	Village Inn	5,065	Leased	7/30/2021
57 Lakewood, CO	Village Inn	4,920	Leased	7/30/2021
58 Council Bluffs, IA	Village Inn	4,920	Leased	7/30/2021
59 Iowa City, IA	Village Inn	4,920	Leased	7/30/2021
60 Moline, IL	Village Inn	5,296	Leased	7/30/2021
61 Fremont, NE	Village Inn	4,763	Leased	7/30/2021
62 Canon City, CO	Village Inn	4,920	Leased	7/30/2021
63 Westminster, CO	Village Inn	4,920	Leased	7/30/2021
64 Littleton, CO	Village Inn	4,920	Leased	7/30/2021
65 Aurora, CO	Village Inn	5,003	Owned	7/30/2021
66 Davenport, IA	Village Inn	4,441	Leased	7/30/2021
67 Aurora, CO	Village Inn	4,441	Leased	7/30/2021
68 Lincoln, NE	Village Inn	4,441	Leased	7/30/2021
69 Council Bluffs, IA	Village Inn	5,640	Leased	7/30/2021
70 Omaha, NE	Village Inn	4,441	Leased	7/30/2021
71 Omaha, NE	Village Inn	4,441	Leased	7/30/2021
72 Surprise, AZ	Village Inn	4,441	Leased	7/30/2021
73 Colorado Springs, CO	Village Inn	4,441	Leased	7/30/2021
74 St. Paul, MN	Bakers Square	4,253	Owned	7/30/2021
75 Palatine, IL	Bakers Square	4,206	Leased	7/30/2021
76 Mentor, OH	Bakers Square	4,023	Leased	7/30/2021
77 Parma Heights, OH	Bakers Square	4,164	Leased	7/30/2021
78 Chicago, IL	Bakers Square	5,525	Leased	7/30/2021
79 Melrose Park, IL	Bakers Square	4,839	Leased	7/30/2021
80 Schererville, IN	Bakers Square	4,860	Leased	7/30/2021
81 Coon Rapids, MN	Bakers Square	5,400	Leased	7/30/2021
82 Mankato, MN	Bakers Square	5,725	Leased	7/30/2021
83 Clive, IA	Bakers Square	5,100	Leased	7/30/2021
84 Woodridge, IL	Bakers Square	7,299	Leased	7/30/2021
85 Fresno, CA	Tahoe Joe's	5,712	Leased	10/8/2021
86 Bakersfield, CA	Tahoe Joe's	6,940	Leased	10/8/2021
87 Vacaville, CA	Tahoe Joe's	7,400	Leased	10/8/2021
88 Roseville, CA	Tahoe Joe's	7,166	Leased	10/8/2021
89 Visalia, CA	Tahoe Joe's	7,261	Leased	10/8/2021

All square footage listed is approximate. Interior seating ranges from approximately 50 at our counter service locations to approximately 275 at our full service restaurants.

Our Minnesota executive offices are currently located in Minnetonka, Minnesota with approximately 12,877 square feet of office space. Our executive office lease expires in November 2025. During 2015, our 8,400-square foot office in Lombard, IL was closed and sublet to another tenant. This office lease expires in October 2022.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 9 *Commitments and Contingencies* of the notes to the accompanying consolidated financial statements included in this Annual Report on Form 10-K is incorporated by reference into this Item 3. Except as set forth therein, as of the end of the period covered by this Annual Report on Form 10-K, we are not a party to any material pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has traded on the Nasdaq Stock Market since July 24, 1997 and trades under the symbol BBQ. Currently, our common stock trades on the Nasdaq Global Market.

Holders

As of March 11, 2022, we had 88 shareholders of record and approximately 4,344 beneficial shareholders.

Dividends

Our Board of Directors has not declared any dividends on our common stock since our inception, and does not intend to pay out any cash dividends on our common stock in the foreseeable future. We presently intend to retain all earnings, if any, to provide for growth and reduce our debt levels. The payment of cash dividends in the future, if any, will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, loan agreement restrictions, our financial condition and other factors deemed relevant by our Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans

Effective May 5, 2015, we adopted a 2015 Equity Plan (the "2015 Plan"), pursuant to which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other stock and cash awards to eligible participants. At our company's annual meeting of shareholders held in June 2021, our shareholders approved the amendment to the 2015 Plan to increase the number of common stock reserved for issuance from 1,500,000 to 2,000,000. We also maintain an Amended and Restated 2005 Stock Incentive Plan (the "2005 Plan"). The 2005 Plan prohibits the granting of incentives after May 12, 2015, the tenth anniversary of the date such Plan was approved by the shareholders of our company. Nonetheless, the 2005 Stock Incentive Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated. Together, the 2015 Plan and 2005 Plan are referred to herein as the "Plans."

The purpose of the 2015 Plan is to increase shareholder value and to advance the interests of our company by furnishing a variety of economic incentives designed to attract, retain and motivate team members (including officers), certain key consultants and directors of our company. The Plans have each been approved by the shareholders of our company. The following table sets forth certain information as of January 2, 2022, with respect to the 2005 Plan and the 2015 Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (A)		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by shareholders:				
2005 Stock Incentive Plan	250	$	28.53	—
2015 Stock Incentive Plan	692,949		3.99	783,690
Total	693,199	$	4.00	783,690

Performance Graph

Not applicable to smaller reporting companies.

Purchases of Equity Securities by the Issuer

None

ITEM 6. RESERVED

Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In September 2019 a holding company reorganization was completed in which Famous Dave's of America, Inc. ("FDA") became a wholly owned subsidiary of the new parent holding company named BBQ Holdings, Inc. ("BBQ Holdings"). As used in this Form 10-K, "Company", "we" and "our" refer to BBQ Holdings and its wholly owned subsidiaries. BBQ Holdings was incorporated on March 29, 2019 under the laws of the State of Minnesota, while FDA was incorporated in Minnesota on March 14, 1994. The Company develops, owns and operates restaurants under the name "Famous Dave's", "Village Inn", "Granite City", "Real Urban Barbecue", "Clark Crew BBQ", "Tahoe Joe's Steakhouse", and "Bakers Square." Additionally, the Company franchises restaurants under the name "Famous Dave's" and "Village Inn". As of January 2, 2022, there were 143 Famous Dave's restaurants operating in three countries, including 39 Company-owned restaurants and 104 franchise-operated restaurants. Additionally, the Company operates Famous Dave's ghost kitchens out of eight of its Granite City restaurants. The first Clark Crew BBQ restaurant opened in December 2019 in Oklahoma City, Oklahoma. BBQ Holdings has a 20% ownership in this venture. In March 2020, the Company purchased 18 Granite City Food & Brewery restaurants located throughout the Midwest and one Real Urban Barbecue restaurant located in Vernon Hills, Illinois. On July 30, 2021, the Company completed the purchase of the Village Inn family restaurant concept currently with 21 Company-owned restaurants and 108 franchised restaurants, and the Bakers Square pie and comfort food concept currently with 14 Company-owned restaurants and four franchise-operated restaurants. On October 4, 2021, the Company opened its second Real Urban Barbecue restaurant located in Oak Brook, Illinois and on October 8, 2021 the Company acquired the Tahoe Joe's Steakhouse brand.

Impact of the COVID-19 Virus on our business

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic and the United States declared a National Public Health Emergency. 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. During 2021, mandated restrictions began to ease in a number of the markets in which we operate. Although we have experienced some recovery from the initial impact of COVID-19, the long-term impact of COVID-19 on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted. As new variants of COVID-19 are being discovered and cases in unvaccinated people rise throughout the markets in which we do business, we cannot predict the severity of another surge, what additional restrictions may be enacted, to what extent we can maintain off-premise sales volumes, whether we can maintain sufficient staffing levels, or if individuals will be comfortable returning to our dining rooms during or following social distancing protocols, and what long-lasting effects the COVID-19 pandemic may have on the restaurants industry as a whole. The potential impact of the COVID-19 pandemic on consumer spending behavior, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses, will determine the significance of the impact to our operating results and financial position. Due to the rapid development and fluidity of this situation, we cannot determine the ultimate impact that the COVID-19 pandemic will have on our consolidated financial condition, liquidity, and future results of operations.

Fiscal Year

Our fiscal year ends on the Sunday nearest to December 31st of each year. Our fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal year ended January 2, 2022 (fiscal 2021) consisted of 52 weeks while the fiscal year ended January 3, 2021 (fiscal 2020) consisted of 53 weeks.

Basis of Presentation

The financial results presented and discussed herein reflect our results and the results of our wholly-owned and majority-owned consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

Application of Critical Accounting Policies and Estimates

The following discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities and expenses, and related disclosures. On an on-going basis, management evaluates its estimates and judgments. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. Management bases its estimates and judgments on historical experience, observance of trends in the industry, information provided by customers and other outside sources and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. Our management believes the following critical accounting policies reflect its more significant judgments and estimates used in the preparation of our consolidated financial statements. Our company's significant accounting policies are described in Note 1 *Nature of Business and Significant Accounting Policies* to the consolidated financial statements included herein.

We have discussed the development and selection of the following critical accounting policies with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures relating to such policies in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recognition of Franchise-Related Revenue

We recognize franchise fee revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are due upon the opening of a new restaurant or upon the execution of a renewal of the related franchise agreement. Our performance obligation with respect to franchise fee revenues consists of a license to utilize our brand for a specified period of time, which is satisfied equally over the life of each franchise agreement.

Area development fees are deferred until a new restaurant is opened pursuant to the area development agreement, at which time revenue is recognized on a straight-line basis over the life of the franchise agreement. Cash payments for area development agreements are typically due when an area development agreement has been executed. Gift card breakage revenue is recognized proportionately as gift cards are redeemed utilizing an estimated breakage rate based on our historical experience. Gift card breakage revenue is reported within the licensing and other revenue line item of the consolidated statements of operations.

The Company reports contributions from franchisees to our company’s system-wide National Advertising Fund (the “NAF”) on a gross basis within the franchisee national advertising fund contributions line item on the consolidated statements of operations.

Costs and Expenses

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

General and Administrative Expenses

General and administrative expenses include all corporate and administrative functions, other than marketing and digital services. Salaries and benefits, legal fees, accounting fees, professional consulting fees, travel, rent and general insurance are major items in this category. Additionally, we record expense for managers-in-training (“MITs”) in this category.

Asset Impairment, Estimated Lease Termination and Other Closing Costs

We evaluate restaurant sites and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of restaurant sites to be held and used is measured by a comparison of the carrying amount of the restaurant site to the undiscounted future net cash flows expected to be generated on a restaurant-by-restaurant basis. If a restaurant is determined to be impaired, the loss is measured by the amount by which the carrying amount of the restaurant site exceeds its fair value. Fair value is estimated based on the best information available including estimated future cash flows, expected growth rates in comparable restaurant sales, remaining lease terms, discount rate and other factors. If these assumptions change in the future, we may be required to take additional impairment charges for the related assets. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates. Restaurant sites that are operating, but have been previously impaired, are reported at the lower of their carrying amount or fair value less estimated costs to sell.

Lease Accounting

We lease the property for our corporate headquarters, most of our Company-owned stores, and certain office and restaurant equipment. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of use ("ROU") assets, current portion of operating lease liabilities, and operating lease liabilities in the consolidated balance sheet. ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term, including any renewal options where the renewal is reasonably assured at the commencement date. Because most of our leases do not provide an implicit rate of return, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU assets are reduced for lease incentives received. Where we are the lessee, at initial adoption, we have elected to account for non-lease components associated with its leases (e.g., common area maintenance costs) and lease components separately for substantially all of its asset classes. Subsequent to adoption we will combine lease and non-lease components.

We account for construction allowances by recording a receivable when its collectability is considered probable, and relieve the receivable once the cash is obtained from the landlord. We depreciate the leasehold improvements over the lesser of their useful lives or the full term of the lease, including reasonably assured renewal options and build-out periods. We record rent expense during the build-out period and classify this expense in pre-opening expenses in our consolidated statements of operations.

Liquor licenses

We own transferable liquor licenses in jurisdictions with a limited number of authorized liquor licenses. These licenses are capitalized as indefinite-lived intangible assets and are included in intangible assets, net in our consolidated balance sheets. We review annually these liquor licenses for impairment. Additionally, the costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees are recognized in expense over the renewal term.

Accounts receivable, net

We provide an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. We provide for a general bad debt reserve for franchise receivables due to increases in days sales outstanding for which no payment plan or other payment arrangement exists. This general reserve is based on the aging of receivables meeting specified criteria and is adjusted each quarter based on past due receivable balances. Additionally, we have periodically established a specific reserve on certain receivables as necessary on a case-by-case basis. Any changes to the reserve are recorded in general and administrative expenses. Accounts receivable balances written off have not exceeded allowances provided. We believe all accounts receivable in excess of the allowance are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. In assessing recoverability of these receivables, we make judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which franchisees are required to submit to us.

Stock-based compensation

We recognize compensation expense for share-based awards granted to team members based on their fair values at the time of grant over the requisite service period. Additionally, our board members receive share-based awards for their board service. Our pre-tax compensation expense for stock options and other incentive awards is included in general and administrative expenses in our consolidated statements of operations.

Income Taxes

We provide for income taxes based on our estimate of federal and state income tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, allowable tax credits for items such as taxes paid on reported tip income, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. Our estimates are based on the information available to us at the time that we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state, and local governments, generally years after the tax returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. Accounting for uncertain tax positions requires significant judgment including estimating the amount, timing, and likelihood of ultimate settlement. Although we believe that our estimates are reasonable, actual results could differ from these estimates. Additionally, uncertain positions may be re-measured as warranted by changes in facts or law.

Results of Operations – Fiscal Year 2021 Compared to Fiscal Year 2020

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

	Year Ended	
	January 2, 2022	**January 3, 2021**
Food and beverage costs[1]	29.8 %	30.9 %
Labor and benefits costs[1]	31.6 %	34.0 %
Operating expenses[1]	29.4 %	33.8 %
Restaurant-level operating margin[1][2]	9.3 %	1.3 %
Depreciation and amortization expenses[3]	3.6 %	4.2 %
General and administrative expenses[3]	9.3 %	11.7 %
Income (loss) from operations[3]	4.0 %	(9.2)%

(1) As a percentage of restaurant sales, net
(2) Restaurant-level operating margins are equal to restaurant sales, net, less restaurant-level food and beverage costs, labor and benefits costs, and operating expenses.
(3) As a percentage of total revenue

Total Revenue

Our components of and changes in revenue consisted of the following for the fiscal years ended January 2, 2022 and January 3, 2021:

	Year Ended			
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**	**$ Change**	**% Change**
Revenue:				
Restaurant sales, net	$ 187,872	$ 109,544	$ 78,328	71.5 %
Franchise royalty and fee revenue	12,187	8,919	3,268	36.6 %
Franchisee national advertising fund contributions	1,711	1,124	587	52.2 %
Licensing and other revenue	4,672	1,650	3,022	183.2 %
Total revenue	$ 206,442	$ 121,237	$ 85,205	70.3 %

The increase of $85.2 million in year-over-year restaurant sales for the year ended January 2, 2022, as compared to the year ended January 3, 2021, was primarily a result of the acquisition of the Village Inn and Bakers Square brands, four Famous Dave's restaurants and the Tahoe Joe's Steakhouse brand. Same store net sales for Company-owned restaurants for fiscal year 2021, increased by 36.7% compared to fiscal year 2020. It is our policy to include in our same store net sales base, restaurants that have been open for 12 months under our company's ownership. On a weighted basis, for the year ended January 2, 2022, dine-in same store sales increased by 63.0%, to-go sales increased by 5.9%, and catering sales increase 92.4%. Increases in same store sales were driven by the reduction of COVID-19 related dining and large-group gathering restrictions, as well as the increase in third-party delivery sales and curbside pickup options.

We have been making significant investments in programs aimed at increasing to-go and catering sales at all of our BBQ Holdings restaurants. We have rolled out delivery programs with various third-party services, which we believe, along with online ordering, will continue to augment our to-go and catering sales in the future. We believe our focus on to-go enables us to capture a greater portion of the “take-out” market by allowing consumers to “trade within our brands,” when dining-in is not always an option. We believe that these innovations will provide additional avenues for our franchisees to grow their respective businesses.

The increase in year-over-year franchise-related revenue was primarily due to the addition of the Village Inn franchisee locations and the increased revenue at our franchise locations due to the lifting of COVID-19 related dining restrictions which were in place much of fiscal year 2020. Licensing and other revenue is primarily derived from retail sales of Famous Dave’s branded sauces and rubs, Real Urban Barbeque consumer packaged goods, the sale of raw brewing products produced at the Granite City brewing facility, and the recognition of gift card breakage. The increase in licensing and other revenue in fiscal year 2021 is primarily attributable to an increase in gift card breakage.

