

**OTC PINK BASIC DISCLOSURE GUIDELINES**  
**Pursuant to Rule 15c2-(11) (a) (5)**  
**Under the Securities Exchange Act of 1934**

**BAGGER DAVE'S BURGER TAVERN, INC.**

**A Nevada Corporation**

**807 W Front St., Suite B**  
**Travers City, MI 49684**  
**(231) 486-0527**  
**www.baggerdaves.com**

**CUSIP No: 056646-12**

**ANNUAL REPORT**  
**FOR THE PERIOD ENDING DECEMBER 29, 2019**

As of December 29, 2019, the number of shares outstanding of our Common Stock was:  
26,909,635

As of December 30, 2018, the number of shares outstanding of our Preferred Stock was:  
27,078,393.

As of December 29, 2019, the number of shares of our common stock outstanding was 26,909,635.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes:  No:

**Item 1. Name of Issuer and its Predecessors (if any)**

Bagger Dave's Burger Tavern, Inc. owns and operates eight restaurants in Michigan, Ohio and Indiana.

The Company was spun-off from Diversified Restaurant Holdings, Inc. on December 25, 2016 via a one-for-one distribution of common shares in Bagger Dave's to DRH shareholders of record on December 19, 2016.

The Company was incorporated in Nevada on May 27, 2016, and it is currently in active status with the State of Nevada, and it has no predecessors.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any survivor proceeding in the past five years. Yes:  No:

**Item 2. – Security Information**

Trading Symbol: BDVB

Exact title and class of securities outstanding:

CUSIP: 056645-12

Total Shares authorized: Common stock 100,000,000; Preferred Stock 10,000,000 as December 29, 2019

Total Shares outstanding: Common Stock: 26,909,635 as of December 29, 2019

Preferred Stock: Nil issued and outstanding as of December 29, 2019

Number of Shares in the Public Float: 14,242,409 as of December 29, 2019

Total number of shares of record: 26,909,635 as of December 29, 2019

Transfer Agent

Pacific Stock Transfer Co.

6725 Via Austi Pkwy, Suite 300

Las Vegas, NV 89119

Phone: (702) 361-3033

www.islandstocktransfer.com

Pacific Stock Transfer is registered under the Exchange Act and is an SEC approved Transfer Agent.

There are no trade suspension orders issued by the SEC concerning the Issuer or any of its predecessors.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization either currently anticipated or that occurred within the past 12 months.

Not applicable.

### Item 3. Issuance History Changes to the Number of Outstanding Shares

No shares were issued during 4th Quarter ended December 29, 2019.

Number of Shares outstanding as of 12/31/2017	<u>Opening Balance:</u> Common: 27,297,727 Preferred: 0								
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
4/15/18	Cancelled by Reverse Split	219,434	Common	.31	N/A	Individuals	Reverse split	Unrestricted	NA
10/14/19	Share Rescission	168,568	Common	Mkt	No	Individuals	Rescission	Restricted	NA
Shares Outstanding on 12/29/19	<u>Ending Balance:</u> Common: 26,909,635 Preferred: 0								

#### A. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
—	—	—	—	—	—	—	—

Use the space below to provide any additional details, including footnotes to the table above:

### Item 4. Financial Statements

The Unaudited Financial Statements for the fiscal year ended December 29, 2019 with corresponding notes were prepared in accordance with U.S. GAAP and are attached to this report. These financial statements for this reporting period were prepared by Mr. David Ligotti; included in the Financial Statements are the following:

- |   |                                     |
|---|-------------------------------------|
| 1. Balance Sheets (unaudited)                             | Fiscal year ended December 29, 2019 |
| 2. Statements of Operations (unaudited)                   | Fiscal year ended December 29, 2019 |
| 3. Statement of Changes in Shareholder Equity (unaudited) | Fiscal Year ended December 29, 2019 |
| 4. Statement of Cash Flow (unaudited)                     | Fiscal Year ended December 29, 2019 |
| 5. Notes to Financial Statements                          | Fiscal year ended December 29, 2019 |

#### **Item 5. Description of the Issuer's Business, Products and Services.**

- A. Bagger Dave's concept first restaurant opened in January 2008 in Berkley, Michigan. There are eight Bagger Dave's restaurants in operation, five in Michigan, one in Indiana and two in Ohio. Bagger Dave's owns all rights related to the Bagger Dave's concept.

Bagger Dave's is a unique, full-service restaurant and bar concept. We have worked to create a concept that provides a warm, inviting and entertaining atmosphere through a friendly and memorable guest experience with great fresh food prepared with local ingredients.

- B. No subsidiaries, parents or affiliated companies
- C. Bagger Dave's specializes in locally-sourced, fresh prime rib recipe burgers, all-natural lean turkey burgers, hand-cut fries, locally crafted beers on draft, hand-dipped milk shakes, salads, black bean turkey chili and much more, delivered in a warm, hip atmosphere with friendly "full" service. The concept differentiates itself from other full-service casual dining establishments by the absence of walk-in freezers and microwaves, substantiating our fresh food offerings. The concept focuses on local flair of the city in which the restaurant resides by showcasing historical photos. Running above the dining room and bar, the features an electric train; a feature which was the genesis of Bagger Dave's logo.

#### **Item 6. Description of the Issuer's Facilities**

Bagger Dave's Burger Tavern, Inc. owns and operates eight restaurants located at the following addresses:

2972 Coolidge Highway, Berkley, Michigan 48072  
8827 Main Street, Birch Run, Michigan 48415  
2817 Kraft Avenue SE, Cascade Twp., Michigan 49512  
5299 Cornerstone North Blvd., Centerville, Ohio 45458  
50570 Gratiot Avenue, Chesterfield Twp., Michigan 48051  
2886 E. Dupont Road, Fort Wayne, Indiana 46825  
8235 Trillium Circle Avenue, Grand Blanc, Michigan 48439  
9421 Civic Centre Blvd., West Chester, Ohio 45069

All eight restaurants are leased, and locations generally range 4,000-4,900 square feet.

