

Risk Factors Comparison 2025-02-26 to 2024-02-27 Form: 10-K

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Risks Related to our Restaurant Business, Operations and Future Growth The restaurant industry is highly competitive. Any inability to maintain our brand image and compete effectively in the restaurant industry may adversely affect our revenues, profitability and financial results. The restaurant industry is highly competitive. We compete on the basis of the taste, quality and price of food offered, guest service, brand name identification, beer quality and selection, facilities attractiveness, restaurant location, atmosphere and overall dining experience. In addition, we compete with other restaurants and retailers for real estate. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well- capitalized national restaurant companies. Many of our competitors have substantially greater financial, marketing and other resources than we do. In addition to other ~~casual dining~~ full- service restaurants, we face competition from an array of food- away- from- home alternatives, including fast casual restaurants, single- serve operations, quick- service restaurants and the trend toward convergence in grocery, deli and restaurant services, particularly in the supermarket industry which offers “ convenient meals ” in the form of improved entrées and side dishes from the deli section. We also continue to face pressure for consumer discretionary spending on restaurant occasions, as well as less expensive alternatives to BJ’ s. Our ability to effectively compete in the restaurant industry, the successful operation of the BJ’ s restaurant concept and the execution of our national expansion plan are all highly dependent upon BJ’ s ability to remain relevant to consumers and being a brand they trust. Any incident that erodes consumer trust in or affinity for the BJ’ s brand may significantly reduce its value. If consumers perceive or experience any reduction in our food or beverage quality, service or facility ambiance, or in any way believe we failed to deliver a consistently positive dining experience, our ability to compete and the value of the BJ’ s brand may be impaired. In addition, if other restaurants are able to promote and deliver a higher degree of perceived value through heavy discounting or other methods, our guest traffic levels may suffer, which would adversely impact our revenues and profitability. Our inability or failure to successfully and sufficiently raise menu prices to offset rising costs and expenses may adversely affect guest traffic and our results of operations. In the past, we have experienced dramatic price increases of certain items necessary to operate our restaurants and brewing operations, including increases in the cost of food, commodities, labor, team member benefits, insurance arrangements, construction, energy and other costs. We utilize menu price increases to help offset the increased cost of commodities, minimum wage and other costs. However, there is no guarantee that our menu price increases will be accepted by our guests. If our costs increase, our operating ~~margins~~ profit and results of operations will be adversely affected if we are unable to increase our menu prices to offset such increased costs or if our increased menu prices result in less guest traffic. In addition, we cannot provide assurance that menu price increases will not deter guests from visiting our restaurants, reduce the frequency of their visits or affect their purchasing decisions. Negative publicity about us, our restaurants, other restaurants, or others across the food supply chain, due to ~~foodborne~~ food borne illness or for other reasons, whether or not accurate, may adversely affect the reputation and popularity of our restaurants and our results of operations. The good reputation of our restaurants is a key factor to the success of our business. Incidents that occur at any of our restaurants, or at restaurants operated by other foodservice providers or generally in the food supply chain, may be damaging to the restaurant industry overall, may specifically harm our brand and reputation and may quickly result in negative publicity for us, which may adversely affect our sales and popularity with our guests. Moreover, negative publicity resulting from poor food quality, illness, injury, food tampering or other health concerns, whether related to one of our restaurants, to the restaurant industry, or to the beef, seafood, poultry or produce industries (such as negative publicity concerning the accumulation of carcinogens in seafood, e- coli, hepatitis A, Avian Flu, listeria, salmonella, and other food- borne illnesses), or operating problems related to one or more of our restaurants, may adversely affect sales for all of our restaurants and make our brand and menu offerings less appealing to consumers. In addition, our brewing operations are subject to certain hazards and liability risks faced by all brewers, such as potential contamination of ingredients or products by bacteria or other external agents that may be wrongfully or accidentally introduced into products or packaging. While we have not experienced any serious contamination problem in our products, the occurrence of such a problem may result in a costly product recall and serious damage to our reputation for product quality, as well as claims for product liability. Health concerns arising from