Food and Beverage Costs

Our food and beverage costs consisted of the following for fiscal years ended January 2, 2022 and January 3, 2021:

	Year Ended			
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**	**$ Change**	**% Change**
Food and beverage costs	$ 55,969	$ 33,867	$ 22,102	65.3 %

Food and beverage costs for the fiscal years ended January 2, 2022 and January 3, 2021 represented approximately 29.8% and 30.9% of net restaurant sales, respectively. This year-over-year decrease, as a percentage of net restaurant sales was a result of the full-year impact of a reduction of menu items offered as the restaurants reacted to the increase in to-go business and limited in-store dining due to COVID-19 restrictions, and the improvement of operating efficiencies in general. The addition of the Village Inn restaurants, which historically have run lower food cost than that of the other BBQ Holdings’ brands, also reduced the food costs as a percent of revenue in the later part of fiscal year 2021.

Labor and Benefits Costs

Our labor and benefits costs consisted of the following for the fiscal years ended January 2, 2022 and January 3, 2021:

	Year Ended			
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**	**$ Change**	**% Change**
Labor and benefits costs	$ 59,297	$ 37,228	$ 22,069	59.3 %

Labor and benefits costs for the fiscal years ended January 2, 2022 and January 3, 2021 were approximately 31.6% and 34.0% of net restaurant sales, respectively. The year-over-year decrease during the year ended January 2, 2022, as a percentage of net restaurant sales, was driven in part by a concerted effort by management to increase efficiency at the restaurants and in part by leveraging the increase in same store sales.

Operating Expenses

Our operating expenses consisted of the following for the fiscal years ended January 2, 2022 and January 3, 2021:

	Year Ended			
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**	**$ Change**	**% Change**
Operating expenses	$ 55,223	$ 36,984	$ 18,239	49.3 %

Operating expenses for the fiscal years ended January 2, 2022 and January 3, 2021 were approximately 29.4% and 33.8% of net restaurant sales, respectively. This year over year decrease in expense as a percentage of net restaurant sales was due primarily to leverage on our fixed operating costs from the increased revenue resulting from the reduction of dine-in restrictions and restrictions on large gatherings which were put in place in 2020 due to COVID-19 concerns.

Depreciation and Amortization

Depreciation and amortization expense for the fiscal years ended January 2, 2022 and January 3, 2021 was approximately $7.4 million and $5.1 million, respectively, representing approximately 3.6% and 4.2% of total revenues, respectively. Depreciation and amortization expense increased during the year ended January 2, 2022 primarily as a result of the addition of Company-owned restaurants.

General and Administrative Expenses

Our general and administrative expenses consisted of the following for the fiscal years presented:

	Year Ended			
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**	**$ Change**	**% Change**
General and administrative expenses	$ 19,176	$ 14,195	$ 4,981	35.1 %

General and administrative expenses for the years ended January 2, 2022 and January 3, 2021, represented approximately 9.3% and 11.7% of total revenues, respectively. While we incurred additional expenditure for acquisition costs and ongoing oversite of our new restaurants, general and administrative expenses decreased as a percentage of revenue in fiscal year 2021 due primarily to the increase in total revenue.

Asset Impairment, Estimated Lease Termination and Other Closing Costs

The following is a summary of the asset impairment, estimated lease termination and other closing costs we incurred for the periods presented:

	Year Ended	
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**
Asset impairments, net	$ —	$ 5,532
Lease termination and restaurant closure expenses	116	151
Asset impairment, estimated lease termination charges and other closing costs	$ 116	$ 5,683

In fiscal year 2020, we closed five Company-owned stores and impaired the assets of four under-performing locations. These charges represented the write-offs of the impaired assets and assets of the closed restaurants, related lease termination, and costs incurred in facilitating the closure of such restaurants.

Total Other Income

Total other income was $16.7 million and $12.6 million for the fiscal years ended January 2, 2022 and January 3, 2021, respectively. Other income for the fiscal year ended January 2, 2022, included a $14.1 million gain related to the forgiveness of debt and interest of the PPP Loans we obtained as a result of the effects of COVID-19 on our business (Note 8 *Long-term Debt*) and a gain on bargain purchase in conjunction with the acquisition of the Village Inn and Bakers Square restaurants in the amount of $3.0 million. Other income for the fiscal year ended January 3, 2021, included a gain on bargain purchase of $13.2 million in conjunction with the acquisition of the Granite City restaurants (Note 2 *Restaurant Acquisitions*).

Income Tax (Expense) Benefit

We had income tax expense of $661,000 for the year ended January 2, 2022, and income tax benefit of $2.8 million for the year ended January 3, 2021. This represents an effective tax rate of 2.60% and (132.7)%, respectively. The decrease in our effective tax rate from the federal and state statutory rates primarily relates to the bargain purchase gains recognized on the Village Inn and Bakers Square acquisition in fiscal 2021 and the Granite City acquisition in fiscal 2020. In addition, our effective tax rate was further decreased in fiscal 2021 due to the gain on the forgiveness of our PPP loans.

Financial Condition, Liquidity and Capital Resources

Our balance of cash and cash equivalents was approximately $41.5 million and $19.6 million at January 2, 2022 and January 3, 2021, respectively. We generated approximately $24.9 million in cash flows from operating activities. We received approximately $12.4 million in net proceeds from the sale of 1,000,000 shares of our common stock to accredited investors (Note 11 *Shareholders' Equity*) and $6.4 million in proceeds from our debt agreement with JPMorgan Chase, net of repayment of our debt with Choice Financial Group (Note 8 *Long-Term Debt*). We used approximately $18.8 million in cash for the acquisition of the Village Inn and Bakers Square brands, four Famous Dave's restaurants, and the Tahoe Joe's Steakhouse brand (Note 2 *Restaurant Acquisitions*). We expect to utilize cash on hand to reinvest in our brands and the evolution of our company.

Our current ratio, which measures our immediate short-term liquidity, was 1.1 at January 2, 2022 and January 3, 2021. The current ratio is computed by dividing total current assets by total current liabilities.

Net cash provided by operating activities increased to approximately $24.9 million in the fiscal year ended January 2, 2022 compared to $2.1 million in the fiscal year ended January 3, 2021. The increase was driven primarily by the increase in same store sales and revenue generated from the acquisition of restaurants, as well as improved restaurant-level margins and efficiency in general and administrative expenses.

The approximately $24.9 million in net cash provided by operating activities in fiscal year 2021, reflects net income of approximately $24.4 million decreased primarily by $14.1 million related to the forgiveness of our PPP loans and the related accrued interest, $3.0 million related to the bargain purchase gain resulting from the acquisition of the Village Inn and Bakers Square restaurants, and an increase in prepaid expenses and receivables of $4.6 million. Such amount was increased in part by $7.4 million of depreciation and amortization, $7.0 million in gift card and other liabilities and $4.7 million of accrued compensation.

Net cash provided by operating activities for the year ended January 3, 2021, was approximately $2.1 million, which reflects net income of approximately $4.3 million reduced primarily by the $13.2 million non-cash bargain purchase gain on the acquisition of the Granite City restaurants, $2.8 million of deferred taxes, and $2.1 million in gift card liability. Such amount was increased in part by $10.6 million of non-cash impairment/lease termination charges and depreciation expense.

Net cash used for investing activities for the years ended January 2, 2022 and January 3, 2021 was $19.3 million and $6.0 million, respectively, related primarily to payments for acquired restaurants and purchases of property, equipment and leasehold improvements, net of proceeds from sale of assets.

Net cash provided by financing activities in fiscal year 2021 was $16.3 million which was related to the proceeds from our loan with JPMorgan Chase and the proceeds from the sale of 1,000,000 shares of our common stock to accredited investors, offset in part by the payoff of our loan with Choice Bank.

Net cash provided by financing activities in fiscal year 2020 was $17.4 million which was related primarily to the proceeds from our loan with Choice Bank and the proceeds from our PPP Loans.

We are subject to various financial and non-financial covenants on our long-term debt, including a fixed charge coverage ratio and a rent adjusted leverage ratio. As of January 2, 2022, we were in compliance with all of our covenants.

Contractual Obligations

The following is a summary of our contractual obligations as of January 2, 2022:

(in thousands)	Total	2022	2023	2024	2025	2026	Thereafter
Term Loan	$ 15,000	$ 1,594	$ 1,500	$ 1,125	$ 1,594	$ 9,187	$ —
Finance Lease Obligations	106	27	28	27	14	10	—
Operating Lease Obligations	109,302	15,857	15,274	14,142	13,202	11,601	39,226
Total	$ 124,408	$ 17,478	$ 16,802	$ 15,294	$ 14,810	$ 20,798	$ 39,226

Off-Balance Sheet Arrangements

Our company does not have any off-balance sheet arrangements (as such term is defined in Item 303 of regulation S-K) that are reasonably likely to have a current or future effect on our financial condition or changes in financial condition, operating results, or liquidity.

Income Taxes

As of January 2, 2022, we had cumulative state net operating loss carry-forwards for tax reporting purposes of approximately $22.6 million and federal net operating loss carry-forwards for tax reporting purposes of $3.7 million which, if not used, have begun or will begin to expire in fiscal 2021 and 2038, respectively.

Due tax law changes in December 2017, net interest expense deductions are limited to 30% of adjusted taxable income and the net operating loss deduction is limited to 80% of taxable income. With the enactment of the Coronavirus Aid, Relief, and Economic Security (“CARES”) legislation, the net interest expense limitation increased from 30% to 50% for 2019 and 2020. If we fail to generate significant taxable income, we may not be able to fully deduct the interest expense on our debt, which could result in us having to pay increased federal income taxes. We have also generated substantial taxable losses in the past and may continue to do so in the future. Although the treatment of tax losses generated before December 31, 2017 has not changed, subsequent tax losses generated will only be able to offset 80% of taxable income, although the losses may be carried forward indefinitely. Furthermore, although we have significant general business credit carryforwards, these carryforwards can only offset $25,000 of federal income tax plus 75% of the federal income tax liability over $25,000. As such, we may have to pay federal income taxes in the future despite having significant net operating loss and general business credit carryforwards for federal income tax purposes.

Recent Accounting Guidance Not Yet Adopted

We reviewed all recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a significant impact on our consolidated financial statements.

Inflation

The primary inflationary factors affecting our operations include food, beverage and labor costs. In addition, our leases require us to pay taxes, maintenance, repairs and utilities and these costs are subject to inflationary increases. In some cases, some of our lease commitments are tied to consumer price index ("CPI") increases. We are also subject to interest rate changes based on market conditions.

Currently, we are operating in a period of increased inflation, led by commodity cost inflation which primarily relates to proteins. This is due in part to increased costs incurred by our suppliers related to higher labor, transportation, packaging, and raw materials costs. While we have taken steps to enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather or other market conditions outside of our control. Many of our restaurant employees are paid hourly rates subject to the federal, state or local minimum wage requirements. Numerous state and local governments have their own minimum wage and other regulatory requirements for employees that are generally greater than the federal minimum wage and are subject to annual increases based on changes in their local consumer price indices. Additionally, certain operating and other costs, including health benefits in compliance with the Patient Protection and Affordable Care Act, taxes, insurance, COVID-19 pandemic related benefits, and other outside services continue to increase with the general level of inflation and may also be subject to other cost and supply fluctuations outside of our control. While we have been able to partially offset inflation and other changes in the costs of key operating resources by adjusting menu prices, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. At times, competitive conditions and macroeconomic conditions that impact consumer discretionary spending may limit our menu pricing flexibility. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures. Whether we are able and/or choose to continue to offset the effects of inflation will determine to what extent, if any, inflation affects our restaurant profitability in future periods.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of BBQ Holdings, Inc. are included herein, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of such date our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information requested to be disclosed by us in our reports that we file or submit under the Exchange Act.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Our management assessed the effectiveness of our internal control over financial reporting as January 2, 2022. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control-Integrated Framework*. Our management has concluded that, as of January 2, 2022, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within BBQ Holdings have been detected.

Our internal control over financial reporting as of January 2, 2022 has been audited by Schechter, Dokken, Kanter, Andrews & Selcer, Ltd, an independent registered public company accounting firm, as stated in its report which contains an unqualified opinion on the effectiveness of our internal control over financial reporting. This report appears immediately preceding the consolidated balance sheets.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Effective March 15, 2022, the Board approved a new employment agreement for Jeffery Crivello, the Chief Executive Officer. The term of the agreement is three years, and he agrees to own no less than 100,000 shares of common stock during his employment. Mr. Crivello's base salary shall be $350,000, with a target bonus of 100% of base salary. Target bonus is achieved by delivering the annual budgeted earnings. Board discretion for the amount of the target bonus will be used if the annual approved budget is not achieved. The Board reserves the right to authorize a bonus in addition to the target bonus as a stretch incentive, if the Company delivers above budgeted earnings. In addition to any previous unvested equity grants, Mr. Crivello will receive a new grant in the amount of 225,000 shares of the Company's restricted stock under the 2015 Equity Incentive Plan, as amended, pursuant to a restricted stock agreement. This new grant of restricted stock shall vest 75,000 shares on each of February 23, 2023, February 23, 2024, and February 23, 2025. Additional compensation includes $1,000 per month as a car allowance. Mr. Crivello is currently not enrolled in the Company's health insurance plan, but by law is allowed to participate in all standard benefit plans. A severance of 12 months base salary and 12 months target bonus will be paid in the event of death, disability, or termination without cause or good reason, or for non-renewal of the employment agreement. Severance amounts are to be paid over a 12-month period. Additionally, any unvested portion of the restricted stock grant that would have otherwise vested within 12 months of termination will vest immediately. The foregoing description of the employment agreement and restricted stock agreement with Mr. Crivello is a summary only, and is qualified in its entirety by the documents filed as exhibits to this Form 10-K.

On March 15, 2022, the Company approved the award of discretionary bonuses for fiscal 2021 in the aggregate amount of $1.32 million to 59 team members, of which $580,000 was awarded to Jeffery Crivello, Chief Executive Officer, $30,000 was awarded to Jason Schanno, Chief Financial Officer and $200,000 to Albert Hank, Chief Operating Officer. The bonus pool was based on the amount by which the actual 2021 EBITDA of $17.5 million exceeded the budgeted EBITDA of $10.15. The Company accrued for the bonus pool throughout fiscal 2021.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Code of Ethics

We have adopted a Code of Ethics specifically applicable to our CEO, CFO and Key Financial & Accounting Management. In addition, there is a more general Code of Ethics applicable to all team members. Both of these Codes of Ethics are available on our website at www.bbq-holdings.com and copies are available free of charge to anyone requesting them.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information in response to this Item is incorporated herein by reference to our definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Annual Report on Form 10-K:

Exhibits:

See "exhibit index" on the page following the consolidated financial statements and related footnotes and the signature page to this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
BBQ Holdings, Inc.

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of BBQ Holdings, Inc. (a Minnesota corporation) and subsidiaries (the "Company") as of January 2, 2022 and January 3, 2021, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended January 2, 2022, and the related notes and financial statement schedule included under Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of January 2, 2022, based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 2, 2022 and January 3, 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended January 2, 2022, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2022, based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Basis for Opinion

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the entity's financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that responds to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Business Combination – Village Inn & Bakers Square and Tahoe Joe's

The Company acquired Village Inn & Bakers Square and Tahoe Joe's restaurants (collectively referred to as the "Acquirees") in fiscal year 2021. The Company accounted for the acquisitions using the acquisition method of accounting for business combinations. Accordingly, the acquisition price was allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The Company estimated the fair value of the intangible assets acquired, most notably the Trade Names/Trademarks, using the relief from royalty method, which is a discounted cash flow method. The fair value determination of the Trade Names/Trademarks intangible assets required management to make significant estimates and assumptions related to forecasted future cash flows, including the selection of royalty rates, terminal growth rates, and discount rates.

We identified the Trade Names/Trademarks intangible assets as a critical audit matter because of the significant estimates and assumptions management made to fair value these assets. This required a high degree of auditor judgment and an increased extent of effort, including the involvement of our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's forecasts of future cash flows, including the selection of royalty rates, terminal growth rates, and discount rates.

Our audit procedures related to the forecasts of future cash flows and the selection of the royalty rates, terminal growth rates, and discount rates for the Trade Names/Trademarks intangible assets included the following, among others:

- assessing the reasonableness of fiscal year forecasted cash flows of revenues and operating margins by comparing them to the Acquirees' actual cash flows.

- assessing the reasonableness of the forecasted revenue growth rates and operating margins over the cash flow forecast period by comparing them to the Acquirees' actual revenue growth rates and operating margins during the most recent historical periods.

- performing sensitivity analyses of the significant assumptions used in the valuation model to evaluate the change in fair value resulting from changes in the significant assumptions.

- with the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodologies; (2) royalty rates by testing the source information used to compare market royalty rates associated with comparable licensing agreements; (3) terminal growth rates by comparing them to industry growth rates and the projected nominal gross domestic product (GDP) growth rate; and (4) discount rates, which included testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

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

We have served as the Company's auditor since 2020.