The Company's lease terms generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

See footnote eight Operating Leases for further lease liability disclosure.

The Company home office is located at 807 W. Front Street, Suite B, Traverse City, Michigan 49684. This office is approximately 500 sq. feet of floor space.

### Item 7. Officers, Directors and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
T. Michael Ansley	Chairman/CEO	Traverse City, MI	11,107,438	Common	41.02%	Controlling Shareholder
David Fisher	Director	Dayton, OH	50,000	Common	.2%	
Shawn Lilly	Director	Detroit, MI	50,000	Common	.2%	

### Item 8. Legal/Disciplinary History

A. None of the persons listed above have, in the past 10 years, been the subject of:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
- The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
- A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding, or judgment has not been reversed, suspended, or vacated; or
- The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

B. There are no material pending legal proceedings.

## **Item 9. Third Party Providers**

### Legal Counsel

Richard W. Jones  
Jones & Haley, P.C.  
750 Hammond Drive  
Atlanta, Georgia 30328-6723  
Phone: 770-804-0500  
E-mail: [jones@corplaw.net](mailto:jones@corplaw.net)

### Accountant or Auditor

David Ligotti  
Oakwood Business Services, LLC  
555 Briarwood Circle, Suite 150  
Ann Arbor, MI 48108  
Phone: (734) 327-0300, ext. 101  
Fax: (734) 327-1330  
E-mail: [dave@oakwoodsolutions.com](mailto:dave@oakwoodsolutions.com)

### Other Advisors

N/A

## **Item 10. Issuer Certificates.**

I, T. Michael Ansley, certify that:

1. I have reviewed this annual disclosure statement of Bagger Dave's Burger Tavern, Inc.
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and,
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 25, 2020

/s/ T. Michael Ansley

T. Michael Ansley  
CEO, President, Chief Financial Officer and Chairman

**BAGGER DAVE'S BURGER TAVERN, INC**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	December 29, 2019 (Unaudited)	December 30, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 470,561	\$ 496,328
Accounts receivable	71,273	144,962
Inventory	130,294	137,378
Prepaid assets	19,118	21,272
<b>Total current assets</b>	<b>691,246</b>	<b>799,940</b>
Property and equipment, net	13,125,111	7,569,831
Intangible assets, net	179,083	242,995
Other Long Term Assets	0	0
<b>Total assets</b>	<b>\$ 13,995,440</b>	<b>\$ 8,612,766</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 310,542	\$ 270,228
Accrued compensation	137,710	112,203
Other accrued liabilities	590,393	236,687
Current portion of deferred rent	20,563	37,603
<b>Total current liabilities</b>	<b>1,059,208</b>	<b>656,721</b>
Deferred rent, less current portion	167,438	505,592
Other liabilities, less current portion	7,112,928	317,147
Deferred Tax Liabilities	43,118	34,706
<b>Total liabilities</b>	<b>8,382,692</b>	<b>1,514,166</b>
<b>Commitments and contingencies (Notes 8 and 9)</b>		
<b>Stockholders' equity</b>		
Common stock \$.0001 par value; 100,000,000 shares authorized; 26,909,635 outstanding as of December 29, 2019 and 27,078,293 shares issued and outstanding at December 30, 2018	2,691	2,708
Additional paid-in capital	7,342,726	8,371,826
Retained deficit	(1,800,694)	-1,343,958
Treasury Stock	68,025	68,025
<b>Total stockholders' equity</b>	<b>5,612,748</b>	<b>7,098,601</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 13,995,440</b>	<b>\$ 8,612,766</b>

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Business*

Bagger Dave's is a unique, full-service, ultra-casual restaurant and bar concept. We have worked to create a concept that provides a warm, inviting and entertaining atmosphere through a friendly and memorable guest experience.

Bagger Dave's specializes in locally-sourced, fresh prime rib recipe burgers, all-natural lean turkey burgers, hand-cut fries, locally crafted beers on draft, hand-dipped milk shakes, salads, black bean turkey chili and much more, delivered in a warm, hip atmosphere with friendly "full" service. The concept differentiates itself from other full-service casual dining establishments by the absence of walk-in freezers and microwaves, substantiating our fresh food offerings. The concept focuses on local flair of the city in which the restaurant resides by showcasing historical photos. Running above the dining room and bar, the concept features an electric train; a feature which was the genesis of Bagger Dave's logo.

The Company headquarters are located at 807 W. Front St., Suite B, Traverse City, MI 49684. We can also be found on the Internet at [www.baggerdaves.com](http://www.baggerdaves.com).

We follow accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles in the United States of America ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("ASC").

On August 4, 2016, Diversified Restaurant Holdings, Inc. ("DRH" or "the Parent") announced that its Board of Directors unanimously approved a plan to pursue a tax-free Spin-off of its Bagger Dave's business (the "Spin-off"). DRH originated the Bagger Dave's concept with the first restaurant opening in January 2008 in Berkley, Michigan. As of December 29, 2019, there were 8 Bagger Dave's restaurants in operation, five in Michigan, one in Indiana and two in Ohio.

*Basis of Presentation*

These consolidated financial statements include the accounts of Bagger Dave's Burger Tavern, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

*Fiscal Year*

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December. Fiscal year 2018 ended on December 30, 2018 and fiscal year 2019 ends on December 29, 2019. Fiscal year 2018 was comprised of 52 weeks, and fiscal year 2019 is comprised of 52 weeks. The fourth quarter ended December 30, 2018 was comprised of 13 weeks and December 29, 2019 is comprised of 13 weeks.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of federally-insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits.

### *Accounts Receivable*

Accounts receivable primarily consist of amounts owing from credit card charges. There was no allowance for doubtful accounts necessary at December 29, 2019 or December 30, 2018.