food- borne or other illnesses or specific categories of foods may adversely affect our business. The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as COVID- 19 pandemic, Avian Flu or “ SARS, ” and H1N1 or “ swine flu, ” or other diseases such as bovine spongiform encephalopathy, commonly known as “ mad cow disease. ” If a virus is transmitted by human contact, our team members or guests may become infected, or may choose, or be advised, to avoid gathering in public places, any of which may adversely affect our restaurant guest traffic and our ability to adequately staff our restaurants, receive deliveries on a timely basis or perform functions at the corporate level. We also may be adversely affected if jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or significant health risk may adversely affect our business. Although we follow industry standard food safety protocols and continue to enhance our food safety and quality assurance procedures, no food safety protocols can completely eliminate the risk of food- borne illness in any restaurant. To the extent that a virus or disease is food- borne, or perceived to be food- borne, any future outbreaks or the possibility of such outbreaks may adversely affect guest traffic generally or the price and availability of certain food products which would have a material adverse effect on our operations. Even if food- borne illnesses arise from conditions outside of our control, the negative publicity from any such illnesses is likely to be

significant. If our restaurant guests or team members become ill from food- borne illnesses, we may be forced to temporarily close the affected restaurants. In addition, public concern over health risks associated with certain foods may cause fear about the consumption of menu items which incorporate such foods. If we change our menu in response to such concerns, we may lose guests who do not prefer the new menu, and we may not be able to sufficiently attract new guests to produce the revenue needed to restore the profitability of our restaurant operations. Any deterioration in general economic conditions which adversely affects consumer spending, our landlords or businesses neighboring our locations, may adversely affect our results of operations. Any decrease in guest traffic or the average expenditure per guest will negatively impact our financial results, since reduced sales result in the deleveraging of the fixed and semi- fixed costs in our operations and thereby cause downward pressure on our operating profits and margins. There is also a risk that if negative economic conditions persist for a long period of time or worsen, consumers may make long- lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis. In addition, deterioration in general economic conditions may adversely affect our landlords' abilities to satisfy obligations to us under leases, including failures to fund or reimburse agreed- upon tenant improvement allowances. If our landlords are unable to obtain sufficient credit to continue to properly manage their retail centers, we may experience a drop in the level of quality of such centers where we operate restaurants. Our future development of new restaurants may also be adversely affected by the negative financial situation of developers and potential landlords. Any such adverse developments with respect to our landlords may adversely impact our operations. Our restaurants are generally located in or around high traffic retail developments with nationally recognized co- tenants, which helps increase overall guest traffic into those retail developments. Some of our co- tenants have ceased or may cease operations in the future or have deferred openings or fail to open in a retail development after committing to do so. These failures may lead to reduced guest traffic and a general deterioration in the surrounding retail centers in which our restaurants are located and may contribute to lower guest traffic at our restaurants. If these retail developments experience high vacancy rates, any resulting decrease in guest traffic may adversely affect our results of operations. 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 guests 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. Closures of traditional " brick and mortar " retail sites may lead to reduced guest traffic and a general deterioration in the surrounding retail centers in which our restaurants are located and may contribute to lower guest traffic at our restaurants. Any adverse change in consumer trends or traffic levels may adversely affect our business, revenues and results of operations. Due to the nature of the restaurant industry, we are dependent upon consumer trends with respect to the public' s tastes, eating habits, public perception toward alcohol consumption and discretionary spending priorities, as well as consumer traffic rates at the sites surrounding our restaurants, which are primarily located in high- activity areas such as urban, retail, mixed- use and lifestyle centers. In general, such consumer trends and visit frequencies are significantly affected by many factors, including national, regional or local economic conditions, changes in area demographics, public perception and attitudes, increases in regional competition, food, liquor and labor costs, traffic and shopping patterns, weather, natural disasters, interest rates, co- tenancies in urban, retail and mixed- use and lifestyle centers