Minneapolis, Minnesota
March 16, 2022

BBQ HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

ASSETS		
Current assets:	**January 2, 2022**	**January 3, 2021**
Cash and cash equivalents	$ 40,309	$ 18,101
Restricted cash	1,152	1,502
Accounts receivable, net of allowance for doubtful accounts of $270,000 and $277,000, respectively	5,476	4,823
Inventories	3,316	2,271
Prepaid expenses and other current assets	3,919	1,252
Assets held for sale	—	1,070
Total current assets	54,172	29,019
Property, equipment and leasehold improvements, net	39,943	32,389
Other assets:		
Operating lease right-of-use assets	78,843	61,634
Goodwill	3,037	601
Intangible assets, net	23,444	9,967
Deferred tax asset, net	3,692	4,934
Other assets	1,292	1,724
Total assets	$ 204,423	$ 140,268
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,661	$ 6,385
Current portion of operating lease liabilities	11,904	6,185
Current portion of long-term debt and finance lease liabilities	1,621	2,111
Accrued compensation and benefits	7,121	2,390
Gift card liability	11,257	6,554
Other current liabilities	8,510	3,212
Total current liabilities	48,074	26,837
Long-term liabilities:		
Operating lease liabilities, less current portion	77,729	63,105
Finance lease liabilities, less current portion	79	—
Long-term debt, less current portion	13,197	22,169
Other liabilities	997	1,224
Total liabilities	140,076	113,335
Shareholders' equity:		
Common stock, $.01 par value, 100,000 shares authorized, 10,495 and 9,307 shares issued and outstanding at January 2, 2022 and January 3, 2021, respectively	105	93
Additional paid-in capital	21,782	8,748
Retained earnings	43,391	19,370
Total shareholders' equity	65,278	28,211
Non-controlling interest	(931)	(1,278)
Total equity	64,347	26,933
Total liabilities and equity	$ 204,423	$ 140,268

See accompanying notes to consolidated financial statements.

BBQ HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended January 2, 2022	Year Ended January 3, 2021
Revenue:		
Restaurant sales, net	$ 187,872	$ 109,544
Franchise royalty and fee revenue	12,187	8,919
Franchisee national advertising fund contributions	1,711	1,124
Licensing and other revenue	4,672	1,650
Total revenue	206,442	121,237
Costs and expenses:		
Food and beverage costs	55,969	33,867
Labor and benefits costs	59,297	37,228
Operating expenses	55,223	36,984
Depreciation and amortization expenses	7,395	5,121
General and administrative expenses	19,176	14,195
National advertising fund expenses	1,711	1,124
Asset impairment, estimated lease termination charges and other closing costs, net	116	5,683
Pre-opening expenses	204	10
Gain on disposal of property, net	(979)	(1,810)
Total costs and expenses	198,112	132,402
Income (loss) from operations	8,330	(11,165)
Other income (expense):		
Interest expense	(583)	(805)
Interest income	178	154
Gain on forgiveness of debt	14,109	—
Gain on bargain purchase	2,995	13,246
Total other income	16,699	12,595
Income before income taxes	25,029	1,430
Income tax (expense) benefit	(661)	2,837
Net income	24,368	4,267
Net (income) loss attributable to non-controlling interest	(347)	680
Net income attributable to shareholders	$ 24,021	$ 4,947
Income per common share:		
Basic net income per share attributable to shareholders	$ 2.44	$ 0.54
Diluted net income per share attributable to shareholders	$ 2.42	$ 0.54
Weighted average shares outstanding - basic	9,826	9,155
Weighted average shares outstanding - diluted	9,922	9,156

See accompanying notes to consolidated financial statements.

BBQ HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in	Retained	Total Shareholders'	Non-controlling	Total
	Shares	Amount	Capital	Earnings	Equity	Interest	Equity
Balance - December 29, 2019	9,272	$ 93	$ 7,856	$ 14,423	$ 22,372	$ (598)	$ 21,774
Issuance of restricted common stock	34	—	—	—	—	—	—
Exercise of stock options	1	—	6	—	6	—	6
Stock-based compensation	—	—	886	—	886	—	886
Net income	—	—	—	4,947	4,947	(680)	4,267
Balance - January 3, 2021	9,307	$ 93	$ 8,748	$ 19,370	$ 28,211	$ (1,278)	$ 26,933
Issuance of restricted common stock, net of shares withheld for taxes	58	—	(773)	—	(773)	—	(773)
Issuance of common stock pursuant to PIPE	1,000	10	12,418	—	12,428	—	12,428
Issuance of common stock upon exercise of options, net of shares withheld for taxes	130	2	121	—	123	—	123
Stock-based compensation	—	—	1,268	—	1,268	—	1,268
Net income	—	—	—	24,021	24,021	347	24,368
Balance - January 2, 2022	10,495	$ 105	$ 21,782	$ 43,391	$ 65,278	$ (931)	$ 64,347

See accompanying notes to consolidated financial statements.

BBQ HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended	
	January 2, 2022	January 3, 2021
Cash flows from operating activities:		
Net income	$ 24,368	$ 4,267
Adjustments to reconcile net income to cash flows provided by operations:		
Depreciation and amortization	7,395	5,121
Stock-based compensation	1,268	886
Net gain on disposal	(979)	(1,783)
Asset impairment, estimated lease termination charges and other closing costs, net	—	5,483
Gain on forgiveness of debt	(14,109)	—
Gain on bargain purchase	(2,995)	(13,246)
Amortization of operating right-of-use assets	8,514	5,249
Deferred tax asset	337	(2,837)
Other non-cash items	905	796
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,570)	(1,011)
Prepaid expenses and other assets	(2,983)	1,460
Accounts payable	1,276	2,418
Accrued compensation and benefits	4,730	(244)
Lease liabilities	(8,278)	(5,152)
Gift card liability	3,341	(2,133)
Accrued and other liabilities	3,638	2,814
Cash flows provided by operating activities	24,858	2,088
Cash flows from investing activities:		
Proceeds from the sale of assets	2,587	2,869
Purchases of property, equipment and leasehold improvements	(3,826)	(3,499)
Payments for acquired restaurants	(18,808)	(5,381)
Payments received on note receivable	785	42
Cash flows used for investing activities	(19,262)	(5,969)
Cash flows from financing activities:		
Proceeds from long-term debt	15,000	22,058
Payments for debt issuance costs	(114)	(45)
Payments on long-term debt	(10,403)	(4,621)
Tax payments for restricted stock units and stock options exercised	(1,094)	—
Proceeds from sale of common stock, net of offering costs	12,428	—
Proceeds from exercise of stock options	445	6
Cash provided by financing activities	16,262	17,398
Increase in cash, cash equivalents and restricted cash	21,858	13,517
Cash, cash equivalents and restricted cash, beginning of period	19,603	6,086
Cash, cash equivalents and restricted cash, end of period	$ 41,461	$ 19,603
Supplemental Disclosures		
Cash paid for interest, net	$ 494	$ 706
Non-cash investing and financing activities:		
Operating right-of-use assets acquired	23,544	51,682
Lease liabilities assumed pursuant to acquisitions	26,166	51,682
Gift card liability assumed pursuant to acquisitions	1,362	3,923
Inventory acquired pursuant to acquisitions	623	1,178

See accompanying notes to consolidated financial statements.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

(1) NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

In September 2019 a holding company reorganization was completed in which Famous Dave's of America, Inc. ("FDA") became a wholly owned subsidiary of the new parent holding company named BBQ Holdings, Inc. ("BBQ Holdings"). As used in this Form 10-K, "Company", "we" and "our" refer to BBQ Holdings and its wholly owned subsidiaries. BBQ Holdings was incorporated on March 29, 2019 under the laws of the State of Minnesota, while FDA was incorporated in Minnesota on March 14, 1994. The Company develops, owns and operates restaurants under the name "Famous Dave's", "Village Inn", "Granite City", "Real Urban Barbecue", "Clark Crew BBQ", "Tahoe Joe's Steakhouse", and "Bakers Square." Additionally, the Company franchises restaurants under the name "Famous Dave's" and "Village Inn". As of January 2, 2022, there were 143 Famous Dave's restaurants operating in three countries, including 39 Company-owned restaurants and 104 franchise-operated restaurants. Additionally, the Company operates Famous Dave's ghost kitchens out of eight of its Granite City restaurants. The first Clark Crew BBQ restaurant opened in December 2019 in Oklahoma City, Oklahoma. BBQ Holdings has a 20% ownership in this venture. In March 2020, the Company purchased 18 Granite City Food & Brewery restaurants located throughout the Midwest and one Real Urban Barbecue restaurant located in Vernon Hills, Illinois. On July 30, 2021, the Company completed the purchase of the Village Inn family restaurant concept currently with 21 Company-owned restaurants and 108 franchised restaurants, and the Bakers Square pie and comfort food concept currently with 14 Company-owned restaurants and four locations where the Bakers Square pies are licensed. On October 4, 2021, the Company opened its second Real Urban Barbecue restaurant located in Oak Brook, Illinois and on October 8, 2021, the Company acquired the Tahoe Joe's Steakhouse brand.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic and the United States declared a National Public Health Emergency. 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. Reopening of restaurant dining rooms resumed, generally at reduced capacity, at various points since mid-2020. While restrictions on the type of permitted service and occupancy capacity continued to change in various jurisdiction, currently nearly all of the Company's restaurants are operating with no capacity restrictions on indoor dining. The Company cannot predict the severity of another surge, what additional restrictions may be enacted, to what extent it can maintain off-premise sales volumes, whether it can maintain sufficient staffing levels, or if individuals will be comfortable returning to dining rooms during or following social distancing protocols, and what long-lasting effects the COVID-19 pandemic may have on the restaurants industry as a whole. The potential impact of the COVID-19 pandemic on consumer spending behavior, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses, will determine the significance of the impact to the Company's operating results and financial position. Although the Company has experienced some recovery from the initial impact of COVID-19, the long-term impact of COVID-19 and its variants on the economy and on business remains uncertain, the duration and scope of which cannot currently be predicted.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. Despite the fact that vaccines are now widely available across the country, there were widespread increases in diagnosed cases reported in the fourth quarter largely due to the spread of COVID-19 variants. The duration of the disruption on global, national, and local economies cannot be reasonably estimated at this time due to the ongoing effects of this situation. Management is continually evaluating the impact of this global crisis on its financial condition, liquidity, operations, suppliers, industry, and workforce and will take additional actions as necessary.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

Seasonality

The Company's Famous Dave's restaurants typically generate higher revenue in the second and third quarters of its fiscal year as a result of seasonal traffic increases and high catering sales experienced during the summer months. The Company's Granite City restaurants typically generate higher revenue in the second and fourth quarters of its fiscal year as a result of warmer weather and increased patio seating in the second quarter and holiday activity in the fourth quarter. The Company's Village Inn and Bakers Square restaurants typically generate higher sales and revenue during the holiday season between Thanksgiving and New Year's due to the high volumes of holiday pie sales during that time.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Financial instruments

Due to their short-term nature, the carrying value of the Company's current financial assets and liabilities approximates their fair value. The fair value of long-term debt approximates the carrying amount based upon the Company's expected borrowing rate for debt with similar remaining maturities and comparable risk.

Segment reporting

The Company has Company-owned and franchise-operated restaurants in the United States, Canada and the United Arab Emirates, and operate within the single industry segment of foodservice. Management makes operating decisions on behalf of the BBQ Holdings brand which includes both Company-owned and franchise-operated restaurants. In addition, all operating expenses are reported in total and are not allocated to franchising operations for either external or internal reporting. As a result, the Company has concluded that it has a single reporting segment.

Fiscal year

The Company's fiscal year ends on the Sunday nearest to December 31 of each year. The Company's fiscal year is generally 52 weeks; however, it periodically consists of 53 weeks. The fiscal year ended January 2, 2022 (fiscal 2021) consisted of 52 weeks while the fiscal year ended January 3, 2021 (fiscal 2020) consisted of 53 weeks.

Cash and cash equivalents

Cash equivalents include all investments with original maturities of three months or less or which are readily convertible into known amounts of cash and are not legally restricted. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000, while the remaining balances are uninsured. In May 2020, the Company invested $3.5 million in a certificate of deposit (CD) through Choice Bank. The interest rate on this CD was 3.0% with an annual percentage yield of 3.04% with interest was compounded every 30 days. At January 3, 2021, the balance of this CD was $3.6 million and was included with cash and cash equivalents on the Company's balance sheet. The CD matured in December 2021 and the funds are being used for working capital.

Restricted cash and marketing fund

The Company has Marketing Development Funds, to which Company-owned Famous Dave's and Village Inn restaurants, in addition to the majority of franchise-operated restaurants, contribute a percentage of net sales, for use in public relations and marketing development efforts. The funds held in this account are used in part to reimburse the Company for its marketing and digital services activities on behalf of the Famous Dave's and Village Inn brands. The Company also receives funds from its suppliers to be used exclusively for point-of-sale equipment purchases for its own stores as well as its Famous Dave's franchisees. As the assets held by these funds are considered to be restricted, the Company reflects the cash related to these funds within restricted cash and reflects the related liability within accrued expenses on its consolidated balance sheets. The Company had approximately $1.2 million and $1.5 million in these funds as of January 2, 2022 and January 3, 2021, respectively.

Accounts receivable, net

The Company provides an allowance for uncollectible accounts on accounts receivable based on historical losses and existing economic conditions, when relevant. The Company provides for a general bad debt reserve for franchise receivables due to increases in days sales outstanding and deterioration in general economic market conditions. This general reserve is based on the aging of receivables and is adjusted each quarter based on past due receivable balances. Additionally, the Company has periodically established a specific reserve on certain receivables as necessary. In assessing recoverability of these receivables, the Company makes judgments regarding the financial condition of the franchisees based primarily on past and current payment trends, as well as other variables, including annual financial information, which the Company's franchisees are required to submit. Any changes to the reserve are recorded in general and administrative expenses. Accounts receivable are written off when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company believes all accounts receivable in excess of allowances provided are fully collectible. If accounts receivable in excess of provided allowances are determined uncollectible, they are charged to expense in the period that determination is made. The Company's reserve for bad debt was $270,000 and $277,000 at January 2, 2022 and January 3, 2021, respectively.

Inventories

Inventories consist principally of small wares, food and beverages, and retail goods, and are recorded at the lower of cost (first-in, first-out) or net realizable value.

Assets Held for Sale

In December 2021, the Company sold the building and improvements at its former Woodbury, Minnesota location, which had a carrying value of approximately $1.0 million, for a gross purchase price of $2.7 million. After standard closing costs, the Company recorded a gain of approximately $1.4 million and used proceeds for working capital.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

Property, equipment and leasehold improvements, net

Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation. The Company recognizes depreciation expense utilizing the straight-line method once an asset has been placed into service. The following table outlines the useful lives of the Company’s major classes of property, equipment, and leasehold improvements:

Land	N/A
Buildings	30 years
Leasehold improvements	1 - 30 years
Furniture, fixtures, equipment and software (excluding restaurant signage)	3 - 7 years
Restaurant signage	10 - 15 years
Decor	7 years

The Company capitalizes labor costs associated with the implementation of significant information technology infrastructure projects based on actual labor rates per person including benefits, for all time spent on the implementation of software and are depreciated over 5 years. The Company capitalizes construction overhead costs until the time a building is turned over to operations, which is approximately two weeks prior to opening and depreciate these items over the same useful life as leasehold improvements.

Management reviews property and equipment, including leasehold improvements for impairment when events or circumstances indicate these assets might be impaired pursuant to the FASB accounting guidance on impairment or disposal of long-lived assets. The Company’s management considers such factors as the Company’s history of losses and the disruptions in the overall economy in preparing an analysis of its property, including leasehold improvements, to determine if events or circumstances have caused these assets to be impaired. Management bases this assessment upon the carrying value versus the fair market value of the assets and whether or not that difference is recoverable. Such assessment is performed on a restaurant-by-restaurant basis and includes other relevant facts and circumstances including the physical condition of the assets. If management determines the carrying value of the restaurant assets exceeds the projected future undiscounted cash flows, an impairment charge would be recorded to reduce the carrying value of the restaurant assets to their fair value.

Intangible Assets

The Company has intangible assets that consist of liquor licenses, database, trademarks and patents, and franchise rights, net. The liquor licenses and trademarks/logos are indefinite-lived assets and are not subject to amortization. The Company holds transferable liquor licenses in jurisdictions with a limited number of authorized liquor licenses. These licenses were capitalized as indefinite-lived intangible assets and are included in intangible assets, net on the Company’s consolidated balance sheets. The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees are expensed over the renewal term. The Company reviews annually the liquor licenses for impairment. Franchise rights are amortized over the life of the related franchise agreement. The Company evaluates franchise rights in conjunction with its impairment evaluation of long-lived assets.

Goodwill represents the excess of cost over the fair value of identified net assets of businesses acquired. Goodwill is tested for impairment annually or on an interim basis if events or changes in circumstances between annual tests indicate a potential impairment. Factors considered include, but are not limited to historical financial performance, a significant decline in expected future cash flows, unanticipated competition, changes in management or key personnel, macroeconomic and industry conditions and the legal and regulatory environment. No goodwill impairment charges were recognized during the years ended January 2, 2022 and January 3, 2021. In fiscal year 2021, goodwill increased by $2.4 million through the acquisitions of new restaurants (Note 2 *Restaurant Acquisitions*).