### *Gift Cards*

The Company records Bagger Dave's gift card sales as a gift card liability when sold. When redeemed, the gift card liability account is offset by recording the transaction as revenue. Michigan law states that gift cards cannot expire and any post-sale fees cannot be assessed until 5 years after the date of gift card purchase by the consumer. The Company believes its historical breakage percentage is approximately 15 percent. Furthermore, based on historical redemption patterns the Company believes that the redemption of gift cards from closed locations is immaterial. Therefore, gift card liability is adjusted for breakage based on redemptions of gift cards at continuing operations and for unredeemed gift cards from closed locations. Breakage income is recognized for this adjustment.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)." This pronouncement is effective for years beginning after December 15, 2017. Based on our review of the pronouncement, the only application is to gift card breakage. Breakage will be recognized as gift cards are redeemed. The cumulative effect of breakage related to periods before the effective date is \$92,814 (retrospective method). Under the pronouncement this amount was recognized in the year ended December 30, 2018. The effect of breakage in the quarter and twelve months ended December 29, 2019 is \$2,426 and \$11,833, respectively.

The Company's gift card liability was \$64,175 and \$74,015 as of December 29, 2019 and December 30, 2018 respectively, and is included in other accrued liabilities on the Consolidated Balance Sheets.

### *Inventory*

Inventory consists mainly of food and beverage products and is accounted for at the lower of cost or market using the first in, first out method of inventory valuation. Cash flows related to inventory sales are classified in net cash used by operating activities in the Consolidated Statements of Cash Flows.

### *Prepaid Assets and Other Long-Term Assets*

Prepaid assets consist principally of prepaid rent, bonus, insurance and contracts and are recognized ratably as operating expense over the period of future benefit. Other long-term assets consist primarily of security deposits for operating leases and utilities.

### *Property and Equipment*

Property and equipment are recorded at cost. Buildings, which includes buildings on leased land, are depreciated using the straight-line method over the shorter of the term of the lease or its estimated useful life, which ranges from 10-39 years. Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets, which is typically five - 15 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

The Company capitalizes items associated with construction but not yet placed into service, known as construction in progress ("CIP"). Items capitalized include fees associated with the design, build out, furnishing of the restaurants, leasehold improvements, construction period interest (when applicable), equipment, and furniture and fixtures. Restaurant CIP is not amortized or depreciated until the related assets

are placed into service. Items are placed into service according to their asset category when the restaurant is open for service.

### ***Intangible Assets***

Amortizable intangible assets consist of trademarks and are stated at cost, less accumulated amortization. The trademarks are amortized on a straight-line basis over the estimated useful life of 15 years.

Liquor licenses, also a component of intangible assets, are deemed to have an indefinite life and, accordingly, are not amortized. Management reviews liquor license assets on an annual basis (at year-end) to determine whether carrying values have been impaired. We identify potential impairments for liquor licenses by comparing the fair value with its carrying amount. If the fair value exceeds the carrying amount, the liquor licenses are not impaired. If the carrying amount exceeds the fair value, an impairment loss is recorded for the difference. There were no impairments recognized in the fiscal quarters ended December 29, 2019 and December 30, 2018.

### ***Treasury stock***

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to paid-in capital in excess of par value using the average-cost method.

### ***Impairment or Disposal of Long-Lived Assets***

We review long-lived assets quarterly to determine if triggering events have occurred which would require a test to determine if the carrying amount of these assets may not be recoverable based on estimated future cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is at the individual restaurant level. In the absence of extraordinary circumstances, restaurants are included in the impairment analysis after they have been open for two years. We evaluate the recoverability of a restaurant's long-lived assets, including buildings, intangibles, leasehold improvements, furniture, fixtures, and equipment over the remaining life of the primary asset in the asset group, after considering the potential impact of planned operational improvements, marketing programs, and anticipated changes in the trade area. In determining future cash flows, significant estimates are made by management with respect to future operating results for each restaurant over the remaining life of the primary asset in the asset group. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value based on our estimate of discounted future cash flows. The determination of asset fair value is also subject to significant judgment. Refer to Note 2 for additional information.

We account for exit or disposal activities, including restaurant closures, in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Refer to Note 2 for additional information.

Impairments totaling \$0 million and \$0 million were recognized in the fiscal quarters ended December 29, 2019 and December 30, 2018.

### ***Deferred Gains***

Deferred gains on the sale leaseback transaction described in Note 3, are recognized as a reduction of rent expense over the life of the related operating lease agreements.

### ***Revenue Recognition***

Revenues from food and beverage sales are recognized and generally collected at the point of sale. All sales taxes are presented on a net basis and are excluded from revenue.

### ***Advertising***

Advertising expenses of \$0.04 million and \$0.05 million are included in general and administrative expenses in the Consolidated Statements of Operations for the fiscal quarters ended December 29, 2019 and December 30, 2018, respectively. Advertising expenses of \$.19 million and \$.19 million are included in general and administrative expenses in the Consolidated Statements of Operations for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

### ***Pre-opening Costs***

Pre-opening costs are those costs associated with opening new restaurants and will vary based on the number of new locations opening and under construction. The Company also reclassifies labor costs that exceed the historical average for the first three months of restaurant operations that are attributable to training. These costs are expensed as incurred. Pre-opening costs of \$0 million and \$0 million are included in the Consolidated Statements of Operations for the three and twelve months ended December 29, 2019 and December 30, 2018, respectively.