and the availability and relative cost of gasoline. Our success will depend, in part, on our ability to anticipate and respond to such changing consumer preferences, tastes, eating and purchasing habits, as well as other factors affecting the restaurant industry, including new market entrants and demographic changes. Any adverse change in any of the above factors and our inability to respond to such changes may cause our restaurant volumes to decline and adversely affect our business, revenues and results of operations. Changes in off- premise sales or costs may adversely affect our operating results. Delivery from our restaurants is primarily accomplished by utilizing third- party delivery companies. These third- party delivery companies require us to pay them a commission, which adversely affects our profit margin on those sales. Off- premise sales could 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. To the extent that off- premise sales significantly reduce dine- in guest traffic or result in the need for additional expenditures to meet demand, our operating results will be adversely affected. In addition, if third- party delivery services cease doing business with us, or cannot make their scheduled deliveries, or do not continue their relationship with us on favorable terms, it would have a negative impact on sales or result in increased third- party delivery fees. Any inability or failure to recognize, respond to and effectively manage the accelerated impact of social media may adversely affect our business. There has been a significant increase in the use of social media and similar platforms. Consumers value readily available information concerning goods and services that they have or plan to purchase and may act on such information without further investigation or authentication. The dissemination of information online regarding our Company or our restaurants, together with any resulting negative publicity, may harm our business, prospects, financial condition and results of operations, regardless of the information' s accuracy. As part of our marketing efforts, we use a variety of digital platforms including search engines, mobile, online videos and social media platforms such as Facebook®, **Twitter X Corp.**®, Instagram® and TikTok® to attract and retain guests. We also test new technology platforms to improve our level of digital engagement with our guests and team members to help strengthen our marketing and related consumer analytics capabilities. These initiatives may not prove to be successful and may result in expenses incurred without the benefit of higher revenues or increased engagement. Any inability or failure to successfully expand our restaurant operations or open and adequately staff new restaurants may adversely affect our growth rate and results of operations. A critical factor in our future success is our ability to expand our restaurant operations, which will depend in large part on our ability to open new restaurants in a profitable manner. We anticipate that our new restaurants will generally take several months or even longer to reach targeted productivity levels due to the inefficiencies typically associated with new

restaurants, including lack of initial market and consumer awareness, the need to hire and train sufficient management and restaurant team members and other factors. The opening of new restaurants can also have either an expected or an unintended effect on the sales levels at existing restaurants. We cannot guarantee any restaurant we open will obtain operating results similar to those of our existing restaurants. If we are unable to open and operate new restaurants successfully, our growth rate and our results of operations will be adversely affected. Our expansion plans may also be impacted by the delay or cancellation of potential new sites by developers and landlords, which may become more common as a result of economic deterioration or tightening credit markets. In order to achieve our targeted capacity rate of new restaurant growth, we intend to open new restaurants in both established and new markets. Opening new restaurants in established markets generally provides some advantages in the form of stronger levels of initial consumer awareness, trial and usage, as well as greater leverage of certain supply chain and field supervision resources. On the other hand, there is a risk that a portion of the sales of existing restaurants in the market may transfer to newly opened restaurants in the same market, resulting in negative pressure on our overall comparable restaurant sales metric. While we do not generally select locations for our new restaurants where we believe that a significant sales transfer will likely occur, some unexpected sales transfer may inadvertently occur. Some of our new restaurants may be planned for new markets where we have little or no operating experience. New markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. As a result, new restaurants in those markets may be less successful than restaurants in our existing markets. Consumers in a new market may not be familiar with the BJ's brand. We also may find it more difficult to hire, motivate and retain qualified team members in new markets. Restaurants opened in new markets may also have lower average restaurant sales than restaurants opened in our existing markets, and may have higher construction, occupancy or operating costs than restaurants