BBQ HOLDINGS, INC. AND SUBSIDIARIES

Advertising

Advertising costs are charged to expense as incurred. Advertising costs were approximately $4.3 million and $2.7 million for the years ended January 2, 2022 and January 3, 2021, respectively, and are included in operating expenses for local store marketing and in national advertising fund expenses for national advertising in the consolidated statements of operations.

Research and development costs

Research and development costs represent all expenses incurred in relation to the creation of new menu and promotional offerings, recipe enhancements and documentation activities. Research and development costs were approximately $121,000 and $473,000 for the years ended January 2, 2022 and January 3, 2021, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

Pre-opening expenses

All start-up and pre-opening costs are expensed as incurred. Pre-opening rent during the build-out period is included in pre-opening expense. The Company incurred approximately $204,000 and $10,000 of pre-opening expenses during the years ended January 2, 2022 and January 3, 2021.

Leases

The Company leases the property for its corporate headquarters, most of its Company-owned stores, and certain office and restaurant equipment. Operating leases are included in operating lease right-of use (“ROU”) assets, current portion of operating lease liabilities, and operating lease liabilities in its consolidated balance sheets. ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. Because most of the Company’s leases do not provide an implicit rate of return, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU assets are reduced for lease incentives received.

Lease terms for Company-owned stores generally range from 5-20 years with one or more five-year renewal options and generally require the Company to pay a proportionate share of real estate taxes, insurance, common area, and other operating costs in addition to a base or fixed rent. The Company elected the short-term lease exemption for certain qualifying leases with lease terms of twelve months or less and, accordingly, did not record right-of-use assets and lease liabilities. These leases with initial terms of less than 12 months are recorded directly to occupancy expense on a straight-line basis over the term of the lease. Additionally, the Company decided to utilize the package of practical expedients and the practical expedient to not reassess certain land easements. The Company decided not to utilize the practical expedient to use hindsight. Certain of its leases also provide for variable lease payments in the form of percentage rent, in which additional rent is calculated as a percentage of sales in excess of a base amount, and not included in the calculation of the operating lease liability or ROU asset. The Company’s leases have remaining lease terms of one to 20 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Rent expense is recognized on a straight-line basis for operating leases over the lease term.

Exit and disposal costs

Exit or disposal activities, including restaurant closures, include the cost of disposing of the assets and other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date the Company ceases using a property under an operating lease, it removes the remaining balance of the ROU asset. Any subsequent adjustments to the related liability as a result of lease termination are recorded in the period incurred. Upon disposal of the assets associated with a closed restaurant, any gain or loss and any costs incurred for restaurants that have been closed, after the date of their closure, are presented within the asset impairment, estimated lease termination and other closing costs line item of the Company's consolidated statements of operations.

Net income (loss) per common share

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

The following table is a reconciliation of basic and diluted net income per common share:

	Year Ended	
(in thousands, except per share data)	**January 2, 2022**	**January 3, 2021**
Net income per share – basic:		
Net income attributable to shareholders	$ 24,021	$ 4,947
Weighted average shares outstanding - basic	9,826	9,155
Basic net income per share attributable to shareholders	$ 2.44	$ 0.54
Net income per share – diluted:		
Net income attributable to shareholders	$ 24,021	$ 4,947
Weighted average shares outstanding - diluted	9,922	9,156
Diluted net income per share attributable to shareholders	$ 2.42	$ 0.54

There were approximately 8,990 and 271,176 stock options as of January 2, 2022 and January 3, 2021, respectively that were not included in the computation of diluted EPS because they were anti-dilutive.

Stock-based compensation

The Company recognizes compensation cost for share-based awards granted to team members and board members based on their fair values at the time of grant over the requisite service period. Bonus compensation issued in the form of unrestricted, freely tradable shares of the Company's common stock is expensed in full when earned. Compensation cost for stock options and other incentive awards is included in general and administrative expenses in the Company's consolidated statements of operations (see Note 10 *Stock-based Compensation).*

Income Taxes

The Company provides for income taxes based on its estimate of federal and state income tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, allowable tax credits for items such as taxes paid on reported tip income, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. The Company's estimates are based on the information it has available at the time the income tax provision is prepared. The Company generally files its annual income tax returns several months after its fiscal year-end. Income tax returns are subject to audit by federal, state, and local governments, generally years after the tax returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. Accounting for uncertain tax positions requires significant judgment including estimating the amount, timing, and likelihood of ultimate settlement. Although the Company believes its estimates are reasonable, actual results could differ from these estimates. Additionally, uncertain positions may be re-measured as warranted by changes in facts or law.

Revenue recognition

The Company recognizes revenue at the point in time when food and services are provided to a restaurant guest or other customer. Revenues from restaurant operations are presented net of discounts, coupons, employee meals and complimentary meals and recognized when food, beverage and retail products are sold. Sales tax collected from customers is excluded from sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Revenue from catered events are recognized in income upon satisfaction of the performance obligation (the date the event is held). All customer payments, including nonrefundable upfront deposits, are deferred as a liability until such time.

The Company recognizes franchise fee revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are due upon the opening of a new restaurant or upon the execution of a renewal of the related franchise agreement. The Company’s performance obligation with respect to franchise fee revenues consists of a license to utilize its brand for a specified period of time, which is satisfied equally over the life of each franchise agreement.

Area development fees are deferred until a new restaurant is opened pursuant to the area development agreement, at which time revenue is recognized on a straight-line basis over the life of the franchise agreement. Cash payments for area development agreements are typically due when an area development agreement has been executed.

Gift card breakage revenue is recognized proportionately as gift cards are redeemed utilizing an estimated breakage rate based on the Company’s historical experience. Gift card breakage revenue is reported within the licensing and other revenue line item of the consolidated statements of operations.

The Company defers revenue associated with the estimated selling price of reward points earned pursuant to its loyalty programs and establishes a corresponding liability. This deferral is based on the estimated value of the product for which the reward is expected to be redeemed, net of estimated unredeemed points. When a guest redeems an earned reward, the Company recognizes revenue for the redeemed product and reduces the deferred revenue. Deferred revenue associated with the Company’s loyalty programs was $366,000 and $124,000 as of January 2, 2022 and January 3, 2021, respectively.

Contract liabilities consist of deferred revenue resulting from franchise fees paid by franchisees. The Company classifies these liabilities within other current liabilities and other liabilities within the consolidated balance sheets based on the expected timing of revenue recognition associated with these liabilities.

(in thousands)	January 2, 2022	January 3, 2021
Beginning Balance	$ 901	$ 1,318
Revenue recognized	(95)	(417)
Ending Balance	$ 806	$ 901

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations as of January 2, 2022:

(in thousands)		
Fiscal Year		
2022	$	118
2023		109
2024		134
2025		76
2026		171
Thereafter		198
Total	$	806

Recent Accounting Guidance

Recently adopted accounting guidance

In December 2019, the FASB issued Update 2019-12, Income Taxes ("Topic 740") as part of its Simplification Initiative. This guidance provides amendments to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for annual and interim reporting periods beginning after December 15, 2020, and early adoption is permitted. The Company adopted this guidance during the first quarter of 2021. The adoption of this guidance did not have a material impact on its consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

The Company reviewed all recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a significant impact on its consolidated financial statements.

(2) RESTAURANT ACQUISITIONS

On July 12, 2021, the Company completed the acquisition of the assets and operations of four Famous Dave's restaurants in Kentucky and Tennessee from FFD Citadel LLC, FFD Hermitage LLC, FFD Cedar Bluff, and FFD Smyrna. The contract purchase price of the restaurants was approximately $1.1 million, exclusive of acquisition costs of approximately $52,000 which are reflected in general and administrative expenses. The assets acquired and liabilities assumed were recorded at estimated fair value based on information available. Pro forma results were deemed immaterial to the Company.

(in thousands)		
Assets acquired:		
Property, plant, equipment and leasehold improvements, net	$	641
Operating lease right-of-use assets		4,616
Total identifiable assets acquired		5,257
Liabilities assumed:		
Gift card liability		(16)
Lease liability		(4,610)
Net assets acquired		631
Goodwill		469
Total consideration transferred	$	1,100

BBQ HOLDINGS, INC. AND SUBSIDIARIES

On June 24, 2021, 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 “VIBS Transaction”). The VIBS Transaction closed on July 30, 2021. As a result of the VIBS 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 purchase price of the VIBS Transaction was approximately $13.0 million and subject to certain purchase price adjustments and exclusive of acquisition costs of approximately $555,000 which are reflected in general and administrative expenses.

The VIBS Transaction was accounted for using the acquisition method of accounting in accordance with ASC 805 “Business Combinations” and, accordingly, the consolidated statements of operations include the results of these operations from the date of acquisition, July 30, 2021. Revenue and earnings of VIBS included in the consolidated statements of operations in the year ended January 2, 2022 totaled approximately $25.4 million and $2.9 million, respectively. The assets acquired and the liabilities assumed were recorded at estimated fair values based on information available as of the end of the fourth quarter of fiscal 2021.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The following table presents the allocation of assets acquired and liabilities assumed for the VIBS Transaction:

(in thousands)		
Assets acquired:		
Current assets	$	708
Property, plant, equipment and leasehold improvements, net		5,101
Owned properties		3,148
Franchise agreements		10,602
Identifiable intangible assets, net		2,645
Operating lease right-of-use assets		14,723
Total identifiable assets acquired		36,927
Liabilities assumed:		
Deferred royalty revenue		(327)
Other current liabilities		(1,187)
Supply chain adjustment		(117)
Gift card and loyalty liability		(1,186)
Lease liabilities		(17,220)
Deferred tax liability		(904)
Net assets acquired		15,986
Gain on bargain purchase		2,995
Total consideration transferred	$	12,991

On October 8, 2021, the Company closed on the signed Asset Purchase Agreement with Fresh Acquisitions, LLC following the U.S. Bankruptcy Code Section 363 Auction where Tahoe Joe's Steakhouse, LLC (wholly-owned subsidiary of BBQ Holdings, Inc.) was the successful bidder for the assets associated with the Tahoe Joe's restaurant chain and the IP related to 4 buffet concepts. The Company purchased the Tahoe Joe's restaurant chain as well as the buffet IP (the "Tahoe Joe's Acquisition"). The purchase price was $4.2 million in cash plus additional cure costs, subject to normal closing adjustments.

The Tahoe Joe's Acquisition was accounted for using the acquisition method of accounting in accordance with ASC 805 "Business Combinations" and, accordingly, the consolidated statements of operations include the results of these operations from the date of acquisition, October 8, 2021. Revenue and earnings of Tahoe Joe's included in the consolidated statements of operations in the year ended January 2, 2022 totaled approximately $4.8 million and $200,000, respectively.

(in thousands)		
Assets acquired:		
Inventory		231
Property, plant, equipment and leasehold improvements, net		1,682
Lease right-of-use asset, net of unfavorable lease value		4,205
Identifiable intangible assets, net		1,200
Total identifiable assets acquired		7,318
Liabilities assumed:		
Gift card liability		(160)
Lease liability		(4,355)
Deferred tax liability		(18)
Other current liabilities		(30)
Net assets acquired		2,755
Goodwill		1,962
Total consideration transferred	$	4,717

On March 16, 2020, the Company completed the acquisition of the assets and operations of a Real Urban Barbeque restaurant in Vernon Hills, Illinois from Real Urban Barbeque VH LLC. The contract purchase price of the restaurant was approximately $45,000, exclusive of closing costs plus the assumption of the lease, gift card and certain other liabilities. The assets acquired and the liabilities assumed were considered to be immaterial and were recorded at estimated fair values based on information available, including an ROU asset and offsetting liability of approximately $714,000.

On February 11, 2020, 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 $3.7 million plus certain assumed liabilities including gift card liability and cure costs. On March 9, 2020, the Company closed the Granite City Acquisition with cash on hand and borrowing under its existing loan agreement with Choice Financial Group.

The Granite City Acquisition was accounted for using the acquisition method of accounting in accordance with ASC 805 “Business Combinations” and, accordingly, the consolidated statements of operations include the results of these operations from the date of acquisition. The assets acquired and the liabilities assumed were recorded at estimated fair values based on information available as of the end of fiscal year 2020.

The following table presents the allocation of assets acquired and liabilities assumed for the Granite City Acquisition:

(in thousands)		
Assets acquired:		
Cash and cash equivalents	$	128
Inventory		980
Property, plant, equipment and leasehold improvements, net		17,818
Lease right-of-use asset, net of unfavorable lease value		50,968
Identifiable intangible assets, net		8,329
Total identifiable assets acquired		78,223
Liabilities assumed:		
Gift card liability		(3,923)
Lease liability		(50,968)
Deferred tax liability		(4,752)
Net assets acquired		18,580
Gain on bargain purchase		13,246
Total consideration transferred	$	5,334

Unaudited pro forma results of operations for the fiscal years ended January 2, 2022 and January 3, 2021 as if the Company had acquired the operations of the above referenced acquisitions at the beginning of each period presented is as follows. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the business combination had been in effect on the dates indicated, or which may result in the future.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

	Year Ended	
	January 2, 2022	January 3, 2021
(in thousands)		
Pro forma revenues	$ 247,973	$ 190,928
Pro forma net income attributable to shareholders	$ 27,975	$ 6,249
Basic pro forma net income per share attributable to shareholders	$ 2.85	$ 0.68
Diluted pro forma net income per share attributable to shareholders	$ 2.82	$ 0.68

(3) INVENTORIES

Inventories consisted approximately of the following at:

(in thousands)	January 2, 2022	January 3, 2021
Food and beverage	$ 2,452	$ 1,559
Smallwares and supplies	864	712
	$ 3,316	$ 2,271

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following at:

(in thousands)	January 2, 2022	January 3, 2021
Prepaid expenses and deferred costs	$ 2,241	$ 317
Prepaid rent	1,384	633
Prepaid insurance	257	302
Note receivable, short-term	24	—
Seller obligations	13	—
Prepaid expenses and other current assets	$ 3,919	$ 1,252

(5) PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET

The increase in property, equipment and leasehold improvements was primarily due to the VIBS Acquisition and the Tahoe Joe’s Acquisition described in Note 2 *Restaurant Acquisitions*. Property, equipment and leasehold improvements, net, consisted of the following:

(in thousands)	January 2, 2022	January 3, 2021
Land, buildings, and improvements	$ 39,632	$ 31,731
Furniture, fixtures, equipment and software	33,565	28,373
Décor	434	475
Construction in progress	—	1,121
Accumulated depreciation and amortization	(33,688)	(29,311)
Property, equipment and leasehold improvements, net	$ 39,943	$ 32,389

BBQ HOLDINGS, INC. AND SUBSIDIARIES

(6) INTANGIBLE ASSETS

The Company has intangible assets that consist of liquor licenses, database, trademarks and patents, and franchise rights, net. The liquor licenses and trademarks/logos are indefinite-lived assets and are not subject to amortization. Franchise rights are amortized to depreciation and amortization expense on a straight-line basis over the remaining life of the franchise agreements. The database is amortized over three years.

The increase in intangible assets was due to the VIBS Acquisition and the Tahoe Joe's Acquisition described in Note 2 *Restaurant Acquisitions*. Intangible assets consisted of the following:

(in thousands)	January 2, 2022	January 3, 2021
Franchise rights, net	11,104	1,246
Liquor licenses	1,018	868
Trademark/Logos/Patents	11,233	7,688
Database	89	165
Intangible assets, net	$ 23,444	$ 9,967

The following table provides the projected future amortization of franchise rights, net for the next five years, as of January 2, 2022:

(in thousands)	Franchise Rights, net
Fiscal 2022	$ 1,450
Fiscal 2023	1,286
Fiscal 2024	1,164
Fiscal 2025	1,163
Fiscal 2026	1,075
Thereafter	4,966
	$ 11,104

The Company recognized amortization expense related to franchise rights of approximately $744,000 and $406,000 during the years ended January 2, 2022 and January 3, 2021, respectively, and expects to recognize the remaining balance over a period of ten years.

(7) OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at:

(in thousands)	January 2, 2022	January 3, 2021
Sales tax payable	1,657	1,286
Other accrued expense	3,613	1,393
Accrued real estate taxes	2,170	—
Accrued interest	26	115
Accrued utilities	560	199
Deferred revenue, other	366	124
Deferred franchise fees	118	95
Other current liabilities	$ 8,510	$ 3,212

(8) LONG-TERM DEBT

Long-term debt

On November 23, 2021, the Company, as borrower, entered into a credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A. The Credit Agreement has a five-year term and provides for up to a $5.0 million revolving line of credit and a $15.0 million term loan. The Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to $1,000,000 which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to Choice Financial Group described below. The proceeds will also be used for accretive capital allocation and for working capital purposes. The Company’s obligations under the Credit Agreement are secured by substantially all of its assets, excluding real property. Subject to certain conditions, borrowings under the Credit Agreement bear interest in the range of 1.75% to 2.25% per annum plus LIBOR. If LIBOR becomes unavailable, the replacement rate will be determined pursuant to the terms of the Credit Agreement. Quarterly principal payments will be required with a balloon payment due at maturity.