### ***Income Taxes***

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense (income) is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company applies the provisions of FASB ASC 740, *Income Taxes*, (“ASC 740”) regarding the accounting for uncertainty in income taxes. The Company classifies all interest and penalties as income tax expense. There are no accrued interest amounts or penalties related to uncertain tax positions as of December 29, 2019 and December 30, 2018.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### ***Recent Accounting Pronouncements***

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows: Classification of Certain Cash Receipts and Payments.*” ASU 2016-15 provides guidance on eight specific cash flow issues with the objective of reducing diversity in practice. The guidance is effective for interim and annual periods beginning after December 15, 2017. We do not believe the pronouncement materially impacts our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 “Revenue with Contracts from Customers (Topic 606).” ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, “Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products.” ASU 2016-04 provides specific guidance for the de-recognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net).” ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing.” ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2017. We believe that the new revenue recognition standards do not materially impact the recognition of restaurant sales, our primary source of revenue. We believe that the standard impacts accounting for gift card breakage as described in the Gift Card note, above. We adopted the retrospective method in applying this pronouncement.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our consolidated financial statements as a result of future adoption.

## **2. IMPAIRMENTS, DISPOSALS AND EXIT COSTS**

Based on impairment indicators that existed at December 29, 2019, the Company performed an impairment analysis on its long-lived assets subject to amortization. \$0 million of long-lived assets were deemed to be impaired for the nine months ended December 29, 2019. Impairment charges are recorded to the extent that the carrying amount of the assets are not considered recoverable based on the estimated future cash flows of the location. The impairment charges are included in impairment and loss on asset disposals on the Consolidated Statements of Operations.

We are currently monitoring the valuation of long-lived assets at several restaurants and have developed plans to improve operating results. As we periodically refine our estimated future operating results, changes in our estimates and assumptions may cause us to realize impairment charges in the future that could be material.

On January 7, 2018, five locations (Shelby Township, MI, East Lansing MI, Canton, MI, Traverse City, MI, and Grand Rapids, MI) were closed. The assets for these locations were fully impaired as of December 31 2017. On March 11, 2018 an additional location in Bloomfield Hills, MI was closed. The assets for this location were fully impaired as of December 31, 2017. On July 8, 2019 a location in Novi, MI was closed and its assets were sold. The loss from that sale is recorded in the quarter ended December 29, 2019 as other income of \$(68,296). There is no store closure liability recorded at December 29, 2019 as all such liabilities had been paid on or prior to that date.

### 3. PROPERTY AND EQUIPMENT, NET

Property and equipment are comprised of the following:

	December 29, 2019	December 30, 2018
Buildings	1,672,568	1,672,568
Equipment	3,107,135	3,456,299
Furniture and fixtures	954,416	1,015,811
Operating lease right of use asset	7,204,062	0
Leasehold improvements	8,189,226	8,755,918
Total	21,127,407	14,900,596
Less accumulated depreciation	(8,002,296)	(7,330,765)
<b>Property and equipment, net</b>	<b>\$ 13,125,111</b>	<b>\$ 7,569,831</b>

Depreciation expense was \$0.4 million and \$0.4 million during the quarters ended December 29, 2019 and December 30, 2018, respectively. Depreciation expense was \$1.6 million and \$1.7 million, respectively for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

#### *Sale leaseback transactions*

On October 6, 2014, the Company entered into a sale leaseback agreement for \$8.9 million with a third-party Real Estate Investment Trust (“REIT”). The arrangement included the sale of real estate on which six Bagger Dave’s locations operate. In the fourth quarter of 2014, we closed the sale of five of the six properties, with total proceeds of \$6.9 million. We closed the sale of the remaining property in June 2015 with total proceeds of \$2.0 million. Pursuant to the terms of each sale-leaseback transaction, we transferred title of the real property to the purchaser after final inspection and, in turn, entered into separate leases with the purchaser having a 15-year basic operating lease term plus four separate 5-year renewal options. Certain of the sale leaseback arrangements resulted in a gain which has been deferred. As of December 30, 2018, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.3 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. As of December 29, 2019, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.26 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. The gains will be recognized into income as an offset to rent expense over the life of the related lease agreements.

### 4. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	December 29, 2019	December 30, 2018
<b>Amortized intangible assets</b>		
Trademarks	\$ 70,576	\$ 70,576
Less accumulated amortization	(33,018)	(28,312)
<b>Amortized intangible assets, net</b>	<b>37,558</b>	<b>42,264</b>
<b>Unamortized intangible assets</b>		
Liquor licenses	141,525	200,731
<b>Total intangible assets, net</b>	<b>\$ 179,083</b>	<b>\$ 242,995</b>

Amortization expense for the quarters ended December 29, 2019 and December 30, 2018 was \$1,176 and \$1,176, respectively. Amortization expense for the twelve months ended December 29, 2019 and December 30, 2018 was \$4,705 and \$4,705, respectively.

Based on the current intangible assets and their estimated useful lives, future intangible-related expense for the next five years and thereafter is projected as follows:

Year	Amount
2020	4,705
2021	4,705
2022	4,705
2023	4,705
2024	4,705
Thereafter	14,033
<b>Total</b>	<b>\$ 37,558</b>

The aggregate weighted-average amortization period for intangible assets is 9.25 years.

#### 5. OTHER ACCRUED LIABILITIES, CURRENT

	December 29, 2019	December 30, 2018
Gift card liability	\$ 74,015	\$ 97,826
Sales tax payable	46,018	56,750
Lease liability current	424,849	0
Store closure liability	0	54,445
Other	41,452	47,279
<b>Total accrued other liabilities</b>	<b>\$ 586,334</b>	<b>\$ 256,300</b>

#### 6. RELATED PARTY TRANSACTIONS

In connection with the Spin-Off described in Note 1, the Company entered into a transition services agreement (the "TSA") with DRH pursuant to which DRH will provide certain information technology and human resource support, limited accounting support, and other administrative functions at no charge. The TSA is intended to assist the Company in efficiently and seamlessly transitioning to operating on its own. The TSA expired on December 31, 2017 at which time the parties may negotiate which services will be required on an on-going basis and the fees that will be charged for such services. Additionally, as of the date of this filing, DRH is listed as the guarantor on 7 of the 12 Bagger Dave's leases. The guarantees range up to 12 years and total approximately \$2.7 million as of December 29, 2019.