in existing markets. Sales at restaurants opened in new markets may take longer to achieve margins typical of mature restaurants in existing markets or may never achieve these targeted margins thereby affecting our overall profitability. As we expand into new markets and geographic territories, our operating cost structures may not resemble our experience in existing markets. Because there will initially be fewer restaurants in a given market, our ability to optimally leverage our field supervision, marketing and supply chain resources will be limited for a period of time. Further, our overall new restaurant development and operating costs may increase due to more lengthy geographic distances between restaurants resulting in higher purchasing, preopening, labor, transportation and supervision costs. The performance of restaurants in new markets will often be less predictable. As part of our ongoing restaurant expansion and growth strategy, we may consider the internal development or acquisition of additional restaurant concepts. We may not be able to internally develop or acquire additional concepts that are as profitable as our existing restaurants. Additionally, growth through acquisitions will also involve additional financial and operational risks. Our inability to renew existing leases on favorable terms may adversely affect our results of operations. The majority of our restaurants are located on leased premises and are subject to varying lease-specific arrangements. Some of our leases require base rent that is subject to regional cost-of-living increases and other leases include base rent with specified periodic increases. Other leases are subject to renewal at fair market value, which may involve substantial increases. Additionally, many leases require contingent rent based on a percentage of gross sales. There can be no assurance that we will be able to renew our expiring leases after exercising all remaining renewal options. As a result, we may incur additional costs to operate our restaurants, including increased rent and other costs related to our renegotiation of lease terms for an existing leased premise or for a new lease in a desirable location and the relocation and development of a replacement restaurant. Any inability to retain key personnel or difficulties in recruiting qualified personnel may adversely affect our business until a suitable replacement is found. The success of our business continues to depend on the contributions of our senior management team, both individually and as a group. Our senior executives have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals may materially adversely affect our business until a suitable replacement is found. We believe that these individuals cannot easily be replaced with executives of equal experience and capabilities. Additionally, when unemployment levels are low or labor markets are otherwise challenged, it is difficult and more expensive for us to fully staff our restaurants. While we do our best to avoid business interruptions in our operating restaurants, as well as delays in opening our new restaurants, there is no guarantee or assurance that we can avoid this in the future. Any adverse changes in the cost of food, brewing commodities and other materials, including cost increases caused by inflation, **tariffs**, or global conflicts may adversely affect our operating results. Our supply chain department negotiates prices for all of our ingredients and supplies through contracts, spot market purchases or commodity pricing formulas. Furthermore, various factors beyond our control, including adverse weather conditions and governmental regulations, **the imposition of tariffs on commodities and other goods in our supply chain**, as well as increased public concern over food safety standards and local and state governmental requirements, could materially harm our business and may also cause our food and supply costs to increase. We cannot predict whether we will be able to anticipate and react to changing food and supply costs or safety incidents by adjusting our purchasing practices. We also have a single or a limited number of suppliers for certain of our commodity and supply items. Accordingly, supply chain risk may increase our costs and limit the availability of some products that are critical to our restaurant and brewing operations, which may adversely affect our operating results or cash flows from operations. The overall cost environment for food commodities can be volatile primarily due to domestic and worldwide agricultural supply / demand and other macroeconomic factors that are outside of our control, including recent inflationary trends, military, **trade disputes**, and geopolitical conflicts. The availability and prices of food commodities are also influenced by energy prices, droughts, animal-related diseases, natural disasters, the relationship of the dollar to other currencies, government regulated tariffs and other issues. Virtually all commodities purchased and used in the restaurant industry (meats, grains, oils, dairy products, and energy) have varying amounts of inherent price volatility associated with them. Our suppliers also may be affected by higher costs to produce and transport commodities used in our restaurants and brewpubs, labor shortages, higher minimum wage and benefit costs, and