The Credit Agreement contains customary representations, warranties and covenants, including the financial covenants to maintain a rent adjusted leverage ratio not greater than 4.5 to 1.0 and a fixed charge coverage ratio of not less than 1.1 to 1.0. In addition, the Credit Agreement places restrictions on the Company’s ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make restricted payments such as dividends and stock repurchases.

On June 20, 2019, the Company entered into a Loan Agreement among the Company and Choice Financial Group. The Loan Agreement provided for a term loan in the principal amount of up to $24.0 million and was evidenced by a promissory note. The note had a maturity date of June 20, 2025 and had an interest rate in an amount equal to the Wall Street Journal Prime Rate, but in no circumstances was the rate of interest to be less than 5.00%. At November 23, 2021, using proceeds from the Credit Agreement referenced above, the Company paid off the note which had a balance due of $8.5 million.

On April 30, 2020, FDA and Granite City, Inc. (“GC”), wholly-owned operating subsidiaries of the Company received funding of approximately $7.2 million and $5.8 million, respectively, in connection with “Small Business Loans” under the Paycheck Protection Program. Subsequently, BBQ Ventures, Inc. (“Real Urban Barbeque”) and Mercury BBQ (“Clark Crew BBQ”) received funding of approximately $121,000 and $800,000, respectively, under the above referenced program on May 6, 2020 and May 8, 2020, respectively. These amounts were borrowed pursuant to the terms of the Promissory Notes by FDA, GC, Real Urban Barbeque and Clark Crew BBQ (“PPP Loans”), in favor of Choice Financial Group, a bank operating out of the state of North Dakota. The Company was very fortunate to be able to utilize the program for each of its subsidiaries. As a nano-cap public restaurant organization, the Company’s access to capital differs greatly from its larger competitors. The Company required these funds to retain, recall, and pay its loyal employees. The Covid-19 pandemic led to a government-required shut down of dining rooms, and with the Paycheck Protection Program funds, the Company was able to continue serving its customers.

The PPP Loans bore interest at 1% per annum and were scheduled to mature 24 months from the date of disbursement of funds under the PPP Loans respectively. Under certain circumstances, all or a portion of the PPP Loans were allowed to be forgiven. On June 11, 2021, the Company received a notification from Choice Financial Group that the Small Business Administration approved the Company’s loan forgiveness applications for the entire $14.0 million balance of the PPP Loans and that the remaining balance of the PPP Loans is zero. As such, the Company wrote off the debt balance and related accrued interest of $14.1 million. Such amount was included in the Company’s consolidated statements of operations in fiscal year 2021.

Debt outstanding under the above referenced agreements consisted of the following as of the periods presented:

(in thousands)	January 2, 2022	January 3, 2021
Term Loan	$ 15,000	$ 10,403
PPP Loans	—	13,957
Less: deferred financing costs	(209)	(80)
Less: current portion of long-term debt	(1,594)	(2,111)
Long-term debt, less current portion	$ 13,197	$ 22,169

Future minimum principal payments on long-term debt, as of January 2, 2022 were as follows:

(in thousands)	
Fiscal Year	
2022	$ 1,594
2023	1,500
2024	1,125
2025	1,594
2026	9,187
Total	$ 15,000

(9) COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases the property for its corporate headquarters and most of its Company-owned stores under non-cancelable operating leases with remaining minimum terms ranging from one to twenty years. These lease agreements generally contain base rent escalations that are either fixed pursuant to the lease agreement or based on the consumer price index. The Company is also required to pay contingent rentals on certain of its leases in amounts between 2.5% and 7% of gross sales above a minimum threshold. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of use ("ROU") assets, current portion of operating lease liabilities, and operating lease liabilities in its consolidated balance sheets.

Beginning in the second quarter of 2020, the Company negotiated rent concessions with several of its landlords due to the economic disruption to its business during the COVID-19 pandemic. The Company accounted for these lease concessions related to the effects of the COVID-19 pandemic in accordance with the lease modification accounting guidance in Topic 842, Leases. Pursuant to such guidance, the Company remeasured the modified leases using the revised terms as of the modification dates. Adjustments were made to reflect the remeasured liability with the offset to the ROU asset.

Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in operating expenses and general and administrative expenses on the statement of operations. The components of lease expense for the period presented is as follows:

BBQ HOLDINGS, INC. AND SUBSIDIARIES

(in thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Operating lease cost	$ 11,898	$ 9,227
Short-term lease cost	430	423
Variable lease cost	818	933
Sublease income	(166)	(177)
Total lease cost	12,980	10,406

(in thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 11,691	$ 7,589
Right-of-use assets obtained in exchange for new operating lease liabilities	28,864	51,682
Weighted-average remaining lease term of operating leases (in years)	8.10	10.25
Weighted-average discount rate of operating leases	4.72 %	5.27 %

Future maturities of lease liabilities, as of January 2, 2022, are as follows:

(in thousands)	
Fiscal Year	
2022	$ 15,857
2023	15,274
2024	14,142
2025	13,202
2026	11,601
Thereafter	39,226
Total operating lease obligations	109,302
Less imputed interest	(19,669)
Total	$ 89,633

Litigation

In the normal course of business, the Company is involved in a number of litigation matters that are incidental to the operation of the business. These matters generally include, among other things, matters with regard to employment, leases and general business-related issues. The Company currently believes that the resolution of any of these pending matters will not have a material adverse effect on its financial position, liquidity, or to its consolidated results of operations.

(10) STOCK-BASED COMPENSATION

Effective May 5, 2015, the Company adopted the 2015 Equity Plan (the "2015 Plan"), pursuant to which it may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and other stock and cash awards to eligible participants. At the Company's annual meeting of shareholders held in June 2021, its shareholders approved the amendment to the 2015 Plan to increase the number of common stock reserved for issuance from 1,500,000 to 2,000,000. The Company also maintains an Amended and Restated 2005 Stock Incentive Plan (the "2005 Plan"). The 2005 Plan prohibits the granting of options pursuant to the 2005 plan after May 12, 2015, the tenth anniversary of the date the 2005 Plan was approved by the Company's shareholders. Nonetheless, the 2005 Plan will remain in effect until all outstanding incentives granted thereunder have either been satisfied or terminated. As of January 2, 2022, there were 783,690 shares available for grant pursuant to the 2015 Plan.

Stock options granted to employees and directors generally vest over two to five years, in monthly or annual installments, as outlined in each agreement. Options generally expire ten years from the date of grant. Compensation expense equal to the grant date fair value of the options is recognized in general and administrative expense over the applicable service period.

The Company utilizes the Black-Scholes option pricing model when determining the compensation cost associated with stock options issued using the following significant assumptions:

- Stock price – Published trading market values of the Company's common stock as of the date of grant.
- Exercise price – The stated exercise price of the stock option.
- Expected life – The simplified method as outlined in ASC 718.
- Expected dividend – The rate of dividends that the Company expects to pay over the term of the stock option.
- Volatility – Actual volatility over the most recent historical period equivalent to the expected life of the option.
- Risk-free interest rate – The daily United States Treasury yield curve rate.

The Company recognized stock-based compensation expense in its consolidated statements of operations for the fiscal years ended January 2, 2022 and January 3, 2021, respectively, as follows:

	Year Ended	
(in thousands)	**January 2, 2022**	**January 3, 2021**
Stock options	$ 332	$ 457
Restricted stock	936	429
	$ 1,268	$ 886

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The following is a roll-forward of the Company's stock option activity for the periods presented:

(number of awards in thousands)	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 29, 2019	453	$ 6.71	5.7	$ 28
Granted	277	3.85		—
Exercised	(1)	4.18		1
Canceled, forfeited or expired	(154)	9.91		10
Options outstanding at January 3, 2021	575	$ 4.49	6.9	$ 401
Granted	123	12.99		—
Exercised	(181)	4.63		1,709
Canceled, forfeited or expired	(129)	4.47		1,159
Options outstanding at January 2, 2022	388	$ 7.13	7.3	$ 3,397
Options exercisable at January 2, 2022	168	$ 5.26	5.9	$ 1,783

The following table discloses the weighted-average values of significant assumptions that the Company made in valuing option grants for the periods presented:

	Year Ended	
	January 2, 2022	January 3, 2021
Weighted-average fair value of options granted during the period	$ 7.33	$ 1.79
Expected life (in years)	5.6	5.1
Expected dividend	$ —	$ —
Expected stock volatility	64.02 %	55.02 %
Risk-free interest rate	0.9 %	0.9 %

As of January 2, 2022, the total compensation cost related to unvested stock option awards was approximately $1.0 million, which is expected to be recognized over a period of approximately 3 years.

Information regarding the Company's restricted stock is summarized below:

(number of awards in thousands)	Number of Awards	Weighted Average Award Date Fair Value	Weighted Average Remaining Contractual Life in Years
Unvested at December 29, 2019	143	5.00	3.2
Granted	403	4.29	
Exercised/Released	(71)	4.85	
Unvested at January 3, 2021	475	$ 4.43	2.0
Granted	53	13.25	
Exercised/Released	(168)	4.93	
Canceled, forfeited or expired	(55)	4.30	
Unvested at January 2, 2022	305	$ 5.75	2.1

As of January 2, 2022, the total compensation cost related to unvested RSU awards was approximately $1.5 million, which is expected to be recognized over a period of approximately 2 years. As of January 2, 2022, the aggregate intrinsic value of unvested RSU awards was approximately $4.8 million.

(11) SHAREHOLDERS' EQUITY

On June 24, 2021, the Company entered into two separate Securities Purchase Agreements (each, a "Securities Purchase Agreement") with institutional investors pursuant to which the Company raised (i) gross proceeds of $10,000,000, pursuant to an agreement to sell 800,000 shares of the Company's common stock , and (ii) gross proceeds of $3,000,000 pursuant to an agreement to sell 200,000 shares of the Company's common stock (such shares of common stock collectively referred to herein as the "Securities", and the aggregate sale of 1,000,000 Securities referred to herein as the "Offering"). The Company used the net proceeds of the Offering for the VIBS Transaction described in Note 2 *Restaurant Acquisitions*. In connection with the closing of the Offering, the Company paid expenses of approximately of $572,000.

As part of each Securities Purchase Agreement, the Company agreed to register the Securities sold in the Offering (the "Registrable Securities") for resale or other disposition, pursuant to a Registration Rights Agreement with each investor (each, a "Registration Rights Agreement"). On August 4, 2021, the Company filed with the Securities and Exchange Commission (the "SEC") a shelf registration statement with respect to the resale of the Registrable Securities. The shelf registration statement was declared effective by the SEC September 3, 2021. The Company agreed to keep the shelf registration statement effective until such time as all Registrable Securities may be sold pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act") without the need for current public information or other restrictions. If the Company is unable to comply with any of the above covenants, it will be required to pay liquidated damages to the investors in the amount of 1% of the investors' purchase price for every month until such non-compliance is cured (subject to a 6% cap), with such liquidated damages payable in cash.

(12) RETIREMENT SAVINGS PLANS

401(k) Plan

The Company has a pre-tax salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. The following table outlines certain information about the Company's 401(k) plan:

	Year Ended	
(dollars in thousands)	**January 2, 2022**	**January 3, 2021**
Employer contribution rate, percent of employee contributions	25.0 %	25.0 %
Employee contribution rate, maximum percentage of employee earnings subject to employer matching	4.0 %	4.0 %
Employee contributions	$ 646	$ 787
Employer match	$ 87	$ 139

Non-Qualified Deferred Compensation Plan

The Company maintains a non-qualified deferred compensation plan, effective as of February 25, 2005 (the "DCP") for eligible participants, as defined in the DCP. The DCP allows participating employees to defer a portion of their compensation (salary, bonus and commissions). The assets of the DCP are maintained in an unsecured account that has no trust fund. In the event of bankruptcy, participants entitled to future payments under the DCP would have no greater rights than that of an unsecured general creditor and the DCP confers no legal rights for interest or claim on any of the Company's assets. The benefits provided by the DCP are not, nor are they required to be, insured.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The following table outlines certain information about the DCP:

(dollars in thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Employer contribution rate, percent of employee contributions	25.0 %	25.0 %
Employee contribution rate, maximum percentage of employee earnings subject to employer matching	4.0 %	4.0 %
Declared interest rate	6.0 %	6.0 %
Employee contributions	$ 38	$ 53
Employer match and interest	$ 5	$ 23
Distributions	$ 77	$ 29

(13) INCOME TAXES

For financial reporting purposes, income (loss) before income taxes consists of the following components for the periods presented:

(in thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
United States	$ 24,655	$ 1,124
Foreign	374	306
Total	$ 25,029	$ 1,430

The following table summarizes the income tax (expense) benefit for the periods presented:

(in thousands)	Year Ended January 2, 2022	Year Ended January 3, 2021
Current:		
Federal	$ (86)	$ 6
State	(227)	(169)
Foreign	(11)	(9)
	(324)	(172)
Deferred:		
Federal	(403)	2,801
State	66	208
	(337)	3,009
Total income tax (expense) benefit	$ (661)	$ 2,837

The impact of uncertain tax positions taken or expected to be taken on income tax returns must be recognized in the financial statements at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained.

The following is a reconciliation of the beginning and ending amounts of gross unrecognized tax benefit for the periods presented:

(in thousands)	
Balance at December 29, 2019	4
Decreases due to lapses of statutes of limitations	(2)
Balance at January 3, 2021	2
Decreases due to lapses of statutes of limitations	—
Balance at January 2, 2022	$ 2

Substantially all of the Company’s unrecognized tax benefits, if recognized, would impact its effective tax rate.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The preparation of these income tax returns requires it to interpret and apply relevant federal and state income tax laws. It is common for federal and state taxing authorities to periodically examine filed tax returns. During these examinations, it is possible for taxing authorities to interpret facts or tax law differently than the Company does. As a result, the Company may be required to adjust tax liabilities affecting its effective tax rate. Tax years 2018 and forward remain subject to federal examination. Tax years 2017 and forward remain subject to state examination. It is possible that the liability associated with the unrecognized tax benefits will increase or decrease within the next 12 months. The expiration of statutes of limitations would not decrease the Company’s unrecognized tax benefits.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The Company has significant net deferred tax assets ("DTA"), which results from the net temporary timing differences between amounts recorded within its consolidated financial statements in accordance with GAAP and such amounts measured in accordance with the laws of various taxing jurisdictions and as reported in the Company's tax returns. A DTA generally represents future tax benefits to be received when temporary differences previously reported in the Company's consolidated financial statements become deductible for income tax purposes, when net operating loss carry forwards are applied against future taxable income, or when tax credit carry forwards are utilized on other Company's tax returns. As of January 2, 2022, the majority of the Company's DTA resulted from net operating loss and tax credit carryforwards, which will not be fully realized until the Company generates taxable income in the future. The Company evaluates its net deferred tax asset on a quarterly basis to determine whether current facts and circumstances indicate that the DTA may not be fully realizable and it provides for valuation allowances on those portions of the DTA that it does not expect to realize.

Significant judgment is required in determining the realizability of the Company's DTA. The assessment of whether valuation allowances are required considers, among other matters, the nature, frequency and severity of any current and cumulative losses, forecasts of future profitability, the duration of statutory carry forward periods, the Company's experience with loss carry forwards not expiring unused and tax planning alternatives. In analyzing the need for valuation allowances, the Company first considered its history of cumulative operating results for income tax purposes over the past three years in each of the tax jurisdictions in which it operates, its financial performance in recent quarters, statutory carry forward periods and tax planning alternatives. Finally, the Company considered both its near and long-term financial outlook. After considering all available evidence both positive and negative, the Company concluded that recognition of valuation allowances for substantially all of its DTA was not required. The Company recognized a valuation allowance relating to certain state net operating losses for which it believes that is it more likely than not that the benefit will not be realized. In recognition of this risk, the Company has provided a valuation allowance of $1.3 million on the deferred tax asset related to these state net operating loss carryforwards.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The following is a summary of the components of the Company's net deferred tax assets as of the periods presented:

(in thousands)	January 2, 2022	January 3, 2021
Deferred tax asset:		
Federal net operating loss carry-forwards	$ 779	$ 2,298
State net operating loss carry-forwards	1,666	1,860
Tax credit carryover	4,281	3,225
Accrued expenses	716	241
Stock-based compensation	316	313
Deferred revenue	662	915
Lease reserve	21,493	18,356
Accrued and deferred compensation	475	59
Contribution carryover	37	49
Transaction and organization costs	438	98
Inventories	13	19
Total deferred tax asset	$ 30,876	$ 27,433
Deferred tax liability:		
Property and equipment basis difference	$ (2,468)	$ (2,083)
Intangible property basis difference	(3,660)	(2,112)
Inventories	(201)	(178)
Prepaid expenses	(667)	(306)
Right of use asset	(18,937)	(16,420)
Total deferred tax liability	$ (25,933)	$ (21,099)
Net deferred tax assets	4,943	6,334
Valuation allowance	(1,251)	(1,400)
Deferred tax asset, net	$ 3,692	$ 4,934

During the year ended January 2, 2022, the net decrease in the Company's DTA valuation allowance was approximately $149,000.