#### 7. INCOME TAXES

The effective income tax rate for the quarter ended December 29, 2019 and December 30, 2018 was -.2% and .2%, respectively, and, for the twelve month periods ended December 29, 2019 and December 30, 2018 was -.1% and .2%, respectively due to the Company recording a full valuation allowance on its deferred tax assets. The valuation allowance was recorded due to our recent years' history of losses.

## 8. OPERATING LEASES

The Company's lease terms generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

Total rent expense was \$0.15 million and \$.23 million for the fiscal quarters ended December 29, 2019 and December 30, 2018, respectively, net of sublease income. Total rent expense was \$0.65 million and \$0.91 million for the twelve months ended December 29, 2019 and December 30, 2018, respectively. The Company has entered into subleases of two of its closed locations. Rent expense is shown net of the sublease income of \$.06 and \$.04 million for the quarters ended December 29, 2019 and December 30, 2018, respectively. Total sublease income was \$0.27 million and \$0.11 million for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

Scheduled future minimum lease payments for each of the next five years and thereafter for non-cancelable operating leases for existing restaurants with initial or remaining lease terms in excess of one year at December 29, 2019 are summarized as follows:

<b>Year</b>	<b>Amount</b>
2020	\$ 916,829
2021	948,504
2022	949,354
2023	949,354
2024	872,751
Thereafter	6,187,723
<b>Total</b>	<b>\$ 10,824,515</b>

The Company adopted ASC 840 related to its lease accounting as of the beginning of the current fiscal year, December 31, 2018. Under ASU 2018-11, the company has elected to apply the cumulative-effect of the change in lease accounting as an adjustment to retained earnings as of December 31, 2018. The cumulative -effect adjustment is an increase in retained earnings of \$314,752.

The new lease accounting standard provides for the establishment of a Right of Use asset and a Lease Liability to reflect the present value of future lease payments. The discount rate used is an approximation of the Company's cost of capital as lessor's cost of capital was not available. The weighted average discount rate applied is 7 percent. Both the Right of Use asset and the Lease liability had an original balance of \$7,705,495. The Right of Use asset is included in the Property and Equipment section of the balance sheet and the lease liability is included in current and long-term liabilities. The Right of Use Asset and the Lease Liability are amortized as they are used. Amortization of the Right of Use Asset and the Lease Liability was \$114,817 and \$96,992 for the three months ended December 29, 2019. Amortization of the Right of Use Asset and the Lease Liability was \$501,433 and \$433,942 for the twelve months ended December 29, 2019. The weighted average remaining lease term is approximately 12.00 years as of December 29, 2019.

## 9. TREASURY STOCK

The Company's Board of directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. In the year ended December 30, 2018, the Company acquired 219,434 shares of its common stock at a price of \$.31 per share, or \$68,025 increase in Treasury Stock.

## **10. COMMITMENTS AND CONTINGENCIES**

Bagger Dave's sponsors a defined contribution 401(k) plan whereby eligible team members can contribute pre-tax wages in accordance with the provisions of the plan. Bagger Dave's has the option to make an annual discretionary contribution to the 401(k) plan. No match was made during the three months ended December 29, 2019.

The Company is subject to ordinary and routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the ordinary course of its business. The ultimate outcome of any litigation is uncertain. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by or in excess of our insurance coverage could materially adversely affect our financial condition or results of operations.

## **11. SUPPLEMENTAL CASH FLOWS INFORMATION**

### **Other Cash Flows Information**

No cash paid for interest during the three and twelve months ended December 29, 2019 and December 30, 2018 respectively.

No cash paid for income taxes during the three and twelve months ended December 29, 2019 and December 30, 2018 respectively .

## **12. SUBSEQUENT EVENT**

Subsequent to the Financial Statement Date a non-adjusting event, the COVID19 (Coronavirus) pandemic, has precipitated a number of required business limitations and closures in the restaurant industry to which The Company is subject. These events will have a significant financial impact on The Company. The extent of the impact is not yet determined. As of this report date, there is substantial doubt whether The Company can continue as a going concern.

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)**

	<b>Number of Shares of Common Stock</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Total Stockholders' Equity</b>
<b>Balance - December 30, 2018</b>	27,078,293	\$ 2,708	\$ 46,490	\$ 68,025	6,981,378	\$ 7,098,601
Shares forfeited on stock grants	(168,658)	(17)	17		-	-
Prior year adjustment for ASC 842 Right to Use Asset Lease	-	-	-	-	314,841	314,841
Net loss	-	-	-	0	(1,800,694)	(1,800,694)
<b>Balance - December 27, 2015</b>	26,909,635	2,691	46,507	68,025	5,495,525	5,612,748

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)**

	<b>Twelve Months Ended</b>	
	<b>December 29, 2019</b>	<b>December 30, 2018</b>
<b>Cash flows provided by (used in) operating activities</b>		
Net loss	\$ (1,800,694)	\$ (1,343,958)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,580,191	1,779,338
Impairment and (gain) loss on asset disposals	68,296	(478,652)
Realized gain on sale-leaseback	(26,924)	(29,372)
Share based compensation	-	-
Deferred income taxes	8,412	(19,915)
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable	73,689	(79,730)
Inventory	7,084	108,350
Prepaid expenses	2,154	60,196
Intangible assets	59,206	401,500
Other long-term assets	-	-
Accounts payable	40,314	(271,044)
Accrued liabilities	379,213	(399,497)
Other long-term liabilities	(380,185)	
Deferred rent	(40,442)	(417,998)
<b>Net cash provided by (used in) operating activities</b>	<b>(29,686)</b>	<b>(690,782)</b>
<b>Cash flows from investing activities</b>		
Disposal of property and equipment	8,138	390,896
Purchases of property and equipment	(4,219)	-
<b>Net cash used in investing activities</b>	<b>3,919</b>	<b>390,896</b>
<b>Cash flows from financing activities</b>		
Cash contributed by Parent upon Spin off		-
Treasury Stock Split Buy Back	-	(68,025)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>(68,025)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(25,767)</b>	<b>(367,911)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>496,328</b>	<b>864,239</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 470,561</b>	<b>\$ 496,328</b>

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Business*

Bagger Dave's is a unique, full-service, ultra-casual restaurant and bar concept. We have worked to create a concept that provides a warm, inviting and entertaining atmosphere through a friendly and memorable guest experience.

Bagger Dave's specializes in locally-sourced, fresh prime rib recipe burgers, all-natural lean turkey burgers, hand-cut fries, locally crafted beers on draft, hand-dipped milk shakes, salads, black bean turkey chili and much more, delivered in a warm, hip atmosphere with friendly "full" service. The concept differentiates itself from other full-service casual dining establishments by the absence of walk-in freezers and microwaves, substantiating our fresh food offerings. The concept focuses on local flair of the city in which the restaurant resides by showcasing historical photos. Running above the dining room and bar, the concept features an electric train; a feature which was the genesis of Bagger Dave's logo.

The Company headquarters are located at 807 W. Front St., Suite B, Traverse City, MI 49684. We can also be found on the Internet at [www.baggerdaves.com](http://www.baggerdaves.com).

We follow accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles in the United States of America ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("ASC").

On August 4, 2016, Diversified Restaurant Holdings, Inc. ("DRH" or "the Parent") announced that its Board of Directors unanimously approved a plan to pursue a tax-free Spin-off of its Bagger Dave's business (the "Spin-off"). DRH originated the Bagger Dave's concept with the first restaurant opening in January 2008 in Berkley, Michigan. As of December 29, 2019, there were 8 Bagger Dave's restaurants in operation, five in Michigan, one in Indiana and two in Ohio.

*Basis of Presentation*

These consolidated financial statements include the accounts of Bagger Dave's Burger Tavern, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

*Fiscal Year*

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December. Fiscal year 2018 ended on December 30, 2018 and fiscal year 2019 ends on December 29, 2019. Fiscal year 2018 was comprised of 52 weeks, and fiscal year 2019 is comprised of 52 weeks. The fourth quarter ended December 30, 2018 was comprised of 13 weeks and December 29, 2019 is comprised of 13 weeks.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of federally-insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits.

### *Accounts Receivable*

Accounts receivable primarily consist of amounts owing from credit card charges. There was no allowance for doubtful accounts necessary at December 29, 2019 or December 30, 2018.

### *Gift Cards*

The Company records Bagger Dave's gift card sales as a gift card liability when sold. When redeemed, the gift card liability account is offset by recording the transaction as revenue. Michigan law states that gift cards cannot expire and any post-sale fees cannot be assessed until 5 years after the date of gift card purchase by the consumer. The Company believes its historical breakage percentage is approximately 15 percent. Furthermore, based on historical redemption patterns the Company believes that the redemption of gift cards from closed locations is immaterial. Therefore, gift card liability is adjusted for breakage based on redemptions of gift cards at continuing operations and for unredeemed gift cards from closed locations. Breakage income is recognized for this adjustment.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)." This pronouncement is effective for years beginning after December 15, 2017. Based on our review of the pronouncement, the only application is to gift card breakage. Breakage will be recognized as gift cards are redeemed. The cumulative effect of breakage related to periods before the effective date is \$92,814 (retrospective method). Under the pronouncement this amount was recognized in the year ended December 30, 2018. The effect of breakage in the quarter and twelve months ended December 29, 2019 is \$2,426 and \$11,833, respectively .

The Company's gift card liability was \$64,175 and \$74,015 as of December 29, 2019 and December 30, 2018 respectively, and is included in other accrued liabilities on the Consolidated Balance Sheets.

### *Inventory*

Inventory consists mainly of food and beverage products and is accounted for at the lower of cost or market using the first in, first out method of inventory valuation. Cash flows related to inventory sales are classified in net cash used by operating activities in the Consolidated Statements of Cash Flows.

### *Prepaid Assets and Other Long-Term Assets*

Prepaid assets consist principally of prepaid rent, bonus, insurance and contracts and are recognized ratably as operating expense over the period of future benefit. Other long-term assets consist primarily of security deposits for operating leases and utilities.

### *Property and Equipment*

Property and equipment are recorded at cost. Buildings, which includes buildings on leased land, are depreciated using the straight-line method over the shorter of the term of the lease or its estimated useful life, which ranges from 10-39 years. Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets, which is typically five – 15 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

The Company capitalizes items associated with construction but not yet placed into service, known as construction in progress ("CIP"). Items capitalized include fees associated with the design, build out, furnishing of the restaurants, leasehold improvements, construction period interest (when applicable), equipment, and furniture and fixtures. Restaurant CIP is not amortized or depreciated until the related assets

are placed into service. Items are placed into service according to their asset category when the restaurant is open for service.

### ***Intangible Assets***

Amortizable intangible assets consist of trademarks and are stated at cost, less accumulated amortization. The trademarks are amortized on a straight-line basis over the estimated useful life of 15 years.

Liquor licenses, also a component of intangible assets, are deemed to have an indefinite life and, accordingly, are not amortized. Management reviews liquor license assets on an annual basis (at year-end) to determine whether carrying values have been impaired. We identify potential impairments for liquor licenses by comparing the fair value with its carrying amount. If the fair value exceeds the carrying amount, the liquor licenses are not impaired. If the carrying amount exceeds the fair value, an impairment loss is recorded for the difference. There were no impairments recognized in the fiscal quarters ended December 29, 2019 and December 30, 2018.

### ***Treasury stock***

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to paid-in capital in excess of par value using the average-cost method.