As of January 2, 2022, the Company had cumulative state net operating loss carryforwards for tax reporting purposes of approximately $24.3 million and federal net operating loss carryforwards for tax reporting purposes of $3.7 million which, if not used, could begin to expire in fiscal 2022 and in 2038, respectively.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

The following is a reconciliation from the Company's statutory tax rate to its effective tax rate for the periods presented:

	Year Ended	
	January 2, 2022	January 3, 2021
Federal statutory tax rate	21.0 %	21.0 %
State taxes, net of valuation allowance and federal benefit	0.3	(9.9)
Deferred rate change	0.8	2.0
Foreign taxes	—	0.4
Tax effect of permanent differences	(0.5)	(0.4)
Tax effect of general business credits	(3.9)	(19.4)
Tax effect of foreign tax credit	—	(0.4)
Uncertain tax positions	—	(0.2)
Return to provision update	0.2	0.9
Change in valuation allowance	(0.6)	4.0
Tax effect of permanent differences - Bargain Purchase Gain	(2.5)	(129.7)
Tax effect of PPP loan forgiveness	(11.2)	—
Other	(1.0)	(1.0)
Effective tax rate	2.6 %	(132.7)%

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted on March 27, 2020 and the Consolidated Appropriations Act (the Relief Act) was enacted on December 27, 2020 in the United States. The key provisions of the CARES Act and the Relief Act, as applicable to the Company, include the following:

- The ability to use net operating losses (NOLs) to offset income without the 80% taxable income limitation enacted as part of the Tax Cuts and Jobs Act (TCJA) of 2017, and to carry back NOLs to offset prior year income for five years. These are temporary provisions that apply to NOLs incurred in 2018, 2019 or 2020 tax years. The Company did not recognize any tax benefit for the year ended January 3, 2021 or January 2, 2022 related to its ability to carry back prior year losses, as well as projected current year losses, under the CARES Act to years with the previous 35% tax rate.

- The ability to claim a current deduction for interest expense up to 50% of Adjusted Taxable Income (ATI) for tax years 2019 and 2020. This limitation was previously 30% of ATI pursuant to the TCJA and reverted to 30% in 2021. The Company has no current interest expense limitation.

- The ability to defer the payment of the employer portion of social security taxes incurred between March 27, 2020 and December 31, 2020, with 50% of the deferred amount to be paid by December 31, 2021 and the remaining 50% to be paid by December 31, 2022. For the year ended January 3, 2021 and January 2, 2022, the Company did not defer any social security taxes to be paid in 2021 and 2022.

- The ability to claim an Employee Retention Credit (ERC), which is a refundable payroll tax credit, for 50% of qualified wages or benefits, subject to certain limitations, that are paid to an employee when they are not providing services due to COVID-19. The ERC applies to qualified wages paid or incurred during the period March 13, 2020 through December 31, 2020 and is available to eligible employers whose operations were fully or partially suspended due to COVID-19, or whose gross receipts declined by more than 50% when compared to the applicable period in the prior year. The Relief Act extended this credit to wages paid through July 1, 2021, increased the credit amounts, and now applies to businesses whose sales declined by more than 20%. The Company does not believe that the ERC will provide benefits for the Company.

- The Company received $14.0 million in Paycheck Protection Program (PPP) loans and the loans were forgiven in 2021. The CARES Act provides that the loan forgiveness is tax-exempt for federal purposes. In addition, the Relief Act provided that the expenses paid with the PPP loan proceeds are deductible for federal income tax purposes.

Based on state guidance, certain states have disallowed PPP loan related expenses. As such, the Company has reflected these state addbacks in the appropriate state calculations.

(14) ASSET IMPAIRMENT, ESTIMATED LEASE TERMINATION AND OTHER CLOSING COSTS

The following is a summary of asset impairment, estimated lease termination and other closing costs for the periods presented:

	Year Ended	
(dollars in thousands)	January 2, 2022	January 3, 2021
Asset impairments, net	$ —	$ 5,532
Lease termination and restaurant closure expenses	116	151
Asset impairment, estimated lease termination charges and other closing costs	$ 116	$ 5,683

(15) FAIR VALUE MEASUREMENTS

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 carrying amounts of cash and cash equivalents reported in the consolidated balance sheets approximates fair value based on current interest rates and short-term maturities. The carrying amount of accounts receivable approximates fair value due to the short-term nature of accounts receivable. The Company believes that the carrying amount of long-term debt approximates fair value due to the variable interest rate on the Company's long-term debt, as well as that there has been no significant change in the credit risk or credit markets since origination.

The Company had no assets measured at fair value in its consolidated balance sheets as of January 2, 2022 and January 3, 2021, except for the assets recorded at fair value in conjunction with restaurant acquisitions (see Note 2 *Restaurant Acquisitions*).

(16) VARIABLE INTEREST ENTITIES

A variable interest holder is considered to be the primary beneficiary of a variable interest entity ("VIE") if it has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. Once an entity is determined to be a VIE, the primary beneficiary is required to consolidate the entity. The Company has an installment agreement with one of its franchisees as a result of refranchising its Lincoln, Nebraska restaurant. This franchisee is a VIE; however, the owners of the franchise operations are the primary beneficiaries of the entities, not the Company. Therefore, the franchise operations are not required to be consolidated in the Company's consolidated financial statements.

On July 18, 2018, the Company and Clark Championship Products LLC ("Clark"), an entity owned by Travis Clark, became members of Mercury BBQ LLC ("Mercury") for the purposes of building out and operating the inaugural Clark Crew BBQ restaurant in Oklahoma City, Oklahoma (the "Restaurant"). Clark owns 80% of the units outstanding of Mercury and the Company owns 20% of the units outstanding of Mercury. Also in July 2019, the Company entered into a secured promissory note with Mercury which was amended in October 2019. This promissory note as amended (the "Loan") was in the amount of $3.9 million, the proceeds of which are required to be used for the build out of the Restaurant. The Loan bears interest at a rate of 8% per annum and requires payments of 100% of the excess monthly cash flows until the Loan and all interest accrued thereon is repaid. The Loan requires a balloon payment of unpaid principal and accrued interest on July 15, 2025 and may be prepaid at any time. Also on July 18, 2018, the Company and Clark entered into an intellectual property license agreement (the "License Agreement") pursuant to which Clark granted to the Company an exclusive license to use and sublicense the patents, trademarks, trade names, service marks, logos and designs related to Clark Crew BBQ restaurants and products. The term of the License Agreement is indefinite and may only be terminated by mutual written consent, unless the Company breached the License Agreement.

Because the Company has provided more than half of the subordinated financial support of Mercury and control Mercury via its representation on the board of managers, the Company has concluded that Mercury is a VIE, of which the Company is the primary beneficiary and must consolidate Mercury. Mercury generated net income of approximately $434,000 during fiscal year 2021, of which $347,000 was recorded as non-controlling interest the Company's consolidated financial statement. During fiscal year 2020, Mercury generated a net loss of approximately $849,000, of which $680,000 was recorded as non-controlling interest on the Company's consolidated financial statements. As of January 2, 2022, Mercury's assets included approximately $2.5 million of property, equipment and leasehold improvements, net, a $1.7 million ROU asset and $123,000 of inventory. The liabilities recognized as a result of consolidating Mercury BBQ's results of operations do not represent additional claims on the general assets of BBQ Holdings, Inc.; rather, they represent claims against the specific assets of the Mercury BBQ's. Conversely, assets recognized as a result of consolidating the Mercury BBQ's results of operations do not represent additional assets that could be used to satisfy claims against the general assets of BBQ Holdings.

(17) RELATED PARTY TRANSACTIONS

Charles Davidson, a franchisee of the Company, currently serves as a director of the Company and is the beneficial owner of approximately 16.1% of the Company's common stock as of the date that these financial statements were available to be issued, by virtue of his ownership interest in Wexford Capital.

The following table outlines amounts received from related parties during the years ended January 2, 2022 and January 3,2021:

	Year Ended	
(in thousands)	**January 2, 2022**	**January 3, 2021**
Revenues and NAF contributions - Charles Davidson	643	515

The following table outlines accounts receivable, net from related parties as of January 2, 2022 and January 3, 2021:

(in thousands)	**January 2, 2022**	**January 3, 2021**
Accounts receivable, net - Charles Davidson	64	52

(18) SUBSEQUENT EVENTS

The Company evaluated for the occurrence of subsequent events through the issuance date of its financial statements. No recognized or non-recognized subsequent events occurred that require recognition or disclosure in the consolidated financial statements other than the items below.

On March 10, 2022, the Company executed an Asset Purchase Agreement for substantially all the assets related to the fast-growing Barrio Queen restaurant group, and it expects to close the transaction within 45 days. Barrio Queen is known for their authentic Mexican fine dining in Phoenix, Arizona. There are currently seven operating restaurants and a lease signed for an eighth with a target opening date of December 2022. The purchase price of $28.0 million is anticipated to be funded with cash and debt.

On March 11, 2022, the Company executed and closed on an Asset Purchase Agreement for three bar-centric locations. The purchase price of $4.5 million was funded with cash. Due to the timing of the signing and closing of this acquisition, the initial accounting for this acquisition is not complete. In addition, we are not able to complete substantially all disclosures required by ASC 805.

BBQ HOLDINGS, INC. AND SUBSIDIARIES

Financial Statement Schedule

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

(in thousands)	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions Credits to Other Accounts	Balance at End of Period
Year ended January 3, 2021:				
Allowance for doubtful accounts	$ 132	$ 145	$ —	$ 277
Reserve for lease termination costs and asset retirement obligation	8	—	(8)	—
Year ended January 2, 2022:				
Allowance for doubtful accounts	$ 277	$ 708	$ (715)	$ 270

EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, dated March 29, 2019, incorporated by reference to Exhibit 3.1 to Form 8-K12B filed on September 17, 2019
3.2	Bylaws, dated March 29, 2019, incorporated by reference to Exhibit 2.1 of Form 8-K12B filed on September 17, 2019
4.1	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, incorporated by reference to Exhibit 4.1 of Form 10-K filed on March 27, 2020
10.1	Second Amended and Restated Non-Qualified Deferred Compensation Plan, dated January 1, 2008, incorporated by reference to Exhibit 10.16 to Form 10-K filed March 14, 2008 †
10.2	Amended and Restated 2005 Stock Incentive Plan (as amended through January 21, 2013), incorporated by reference to Exhibit 10.6 to Form 10-K filed March 15, 2013 †
10.3	Form of Director Restricted Stock Agreement Granted Under the Amended and Restated 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to Form 10-K filed March 13, 2015 †
10.4	Form of Indemnification Agreement between BBQ Holdings, Inc. and certain of its directors and officers, incorporated by reference to Exhibit 10.2 to Form 10-Q filed November 6, 2015
10.5	Schedule of directors and officers subject to Indemnification Agreements in the form of Exhibit 10.30, incorporated by reference to Exhibit 10.3 to Form 10-Q filed November 6, 2015
10.6	Asset Purchase Agreement dated November 1, 2017 among BBQ Holdings Ribs of Maryland, Inc., BBQ Holdings Ribs, Inc., Commonwealth Blue Ribbon Restaurants, LLC and Capital Blue Ribbon Restaurants, LLC, incorporated by reference to Exhibit 10.53 to the Registration Statement on Form S 1 filed on December 29, 2017
10.7	BBQ Holdings, Inc. Amended and Restated 2015 Equity Incentive Plan dated March 29, 2018, incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 19, 2020 †
10.8	Secured Promissory Note, dated July 18, 2018 between Mercury BBQ LLC and BBQ Holdings, Inc., incorporated by reference to Exhibit 10.1 to Form 10-Q filed on August 13, 2018
10.9	Intellectual Property License Agreement, dated July 18, 2018 among Travis Clark, Clark Championship Products LLC and BBQ Holdings, Inc., incorporated by reference to Exhibit 10.2 to Form 10-Q filed on August 13, 2018
10.10	Asset Purchase Agreement, dated January 29, 2019, by and among BBQ Holdings Ribs, Inc., Legendary BBQ, Inc., Cornerstar BBQ, Inc., Razorback BBQ, Inc., Larkridge BBQ, Inc., Mesa Mall BBQ, Inc., and Quebec Square BBQ, Inc., incorporated by reference to Exhibit 10.1 to Form 8-K filed February 4, 2019
10.11	Form of Restricted Stock Agreement Granted under the Amended and Restated 2015 Equity Incentive Plan, incorporated by reference to Exhibit 10.41 to Form 10-K filed March 4, 2019 †

Exhibit No.	Description
10.12	Purchase Agreement, dated June 12, 2019, by and among Famous Dave's Ribs, Inc. and General Realty CE LLC, incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 18, 2019
10.13	Loan Agreement dated June 20, 2019, by and among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Famous Dave's Ribs of Maryland, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. and Choice Financial Group, incorporated by reference to Exhibit 10.2 to Form 8-K filed on June 26, 2019
10.14	Term Promissory Note dated June 20, 2019 among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Famous Dave's Ribs of Maryland, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. to Choice Financial Group, incorporated by reference to Exhibit 10.3 to Form 8-K filed on June 26, 2019
10.15	Revolving Promissory Note, dated June 20, 2019 among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Famous Dave's Ribs of Maryland, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. to Choice Financial Group, incorporated by reference to Exhibit 10.4 to Form 8-K filed on June 26, 2019
10.16	Mortgage Security Agreement and Fixture Financing Statement, dated June 20, 2019 among Famous Dave's of America, Inc., D&D of Minnesota, Inc., Famous Dave's Ribs of Maryland, Inc., Famous Dave's Ribs, Inc., Famous Dave's Ribs-U, Inc., Lake & Hennepin BBQ & Blues, Inc. to Choice Financial Group, incorporated by reference to Exhibit 10.5 to Form 8-K filed on June 26, 2019
10.17	Intellectual Property License Agreement, dated October 2, 2019 between Clark Championship Products LLC and Mercury BBQ, LLC, incorporated by reference to Exhibit 10.1 to Form 10-Q filed November 12, 2019
10.18	Amendment, dated October 2, 2019, among Travis Clark, Clark Championship Products LLC and BBQ Oklahoma, Inc., to the Intellectual Property License Agreement, dated July 13, 2018, incorporated by reference to Exhibit 10.2 to Form 10-Q filed November 12, 2019
10.19	Secured Promissory Note, dated October 2, 2019, between Mercury BBQ LLC and BBQ Oklahoma, Inc., incorporated by reference to Exhibit 10.3 to Form 10-Q filed on November 12, 2019
10.20	Asset Purchase Agreement, dated February 11, 2020 among the Company and Granite City Food & Brewery Ltd. and its related entities, incorporated by reference to Exhibit 10.1 of Form 10-Q filed May 13, 2020
10.21	First Amendment to Asset Purchase Agreement, dated February 21, 2020, to Asset Purchase Agreement, dated February 11, 2020, among the Company and Granite City Food & Brewery Ltd. and its related entities, incorporated by reference to Exhibit 10.2 of Form 10-Q filed May 13, 2020
10.22	Offer of Employment Letter to Albert Hank, dated January 8, 2021, incorporated by reference to Exhibit 10.1 of Form 8-K filed January 13, 2021 †
10.23	Membership Interest Purchase Agreement, dated June 24, 2021, incorporated by reference to Exhibit 10-1 to Form 8-K filed June 25, 2021
10.24	Form of Securities Purchase Agreement, incorporated by reference to Exhibit 10.2.1 to Form 8-K filed June 25, 2021

Exhibit No.	Description
10.25	Form of Securities Purchase Agreement, incorporated by reference to Exhibit 10.2.2 to Form 8-K filed June 25, 2021
10.26	Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.3 to Form 8-K filed June 25, 2021
10.27	Offer of Employment Letter to Jason Schanno, dated August 9, 2021, incorporated by reference to Exhibit 10.1 to Form 8-K filed August 12, 2021 †
10.28	Credit Agreement with JPMorgan Chase Bank, N.A. dated November 23, 2021, incorporated by reference to Form 8-K filed November 30, 2021
10.29	Employment Agreement dated March 15, 2022 between BBQ Holdings, Inc. and Jeffery Crivello *†
10.30	Restricted Stock Agreement for Jeffery Crivello, dated March 15, 2022, granted under the Amended and Restated 2015 Equity Incentive Plan *†
10.31	Asset Purchase Agreement, dated March 10, 2022, relating to the purchase of the assets of the Barrio Queen restaurant group, incorporated by reference to Form 8-K filed March 14, 2022.
16.1	Letter of Grant Thornton to the Securities and Exchange Commission dated April 21, 2020, incorporated by reference to Form 8-K filed April 21, 2020
21.1*	Subsidiaries of BBQ Holdings, Inc.
23.1*	Consent of Schechter, Dokken, Kanter, Andrews & Selcer, Ltd.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

Exhibit No.	Description
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

* Filed herewith
† Management compensatory plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BBQ HOLDINGS, INC.
("Registrant")

Dated: March 16, 2022

By: /s/Jeffery J. Crivello
Jeffery J. Crivello
Chief Executive Officer
(Principal Executive Officer)

By: /s/Jason Schanno
Jason Schanno
Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 16, 2022 by the following persons on behalf of the registrant, in the capacities indicated.

Signature	*Title*
/s/Jeffery J. Crivello Jeffery J. Crivello	Chief Executive Officer and Director
/s/ Bryan L. Wolff Bryan L. Wolff	Non-Executive Chairman of the Board of Directors
/s/Charles Davidson Charles Davidson	Director
/s/ Peter O. Haeg Peter O. Haeg	Director
/s/Rachel Maga Rachel Maga	Director

Exhibit 10.29

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "***Agreement***") is dated effective as of March 15, 2022 (the "***Effective Date***"), by and between BBQ Holdings, Inc., a Minnesota corporation (the "***Company***"), and Jeffery Crivello, an individual with a primary address at 235 Walnut St., Libertyville, IL 60048 ("***Executive***").

WHEREAS, Executive wishes to continue to be employed by the Company and the Company desires to continue to employ Executive as its Chief Executive Officer (the "***CEO***") on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound, the parties hereto hereby agree as follows:

1. Employment; Employment Term. Upon the terms and conditions hereinafter set forth, the Company hereby agrees to retain the services of Executive and Executive hereby accepts such employment and agrees to faithfully and diligently serve as the CEO of the Company in accordance with this Agreement, commencing on the Effective Date and, unless terminated earlier pursuant to Section 6 of this Agreement, continuing until the close of business on the three (3) year anniversary of the Effective Date (the "***Employment Term***").

2. Duties.

(a) Services. During the Employment Term, Executive agrees to serve as CEO of the Company and shall render his duties as CEO in a manner that is consistent with Executive's position within the Company and as directed by the board of directors of the Company (the "***Board***"). Executive shall perform duties generally typical for a chief executive officer of a publicly traded company with extensive franchise operations operating and conducting business in the United States and its territories, Canada, Abu Dhabi and such other countries as the Company may conduct operations and do business in during the Employment Term. In addition to his duties as CEO, if requested by the Board, Executive agrees to serve as an elected/appointed officer and director of the Company and/or of any subsidiary of the Company and Executive shall serve in such capacities without additional compensation.

(b) Certain Obligations. During the Employment Term, Executive (i) shall devote substantially all of his business time and attention to achieve, in accordance with the policies and directives of the Board established from time to time in their sole discretion, the objectives of the Company, (ii) shall be subject to, and comply with, the rules, practices and policies applicable to executive employees, whether reflected in an employee handbook, code of conduct, compliance policy or otherwise, as the same may exist and be amended from time to time, of the Company; and (iii) Executive may (A) have investments in other entities and (B) act as a director for the entities and in the capacities set forth on Exhibit A hereto, or as otherwise approved by the Board; *provided* that so acting shall not materially interfere with Executive's duties with the Company. Executive agrees to own no less than one hundred thousand (100,000) shares of common stock (an amount equal to approximately four (4) times his base salary as of the date of this Agreement) during his employment.

(c) Location. The Company specifically acknowledges and agrees Executive will maintain his permanent residence in Illinois, and will fulfill his duties as CEO hereunder while based in such location; *provided*, *however*, that Executive agrees to report to the Company's headquarters in Minnetonka, Minnesota when and as required by the Board.

3. Compensation. For the services rendered herein by Executive, and the promises and covenants made by Executive herein, during the Employment Term the Company shall pay compensation to Executive as follows.

(a) Base Salary. The Company shall pay to Executive the sum of THREE HUNDRED FIFTY THOUSAND DOLLARS ($350,000) as an annual salary (the "***Base Salary***"), payable in accordance with the normal payroll practices of the Company.

(b) Target Bonus. Executive shall be eligible to receive an annual discretionary bonus with a target amount of 100% of Base Salary (a "***Target Bonus***") achieved by delivering the annual budgeted earnings. In addition, the Compensation Committee at its discretion may award a performance-based bonus which incentivizes the Executive to deliver earnings above target budget.

If the Compensation Committee (the "***Committee***") determines that Executive is entitled to a Target Bonus, the Company shall pay Executive at the same time as the other corporate Target Bonuses are paid.

(c) Equity Grants. Executive shall receive a grant in the amount of 225,000 shares, in addition to any previous unvested grants of the Company's restricted stock under the 2015 Equity Incentive Plan, as amended (the "***Restricted Stock***"). This new grant of Restricted Stock shall vest 75,000 shares on February 23, 2023, 75,000 shares on February 23, 2024 and 75,000 shares on February 23, 2025. All grants of Restricted Stock under this section shall also be subject to the Company's Restricted Stock Agreement for Employee.

(d) No Additional Compensation. Except for compensation set forth in this Agreement, Executive shall not receive additional compensation in connection with providing services to or holding executive or directorial office(s) in the Company or any of its subsidiaries unless otherwise agreed to by Executive and the Company, in the Company's sole discretion.

4. Benefits.

(a) Vacation. During Employment Term, Executive shall also be eligible to receive paid time off ("***PTO***") as outlined in the Company's PTO program for senior executives of the Company.

(b) Other Benefits. During the Employment Term, Executive will be eligible to participate in the Company's benefit plans that are currently and hereafter maintained by the Company and for which he is eligible including, without limitation, group medical, 401k, life insurance and other benefit plans (the "***Benefits***"). The Company reserves the right to cancel or change at any time the Benefits that it offers to its employees.

(c) Expenses. During the Employment Term, Executive shall be reimbursed for reasonable (travel and other) expenses incurred by Executive in the furtherance of or in connection with the performance of Executive's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time. Executive agrees to provide detailed backup of any expenses and indicate on any submission for reimbursement those expenses that relate to meals and entertainment. Executive will be granted a car allowance of one thousand dollars ($1,000) per month.

5. Non-Disclosure of Information, Assignment of Intellectual Property, and Restrictive Covenants. Executive acknowledges that the Company is in the business of developing, owning, operating and franchising restaurants globally, with a focus on the United States and its territories, Canada and Abu Dhabi and any other country where the Company does business, that the Executive has and will develop and assemble extensive "know-how" and trade secrets relating to its business, the business of its franchisees and the business of its suppliers and has developed an extensive relationship with its franchisees, suppliers and customers. Beginning from the Effective Date and continuing during Executive's employment with the Company, Executive will have access to such trade secrets and relationships and other proprietary information of the Company. Executive agrees to protect the Company's Confidential Information (as defined below) as provided in this Section 5.

(a) Confidential Information. "***Confidential Information***" means information regarding the Company not generally known and proprietary to the Company, or to a third party for whom the Company is performing work, including, without limitation, information concerning any patents or trade secrets, confidential or secret designs, infomercial sources, media outlets, pricing, processes, formulae, source codes, plans, devices or material, research and development, proprietary software, analysis, techniques, materials or designs (whether or not patented or patentable), directly or indirectly useful in any aspect of the business of the Company or any vendor names, customer and supplier lists, databases, management systems and sales and marketing plans of the Company, or any confidential secret development or research work of the Company, or any other confidential information or proprietary aspects of the business of the Company. All information which the Executive acquires or becomes acquainted with during his service as a member of the Board and during his employment with the Company, whether developed by the Executive or by others which the Executive has a reasonable basis to believe to be Confidential Information, or which is treated by the Company as being Confidential Information, shall be presumed to be Confidential Information. Executive also agrees to promptly enter into and remain bound by the Company's Employee Confidentiality Agreement (the "***Employee Confidentiality Agreement***"), the Company's Information Technology and Data Security Policy, as amended from time to time (the "***Data Security Policy***"), the Company's Sexual Harassment, Offensive Behavior and Non-Discrimination Policy (the "***Harassment and Discrimination Policy***"), the Gifts & Prizes Policy (the "***Gift Policy***") and any and all other employee policies adopted by the Company from time to time (together with the Data Security Policy, the Harassment and Discrimination Policy and the Gift Policy, the "***Company Policies***").

(b) Confidentiality Covenant. Except as permitted or directed by the Company, the Executive shall not, either while employed by the Company or thereafter, divulge, furnish or make accessible to anyone or use in any way (other than as required in the performance of Executive's duties as CEO hereunder) any Confidential Information. The Executive acknowledges that the Confidential Information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such Confidential Information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. Both during and after the Employment Term under this Agreement, Executive will refrain from any acts or omissions that would reduce the value of such knowledge or information to the Company.

(c) Assignment of Intellectual Property. Executive agrees to assign and hereby assigns to the Company (the "***Assignment***") any and all rights, improvements and copyrightable or patentable subject matter, know-how, and other intellectual property relating to the Company's business (or any of its subsidiaries' businesses) which Executive conceived or developed, or may conceive or develop, either alone or with others, or which otherwise arose or may arise during Executive's employment with the Company and for a period of eighteen (18) months thereafter ("***Assignable Property***"). Executive shall promptly disclose to the Company all Assignable Property. Executive agrees not to assert any rights against the Company (or any of its subsidiaries) or seek compensation from the Company (or any of its subsidiaries) for the foregoing Assignment or the Company's (or any of its subsidiaries) use of Assignable Property. Executive shall promptly disclose to the Company all knowledge that Executive has or obtains regarding Assignable Property and, at the request of the Company, Executive shall, without expense or additional compensation, provide the Company with whatever assistance that the Company may request of Executive including, but not limited to: (i) signing documents to further evidence and perfect an Assignment; (ii) obtaining for the Company patents, trademarks and trademark protection, copyrights and copyright protection, assignment of rights, and protection of trade secrets; and (iii) taking any other action the Company deems appropriate for securing or protecting its rights in Assignable Property or other intellectual property of the Company or its subsidiaries.

(d) Non-Solicitation. During the Employment Term and for a period of eighteen (18) months thereafter, Executive shall not, whether for his own benefit or that of any other individual, partnership, firm, corporation, or other business organization, directly or indirectly: (i) solicit or attempt to induce any employee of the Company or any of its subsidiaries (an "***Employee***") to leave his/her employment with the Company or in any way interfere with the relationship between or among the Company and any Employee; (ii) hire any person who was an Employee at any time during the Employment Term, (iii) induce or attempt to induce any supplier, licensee, franchisee or other business relation of the Company (collectively, the "***Partners***") to limit or reduce his, her or its relationship with the Company or (iv) make any negative or disparaging statements or communications regarding the Company, any of its current or former directors, stockholders, officers, Employees or Partners (collectively, "***Soliciting***").

(e) Non-Compete. During the Employment Term and for twelve (12) months following the termination of Executive's employment with the Company, Executive shall not, whether as an employee, consultant, agent, proprietor, principal, partner, stockholder, corporate officer, director or otherwise (including through Executive's relationship with PW Partners Capital Management or its affiliates), directly or indirectly manage or control of any person, firm, corporation or business whose business, or a material portion thereof, is the retail sale of barbeque food. The foregoing covenant shall cover Executive's activities in the United States and its territories, in Canada, Abu Dhabi and in any other country in which the Company does business during the Employment Term.

(f) Equitable Relief. In the event of a breach of or threatened breach by Executive of the provisions of this Section 5, the Company shall be entitled to an injunction restraining Executive from violating these covenants. Any breach or threatened breach of such provisions will cause irreparable injury to the Company and that money damages will not provide an adequate remedy therefor, and Executive hereby consents to the issuance of an injunction and to the ordering of such specific performance in the event the Company seeks injunctive relief and agrees that the Company shall be entitled to recover reasonable costs and attorneys' fees in connection therewith. Executive further agrees that no bond or other security shall be required in obtaining such equitable relief, nor will proof of actual damages be required for such equitable relief.

(g) Tolling. In the event of a breach by Executive of any covenant set forth in this Section 5, the period of time applicable to such covenant shall be extended by the duration of any violation by Executive of such covenant.

6. Termination; Severance Payments; Etc. Employee's employment may be terminated during the Term as follows:

6.1. By the Company With Cause. For purposes of this Agreement, "Cause" will mean the occurrence of any of the following, as determined by the Board in its sole discretion:

(a) Employee's gross neglect or mismanagement of Employee's duties; or

(b) Conduct by Employee which is (or will be if continued) demonstrably injurious to the Company, monetarily or otherwise; or

(c) Fraud, misappropriation, or embezzlement by the Employee; or

(d) Employee's conviction of a felony crime, gross misdemeanor, or a crime of moral turpitude; or

(e) Employee's material breach of this Agreement or the Company's policies.

The Company, through the Board, may immediately terminate Employee's employment for Cause by providing written notice of such termination to Employee. As of the Effective Date of such termination of Employee's employment by the Company, the Company will be relieved of all obligations and liabilities to Employee under this Agreement.

6.2. By the Company Without Cause. Employee's employment may be terminated by the Board without Cause.

6.3. Death. Should Employee die during the Term, Employee's employment will immediately terminate; but the Company will pay to Employee's estate his base salary, plus any commissions, bonuses, expenses, or allowances accrued up to Employee's death.

6.4. Disability. Should Employee be unable to perform Employee's essential duties due to disability, after being provided with any reasonable accommodation the Company may be obligated by law to provide, Employee's employment may be terminated by the Company.

6.5. By Employee With Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events without the Employee's prior written consent, provided that the Employee gives notice of Employee's intent to resign for Good Reason within 30 days of Employee's discovery of such event:

(a) a material diminution in Employee's title or duties; or

(b) a material diminution of Employee's compensation or benefits; or

(c) a failure by the Company to provide Employee any material payments or benefits owed to Employee; or

Employee may terminate Employee's employment at any time for Good Reason, provided that Employee has provided the Board at least 30 days' advance written notice stating the specific reason for such resignation and provided that such reason has not been cured by the Company within said notice period.

6.6. By Employee Without Good Reason. Employee may terminate Employee's employment at any time without Good Reason, provided that Employee has provided the Board at least 30 days' written notice. Even if the Company does not request Employee to continue to render such services during said notice period, Employee will be paid Employee's base salary, bonuses, expenses, PTO or allowances accrued up to the date of expiration of said notice period.

6.7. Severance Pay Upon Certain Terminations. In the event that Employee's employment is terminated by the Company without Cause, for death or disability, non-renewal of the Employment Agreement or by Employee with Good Reason, or in connection with a Change In Control (as defined in the Restricted Stock Agreement of even date), the Company shall, pay Executive the equivalent of twelve (12) months Base Salary, and twelve (12) months Target Bonus (nondiscretionary absolute value). Furthermore, any Restricted Stock, not otherwise vested by their terms, which would have vested within the twelve (12) months following termination shall immediately vest and become unrestricted subject to the conditions set forth in this Section 6. Company will pay Employee the severance pay due under this Section 6.7 monthly over twelve (12) months, less applicable withholdings and the amount of any debt then owed by Employee to the Company whether or not such debt is then due or payable (the "***Severance Amount***"). The Severance Amount does not include any Benefits.

Notwithstanding the foregoing, Employee will only be entitled to receive the Severance Amount, other than in the event of death, if Employee signs a separation agreement at the time of termination in a form prepared by and acceptable to the Company that includes adequate provisions for at least the following: (a) Employee's general release of any and all legal claims against the Company and all affiliated entities and persons; (b) Employee's return of all of the Company's property and data; (c) nondisparagement of the Company and any affiliated entities and persons; (d) confidentiality of terms; and (e) acknowledgement of Employee's continuing contractual obligations to the Company, including Employee's continuing confidentiality, non-compete, and invention obligations under this Agreement.

(a) Employee's gross neglect or mismanagement of Employee's duties; or.

(b) Transition of Duties. In the event of a termination of the Executive, Executive shall assist the Company in transitioning his duties to another person or person designated by the Company.

7. Representations.

(a) Executive represents that his performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by him in confidence or in trust prior to or outside of his employment by the Company. Executive hereby represents and warrants that he has not entered into, and will not enter into, any oral or written agreement in conflict herewith.

(b) Executive hereby represents that Executive is not subject to any other agreement that Employee will violate by working with the Company or in the position for which the Company has hired Executive. Further, Executive represents that no conflict of interest or a breach of Executive's fiduciary duties will result by working with and performing duties for the Company.

(c) Executive further acknowledges and agrees that he has carefully read this Agreement and that he has asked any questions needed for him to understand the terms, consequences and binding effect of this Agreement and fully understands it and that he has been provided an opportunity to seek the advice of legal counsel of his choice before signing this Agreement.

(d) Executive represents and warrants that he is not currently involved, directly or indirectly, in any litigation as a defendant or as a party subject to any counterclaims, nor is any such litigation threatened against Executive, directly or indirectly.