### ***Impairment or Disposal of Long-Lived Assets***

We review long-lived assets quarterly to determine if triggering events have occurred which would require a test to determine if the carrying amount of these assets may not be recoverable based on estimated future cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is at the individual restaurant level. In the absence of extraordinary circumstances, restaurants are included in the impairment analysis after they have been open for two years. We evaluate the recoverability of a restaurant's long-lived assets, including buildings, intangibles, leasehold improvements, furniture, fixtures, and equipment over the remaining life of the primary asset in the asset group, after considering the potential impact of planned operational improvements, marketing programs, and anticipated changes in the trade area. In determining future cash flows, significant estimates are made by management with respect to future operating results for each restaurant over the remaining life of the primary asset in the asset group. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value based on our estimate of discounted future cash flows. The determination of asset fair value is also subject to significant judgment. Refer to Note 2 for additional information.

We account for exit or disposal activities, including restaurant closures, in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Refer to Note 2 for additional information.

Impairments totaling \$0 million and \$0 million were recognized in the fiscal quarters ended December 29, 2019 and December 30, 2018.

### ***Deferred Gains***

Deferred gains on the sale leaseback transaction described in Note 3, are recognized as a reduction of rent expense over the life of the related operating lease agreements.

### *Revenue Recognition*

Revenues from food and beverage sales are recognized and generally collected at the point of sale. All sales taxes are presented on a net basis and are excluded from revenue.

### *Advertising*

Advertising expenses of \$0.04 million and \$0.05 million are included in general and administrative expenses in the Consolidated Statements of Operations for the fiscal quarters ended December 29, 2019 and December 30, 2018, respectively. Advertising expenses of \$1.9 million and \$1.9 million are included in general and administrative expenses in the Consolidated Statements of Operations for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

### *Pre-opening Costs*

Pre-opening costs are those costs associated with opening new restaurants and will vary based on the number of new locations opening and under construction. The Company also reclassifies labor costs that exceed the historical average for the first three months of restaurant operations that are attributable to training. These costs are expensed as incurred. Pre-opening costs of \$0 million and \$0 million are included in the Consolidated Statements of Operations for the three and twelve months ended December 29, 2019 and December 30, 2018, respectively.

### *Income Taxes*

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense (income) is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company applies the provisions of FASB ASC 740, *Income Taxes*, (“ASC 740”) regarding the accounting for uncertainty in income taxes. The Company classifies all interest and penalties as income tax expense. There are no accrued interest amounts or penalties related to uncertain tax positions as of December 29, 2019 and December 30, 2018.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### ***Recent Accounting Pronouncements***

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows: Classification of Certain Cash Receipts and Payments.*” ASU 2016-15 provides guidance on eight specific cash flow issues with the objective of reducing diversity in practice. The guidance is effective for interim and annual periods beginning after December 15, 2017. We do not believe the pronouncement materially impacts our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 “Revenue with Contracts from Customers (Topic 606).” ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, “Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products.” ASU 2016-04 provides specific guidance for the de-recognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net).” ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing.” ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2017. We believe that the new revenue recognition standards do not materially impact the recognition of restaurant sales, our primary source of revenue. We believe that the standard impacts accounting for gift card breakage as described in the Gift Card note, above. We adopted the retrospective method in applying this pronouncement.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our consolidated financial statements as a result of future adoption.

## **2. IMPAIRMENTS, DISPOSALS AND EXIT COSTS**

Based on impairment indicators that existed at December 29, 2019, the Company performed an impairment analysis on its long-lived assets subject to amortization. \$0 million of long-lived assets were deemed to be impaired for the nine months ended December 29, 2019. Impairment charges are recorded to the extent that the carrying amount of the assets are not considered recoverable based on the estimated future cash flows of the location. The impairment charges are included in impairment and loss on asset disposals on the Consolidated Statements of Operations .

We are currently monitoring the valuation of long-lived assets at several restaurants and have developed plans to improve operating results. As we periodically refine our estimated future operating results, changes in our estimates and assumptions may cause us to realize impairment charges in the future that could be material.

On January 7, 2018, five locations (Shelby Township, MI, East Lansing MI, Canton, MI, Traverse City, MI, and Grand Rapids, MI) were closed. The assets for these locations were fully impaired as of December 31, 2017. On March 11, 2018 an additional location in Bloomfield Hills, MI was closed. The assets for this location were fully impaired as of December 31, 2017. On July 8, 2019 a location in Novi, MI was closed and its assets were sold. The loss from that sale is recorded in the quarter ended December 29, 2019 as other income of \$(68,296). There is no store closure liability recorded at December 29, 2019 as all such liabilities had been paid on or prior to that date.

### 3. PROPERTY AND EQUIPMENT, NET

Property and equipment are comprised of the following:

	December 29, 2019	December 30, 2018
Buildings	1,672,568	1,672,568
Equipment	3,107,135	3,456,299
Furniture and fixtures	954,416	1,015,811
Operating lease right of use asset	7,204,062	0
Leasehold improvements	8,189,226	8,755,918
Total	21,127,407	14,900,596
Less accumulated depreciation	(8,002,296 )	( 7,330,765 )
<b>Property and equipment, net</b>	<b>\$ 13,125,111</b>	<b>\$ 7,569,831</b>

Depreciation expense was \$0.4 million and \$0.4 million during the quarters ended December 29, 2019 and December 30, 2018, respectively. Depreciation expense was \$1.6 million and \$1.7 million, respectively for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

#### *Sale leaseback transactions*

On October 6, 2014, the Company entered into a sale leaseback agreement for \$8.9 million with a third-party Real Estate Investment Trust ("REIT"). The arrangement included the sale of real estate on which six Bagger Dave's locations operate. In the fourth quarter of 2014, we closed the sale of five of the six properties, with total proceeds of \$6.9 million. We closed the sale of the remaining property in June 2015 with total proceeds of \$2.0 million. Pursuant to the terms of each sale-leaseback transaction, we transferred title of the real property to the purchaser after final inspection and, in turn, entered into separate leases with the purchaser having a 15-year basic operating lease term plus four separate 5-year renewal options. Certain of the sale leaseback arrangements resulted in a gain which has been deferred. As of December 30, 2018, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.3 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. As of December 29, 2019, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.26 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. The gains will be recognized into income as an offset to rent expense over the life of the related lease agreements.

### 4. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	December 29, 2019	December 30, 2018
<b>Amortized intangible assets</b>		
Trademarks	\$ 70,576	\$ 70,576
Less accumulated amortization	(33,018)	(28,312)
<b>Amortized intangible assets, net</b>	<b>37,558</b>	<b>42,264</b>
<b>Unamortized intangible assets</b>		
Liquor licenses	141,525	200,731
<b>Total intangible assets, net</b>	<b>\$ 179,083</b>	<b>\$ 242,995</b>

Amortization expense for the quarters ended December 29, 2019 and December 30, 2018 was \$1,176 and \$1,176, respectively. Amortization expense for the twelve months ended December 29, 2019 and December 30, 2018 was \$4,705 and \$4,705, respectively. Based on the current intangible assets and their estimated useful lives, future intangible-related expense for the next five years and thereafter is projected as follows:

<b>Year</b>	<b>Amount</b>
2020	4,705
2021	4,705
2022	4,705
2023	4,705
2024	4,705
Thereafter	14,033
<b>Total</b>	<b>\$ 37,558</b>

The aggregate weighted-average amortization period for intangible assets is 9.25 years.

#### 5. OTHER ACCRUED LIABILITIES, CURRENT

	<b>December 29, 2019</b>	<b>December 30, 2018</b>
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Other	41,452	47,279
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#### 6. RELATED PARTY TRANSACTIONS

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#### 7. INCOME TAXES

The effective income tax rate for the quarter ended December 29, 2019 and December 30, 2018 was -.2% and .2%, respectively, and, for the twelve month periods ended December 29, 2019 and December 30, 2018 was -.1% and .2%, respectively due to the Company recording a full valuation allowance on its deferred tax assets. The valuation allowance was recorded due to our recent years' history of losses.

## 8. OPERATING LEASES

The Company's lease terms generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

Total rent expense was \$0.15 million and \$.23 million for the fiscal quarters ended December 29, 2019 and December 30, 2018, respectively, net of sublease income. Total rent expense was \$0.65 million and \$0.91 million for the twelve months ended December 29, 2019 and December 30, 2018, respectively. The Company has entered into subleases of two of its closed locations. Rent expense is shown net of the sublease income of \$.06 and \$.04 million for the quarters ended December 29, 2019 and December 30, 2018, respectively. Total sublease income was \$0.27 million and \$0.11 million for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

Scheduled future minimum lease payments for each of the next five years and thereafter for non-cancelable operating leases for existing restaurants with initial or remaining lease terms in excess of one year at December 29, 2019 are summarized as follows:

<b>Year</b>	<b>Amount</b>
2020	\$ 916,829
2021	948,504
2022	949,354
2023	949,354
2024	872,751
Thereafter	6,187,723
<b>Total</b>	<b>\$ 10,824,515</b>

The Company adopted ASC 840 related to its lease accounting as of the beginning of the current fiscal year, December 31, 2018. Under ASU 2018-11, the company has elected to apply the cumulative-effect of the change in lease accounting as an adjustment to retained earnings as of December 31, 2018. The cumulative-effect adjustment is an increase in retained earnings of \$314,752.

The new lease accounting standard provides for the establishment of a Right of Use asset and a Lease Liability to reflect the present value of future lease payments. The discount rate used is an approximation of the Company's cost of capital as lessor's cost of capital was not available. The weighted average discount rate applied is 7 percent. Both the Right of Use asset and the Lease liability had an original balance of \$7,705,495. The Right of Use asset is included in the Property and Equipment section of the balance sheet and the lease liability is included in current and long-term liabilities. The Right of Use Asset and the Lease Liability are amortized as they are used. Amortization of the Right of Use Asset and the Lease Liability was \$114,817 and \$96,992 for the three months ended December 29, 2019. Amortization of the Right of Use Asset and the Lease Liability was \$501,433 and \$433,942 for the twelve months ended December 29, 2019. The weighted average remaining lease term is approximately 12.00 years as of December 29, 2019.

## 9. TREASURY STOCK

The Company's Board of directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. In the year ended December 30, 2018, the Company acquired 219,434 shares of its common stock at a price of \$.31 per share, or \$68,025 increase in Treasury Stock.

## **10. COMMITMENTS AND CONTINGENCIES**

Bagger Dave's sponsors a defined contribution 401(k) plan whereby eligible team members can contribute pre-tax wages in accordance with the provisions of the plan. Bagger Dave's has the option to make an annual discretionary contribution to the 401(k) plan. No match was made during the three months ended December 29, 2019.

The Company is subject to ordinary and routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the ordinary course of its business. The ultimate outcome of any litigation is uncertain. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by or in excess of our insurance coverage could materially adversely affect our financial condition or results of operations.

## **11. SUPPLEMENTAL CASH FLOWS INFORMATION Other**

### **Cash Flows Information**

No cash paid for interest during the three and twelve months ended December 29, 2019 and December 30, 2018 respectively.

No cash paid for income taxes during the three and twelve months ended December 29, 2019 and December 30, 2018 respectively .

## **12. SUBSEQUENT EVENT**

Subsequent to the Financial Statement Date a non-adjusting event, the COVID19 (Coronavirus) pandemic, has precipitated a number of required business limitations and closures in the restaurant industry to which The Company is subject. These events will have a significant financial impact on The Company. The extent of the impact is not yet determined. As of this report date, there is substantial doubt whether The Company can continue as a going concern.