8. Miscellaneous.

(a) Notices. All notices, requests, consents and other communications hereunder (i) shall be in writing, (ii) shall be effective upon receipt, and (iii) shall be sufficient if delivered personally, electronically with receipt confirmation, or by mail, in each case addressed as follows:

If to the Company:

To the following members of the Committee of the Board

Peter Haeg — email: peter@farnamstreet.com
Rachel Maga — email: rachel@tenfoursocial.com
Bryan Wolff — email: bryan.wolff@gmail.com

With a copy to:

Lathrop GPM LLP
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Attn: Ryan Palmer
Fax: 612-632-4013
Email: Ryan.Palmer@lathropgpm.com

Lathrop GPM LLP
500 IDS Center
80 South Eighth Street
Minneapolis, MN USA 55402
Attn: JC Anderson
Fax: 612-632-3223
Email: JC.Anderson@lathropgpm.com

If to Executive:

To Executive's most recent residential address or otherwise known by the Company or any other address Executive may provide to the Company in writing or by email to jeffcrivello@gmail.com or such other email address as Executive may provide to the Company in writing.

Either party may change its address or email address or fax number for purposes hereof by giving notice to the other party in accordance with this paragraph. Any notice given by certified mail, as aforesaid, shall be deemed given on the third (3rd) day after such notice is deposited with the United States Postal Service. Any notice given by hand, as aforesaid, shall be deemed given when received (against a signed receipt). Any notice given by overnight delivery service, as aforesaid, shall be deemed given on the first business day following the date when such notice is deposited with such delivery service. Any notice given by facsimile, as aforesaid, shall be deemed given upon receipt of answerback confirmation. Any notice given by e-mail, as aforesaid, shall be deemed given upon receipt of notice of delivery.

(b) Entire Agreement. This Agreement constitute the entire agreement by and between the parties with respect to the subject matter contained herein and supersedes all prior agreements or understandings, oral or written, with respect to the subject matter contained herein. Notwithstanding the foregoing, Executive shall remain subject to and bound by the Employee Confidentiality Agreement and the Company Policies.

(c) Amendments; Waivers; Etc. This Agreement may not be altered, amended or modified in any manner, nor may any of its provisions be waived, except by written amendment executed by the parties hereto that specifically states that they intended to alter, amend or modify this Agreement. No provision of this Agreement may be waived by any party hereto except by written waiver executed by the waiving party that specifically states that it intends to waive a right hereunder. Any such waiver, alteration, amendment or modification shall be effective only in the specific instance and for the specific purpose for which it was given. No remedy herein conferred upon or reserved by a party is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Agreement or in connection with this Agreement and now or hereafter existing at law or in equity.

(d) Governing Law and Jurisdiction. Except as provided otherwise in Section 8(k), this Agreement shall be construed and enforced in accordance with the laws of the State of Minnesota without regard to the principle of the conflict of laws. Any dispute arising in connection with this Agreement may be adjudicated by binding arbitration pursuant to the rules of the American Arbitration Association, before a single arbitrator in Minneapolis, Minnesota except that the foregoing shall not preclude the Company or Executive from enforcing the award of the arbitrators in a state or Federal Court located in the State of Minnesota, and each of the parties hereto consent to the jurisdiction of such Courts.

(e) Successors and Assigns. Neither this Agreement nor any rights or obligations hereunder are assignable by Executive. The Company shall have the right to assign its rights and obligations under this Agreement to any affiliate or successor of the Company. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive’s death and (b) any successor of the Company. Any such successor of the Company (including but not limited to any person or entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company) will be deemed substituted for the Company under the terms of this Agreement for all purposes.

(f) Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS AMONG THEM RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT OR WITH ANY ARBITRATOR AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT (I) THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, (II) EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND (III) EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES AGREES THAT THE PREVAILING

PARTY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE ENTITLED TO RECOVER ITS REASONABLE FEES AND EXPENSES IN CONNECTION THEREWITH, INCLUDING LEGAL FEES.

(g) Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same instrument.

(h) Severability. Executive acknowledges that the provisions, restrictions and time limitations contained in Section 5 are reasonable and properly required for the adequate protection of the business of the Company and that in the event such restriction or limitation is deemed to be unreasonable by any court of competent jurisdiction, then Executive agrees to submit to the reduction of said restriction and limitation to such as any such court may deem reasonable. If any particular provision of Section 5 shall be adjudicated to be invalid or unenforceable, such provision shall be considered to be divisible with respect to scope, time and geographic area, and such lesser scope, time or geographic area, as a court of competent jurisdiction may determine to be reasonable, not arbitrary and not against public policy, shall be effective, binding and enforceable against Executive. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

(i) Survival. Any termination of Executive's employment and any expiration or termination of the Employment Term under this Agreement shall not affect the continuing operation and effect of Sections 5, 6 and 8 hereof, which shall continue in full force and effect with respect to the Company and its successors and assigns and respect to Executive.

(j) Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(k) Internal Revenue Code Section 409(A). The intent of the parties is that payments and benefits under the Agreement comply with or be exempt from Section 409A of the Internal Revenue Code (the "***Code***") and the regulations and guidance promulgated thereunder ("***Section 409A***") and, accordingly, to the maximum extent permitted the Agreement shall be interpreted to be in compliance therewith or exempt therefrom. To the extent any such cash payment or continuing benefit payable upon Executive's termination of employment is nonqualified deferred compensation subject to Section 409A, then, only to the extent required by Section 409A, such payment or continuing benefit shall not commence until the date which is six (6) months after the date of separation from service, and any previously scheduled payments shall be made in a lump sum (without interest) on that date. For purposes of Section 409A, the phrase "termination of employment" (or other words to that effect), as used in this Agreement, shall be interpreted to mean "separation from service" as defined under Section 409A.

(l) Golden Parachute (Sec. 280G).

1. Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided

or to be provided by the Company or its affiliates to the Executive or for the Executive's benefit pursuant to the terms of this Agreement, including the Restricted Stock, or otherwise, including other equity award agreements ("***Covered Payments***") constitute parachute payments ("***Parachute Payments***") within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "***Code***") and would, but for this Section 8(l) be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "***Excise Tax***"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Executive of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the Covered Payments be reduced, including by the forfeiture of unvested equity awards to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "***Reduced Amount***"). ***"Net Benefit"*** shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes.

2. The Covered Payments shall be reduced in a manner that maximizes the Executive's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

3. Any determination required under this Section 8(l), including whether any payments or benefits are parachute payments, shall be made by the Company in its sole discretion. The Executive shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this Section 8(l). The Company's determination shall be final and binding on the Executive.

(m) Section Headings. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof, affect the meaning or interpretation of this Agreement or of any term or provision hereof.

[REMAINDER OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date first set forth above.

BBQ HOLDINGS, INC.	EXECUTIVE:
By: /s/ Bryan Wolff	By: /s/ Jeffery Crivello
Name: Bryan Wolff	Name: Jeffery Crivello
Title: Chairman of the Board	Title: Chief Executive Officer

Signature Page to Crivello Employment Agreement

Exhibit A

[TREW Capital Management, Inc.]

Exhibit 10.30

BBQ HOLDINGS, INC.
RESTRICTED STOCK AGREEMENT

This RESTRICTED STOCK AGREEMENT (this "**Agreement**") is made effective as of March 15, 2022 by and between BBQ Holdings, Inc., a Minnesota corporation (the "**Company**"), and Jeffery Crivello ("**Employee**").

BACKGROUND

A. Employee has been hired to serve as an employee of the Company and the Company desires to induce Employee to continue to serve the Company as an employee; and

B. The Company has adopted the Famous Dave's of America, Inc. 2015 Equity Incentive Plan, as amended (the "**Plan**"), pursuant to which shares of common stock, $0.01 par value, of the Company have been reserved for issuance.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. Grant of Stock. Subject to the terms and provisions of this Agreement and the Plan, the Company hereby grants to Employee 225,000 shares of common stock, par value $0.01 per share, of the Company (such shares are referred to hereinafter as the "**Shares**"). Upon the execution of this Agreement, the Shares shall be registered on the books of the Company, and the Company shall cause the transfer agent and registrar of its common stock to issue a certificate in Employee's name evidencing the Shares (the "**Stock Certificate**"). Employee shall immediately thereafter deposit with the Company, together with a stock power endorsed in blank by Employee, the Stock Certificate to be held by the Company until such time as the restrictions set forth herein and under the Plan have lapsed pursuant to paragraph 4 of this Agreement. The Stock Certificate shall bear a legend in substantially the following form:

> The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the 2015 Equity Incentive Plan, as amended, of BBQ Holdings, Inc. (the "Company") and an agreement entered into between the registered owner and the Company. A copy of the 2015 Equity Incentive Plan, as amended, and the agreement is on file in the office of the secretary of the Company.

2. Rights of Employee. Upon the execution of this Agreement and issuance of the Shares, Employee shall become a shareholder with respect to the Shares and shall have all of

the rights of a shareholder with respect to the Shares, including the right to vote the Shares and to receive all dividends and other distributions paid with respect to the Shares; *provided, however,* that the Shares shall be subject to the restrictions set forth in paragraph 3 of this Agreement.

Notwithstanding the preceding paragraph, the Board or a compensation committee thereof may, in its discretion, instruct the Company to withhold any stock dividends or stock splits issued on or with respect to Shares that are subject to the restrictions provided for in paragraph 3 of this Agreement, which stock dividends or splits shall also be subject to the restrictions provided for in paragraph 3 of this Agreement.

3. Restrictions. Employee agrees that, in addition to the restrictions set forth in the Plan, at all times prior to the lapse of such restrictions pursuant to paragraph 4 hereof:

(a) Employee shall not sell, transfer, pledge, hypothecate or otherwise encumber the Shares; and

(b) In the event that Employee ceases to be either a member of the Board or employed by or engaged as a consultant to the Company (for any reason or no reason, and regardless of whether ceasing to be a director, employee or consultant is voluntary or involuntary on the part of Employee), then, subject to paragraphs 4 and 5 hereof, Employee shall, for no consideration, forfeit and transfer to the Company all of the Shares that remain subject to the restrictions set forth in this paragraph 3.

4. Lapse of Restrictions. Subject to Section 9 of the Plan, and except as may otherwise be provided in a written agreement between Employee and the Company, the restrictions set forth in paragraph 3 shall lapse over a period of three (3) years in equal annual installments, beginning on the date of grant and continuing until the restrictions have lapsed with respect to all of the Shares, as set forth in the following schedule:

No. of Shares	**Date of Lapse**
75,000	February 23, 2023
75,000	February 23, 2024
75,000	February 23, 2025

Notwithstanding the foregoing and subject to the provisions of Section 8(l) of the Employment Agreement with Employee of even date (“**Employment Agreement**”), in the event of Employee’s termination by the Company without Cause or for disability, as a result of death, by Employee with Good Reason, or in connection with a “**Change in Control**” (as defined below), the vesting of the Shares vesting within 12 months after the date of termination will accelerate and such Shares shall be fully vested immediately upon such event, subject to the provisions of Section 6 of the Employment Agreement. “Cause” and “Good Reason” shall have the meanings set forth in the Employment Agreement.

“Change in Control” shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred following the effective date hereof:

(a) any person, other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, becomes the beneficial owner (within the meaning of Rule 13d-3), directly or indirectly, of securities of the

Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities, excluding any person who becomes such a beneficial owner in connection with a transaction described in clause (A) of paragraph (iii) below or any acquisition directly from the Company; or

(b) the following individuals cease for any reason to constitute a majority of the number of Directors then serving on the Board: individuals who, during any period of two (2) consecutive years, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of Directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2⁄3) of the Directors then still in office who either were Directors at the beginning of the two (2) year period or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) there is consummated a merger or consolidation of the Company or any subsidiary thereof with any other corporation, other than a merger or consolidation (A) that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof) outstanding immediately after such merger or consolidation, and (B) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or

(d) the consummation of a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than (A) a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned directly or indirectly by stockholders of the Company following the completion of such transaction in substantially the same proportions as their ownership of the Company immediately prior to such sale or (B) a sale or disposition of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or, if such entity is a subsidiary, the ultimate parent thereof.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

Upon request of Employee at any time after the date that the restrictions set forth in paragraph 3 of this Agreement have lapsed with respect to any of the Shares, and such Shares have become vested, free and clear of all restrictions, except as provided in the Plan, the Company shall remove any restrictive notations placed on the books of the Company and the Stock Certificate(s) in connection with such restrictions.

5. Copy of the Plan. By the execution of this Agreement, Employee acknowledges receipt of a copy of the Plan, the terms of which are hereby incorporated herein by reference and made a part hereof by reference as if set forth in full.

6. Continuation of Employment. Nothing contained in this Agreement shall be deemed to grant Employee any right to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation, nor shall this Agreement be construed as giving Employee, Employee's beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

7. Withholding of Tax. To the extent that the receipt of the Shares or the lapse of any restrictions thereon results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income; provided, however, that unless payment in full of such amount is received by the Company on or prior to the date on which the amount of tax to be withheld shall be determined ("**Tax Date**"), Employee shall be deemed to have irrevocably elected to satisfy such payment obligation by electing to have the Company withhold from the distribution of Shares upon the lapse of restrictions thereon such number of Shares having a value up to the minimum amount of withholding taxes required to be collected on the transaction. The value of the shares to be withheld shall be based on the Fair Market Value (as such term is defined in the Plan) of the Company's common stock on the Tax Date.

8. Section 83(b) Election. Employee understands that Employee shall be responsible for his or her own federal, state, local or foreign tax liability and any of his other tax consequences that may arise as a result of transactions in the Shares. Employee shall rely solely on the determinations of Employee's tax advisors or Employee's own determinations, and not on any statements or representations by the Company or any of its agents, with regard to all such tax matters. Employee understands that Section 83 of the Internal Revenue Code of 1986, as amended, (the "**Code**") taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. Employee understands that Employee may elect to be taxed at the time the Shares are received rather than when and as the restrictions on the Shares lapse or expire by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the date of the acquisition. In the event Employee files an election under Section 83(b) of the Code, such election shall contain all information required under the applicable treasury regulation(s) and Employee shall deliver a copy of such election to the Company contemporaneously with filing such election with the Internal Revenue Service. EMPLOYEE ACKNOWLEDGES THAT IT IS EMPLOYEE'S SOLE RESPONSIBILITY AND NOT THE

COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(B) OF THE CODE, EVEN IF EMPLOYEE REQUESTS THAT THE COMPANY OR ITS REPRESENTATIVES MAKE THIS FILING ON EMPLOYEE'S BEHALF.

9. General.

(a) This Agreement may be amended only by a written agreement executed by the Company and Employee.

(b) This Agreement and the Plan embody the entire agreement made between the parties hereto with respect to matters covered herein and shall not be modified except in accordance with paragraph 9(a) of this Agreement.

(c) Nothing herein expressed or implied is intended or shall be construed as conferring upon or giving to any person, firm, or corporation other than the parties hereto, any rights or benefits under or by reason of this Agreement.

(d) Each party hereto agrees to execute such further documents as may be necessary or desirable to effect the purposes of this Agreement.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

(f) This Agreement, in its interpretation and effect, shall be governed by the laws of the State of Minnesota applicable to contracts executed and to be performed therein.

(g) The capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed as of the date first written above.

BBQ HOLDINGS, INC.

/s/ Bryan Wolff
Name: Bryan Wolff
Title: Chairman of the Board

EMPLOYEE

/s/ Jeffery Crivello
Jeffery Crivello

Exhibit 21.0

SUBSIDIARIES OF BBQ HOLDINGS, INC.

BBQ Oklahoma Inc
BBQ Ventures, Inc.
Cowboy Dave's Woodbury, LLC
D&D of Minnesota Inc
FAMOUS DAVE'S OF AMERICA, INC.
FAMOUS DAVE'S RIBS, INC.
FAMOUS DAVE'S RIBS-U, INC.
Granite City Brew Works Inc
Granite City Food & Brewery Inc
Granite City Kansas, LLC
Granite City, Inc.
Granite City Food and Brewery, Inc.
Lake and Hennepin BBQ and Blues Inc
Famous Dave’s Ribs of Tennessee, LLC

MINWOOD PARTNERS, INC.
RUB Products LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our report dated March 16, 2022, with respect to the consolidated financial statements included in the Annual Report of BBQ Holdings, Inc. on Form 10-K for the year ended January 2, 2022. 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
March 16, 2022

Exhibit 31.1

CERTIFICATIONS

I, Jeffery Crivello, certify that:

1. I have reviewed this Annual Report on Form 10-K of BBQ Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 16, 2022

By:/s/ Jeffery Crivello
Jeffery Crivello
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jason Schanno, certify that:

1. I have reviewed this Annual Report on Form 10-K of BBQ Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 16, 2022

By:/s/ Jason Schanno
Jason Schanno
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350

In connection with the Annual Report of BBQ Holdings, Inc. (the "Registrant") on Form 10-K for the annual period ended January 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffery Crivello, Chief Executive Officer and Director of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 16, 2022

By: /s/ Jeffery Crivello
Jeffery Crivello
Chief Executive Officer

**Certification Pursuant to Rule 13a-14(b) of the
Securities Exchange Act of 1934 and 18 U.S.C. Section 1350**

In connection with the Annual Report of BBQ Holdings, Inc. (the “Registrant”) on Form 10-K for the annual period ended January 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jason Schanno, Chief Financial Officer and Secretary of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 16, 2022

By: /s/ Jason Schanno
Jason Schanno
Chief Financial Officer