other expenses that they pass through to their customers, which may result in higher costs for goods and services supplied to us. While we attempt to manage these factors by offering a diversified menu and by contracting for our key commodities for extended periods of time whenever feasible and possible, there can be no assurance that we will be successful in this respect due to the many factors that are outside of our control. In addition, raw materials that we may purchase on the international market are subject to fluctuations in both the value of the U. S. dollar, government regulated tariffs and increases in local demand, which may increase our costs and negatively impact our profitability. We and our major independent third- party brewing partners purchase a substantial portion of brewing raw materials and products, primarily malt and hops, from a limited number of domestic and foreign suppliers. We purchase a majority of our malts from a single supplier with multiple sources of malts. We generally enter into one- year purchase commitments with our malt and hops suppliers, based on the projected future volumes and brewing needs. We are exposed to the quality of the barley crop each year, and significant failure of a crop may adversely affect our beer costs. The quality and availability of the hops may be materially adversely affected by factors such as adverse weather and changes in currency exchange rates, resulting in increased prices. Hops and malt are agricultural products and, therefore, many outside factors, including weather conditions, farmers rotating out of hops or barley to other crops, government regulations and legislation affecting agriculture, may affect both price and supply. We may be subject to increased labor costs resulting from wage pressure, higher turnover and changes in government regulations, any of which could adversely affect our results of operations. Our restaurant operations are subject to federal, state and local laws governing such matters as minimum wages, working conditions, overtime and tip credits. As federal, state and local minimum wage rates increase, we may need to increase not only the wages of our minimum wage team members, but also the wages paid to team members at wage rates that are above minimum wage. Over the last several years, low unemployment, new restaurant growth, competition and state minimum wage increases have resulted in unprecedented wage pressure in the restaurant industry for managers and hourly team members. Labor shortages, increased team member turnover and health care and other benefit mandates have increased and could continue to increase our labor costs. The increased operating costs from wage related increases, or potential other benefit offerings to remain competitive in the labor market could adversely affect our results of operations, especially if we are to effectively implement price increases to offset such additional costs. Any inability or failure of distributors, suppliers or independent third- party brewers to provide food, beverages and beer to us in a timely fashion may adversely affect our reputation, guest patronage, revenues and results of operations. If our distributors, suppliers and independent third- party brewers cease doing business with us, or cannot make a scheduled delivery to us, or are unable to obtain credit in a tightened credit market or experience other issues, we may experience short- term product supply shortages in some or all of our restaurants and may be required to purchase food, beer and beverage products from alternate suppliers at higher prices. We may also be forced to temporarily remove popular items from the menu offering of our restaurants. If alternative suppliers cannot meet our current product specifications, the consistency and quality of our food and beverage offerings, and thus our reputation, guest patronage, revenues and results of operations, may be adversely affected. Additionally, if these independent third- party brewers cease doing business with us, we may be required to purchase or brew our own beer at higher costs to us, or we may not be able to sell our proprietary craft beer at all, until we are able to secure an alternative supply source. If the independent third- party brewers fail to adhere to our proprietary recipe and brewing specifications, the consistency and quality of beer offerings, and thus our reputation, guest patronage, revenues and results of operations, may be adversely affected. Additionally, financial stability of those brewing operations where we currently contract for our proprietary craft beer production, as well as their ability or willingness to continue to meet our beer production requirements, continues to be a significant risk in our business model. Accordingly, there can be no guarantees that our proprietary brewing requirements will continue to be met in the future. Any adverse weather conditions, seasonal fluctuations, natural disasters and environmental matters, including the effects of climate change, may adversely affect our results of operations. The occurrence of natural disasters, such as fires, hurricanes, freezing weather or earthquakes (particularly in California where our centralized operating systems and Restaurant Support Center administrative personnel are located) may unfavorably affect our operations and financial performance. Any of the foregoing events may result in physical damage, temporary or permanent closure, lack of an adequate work force, or temporary or long- term disruption in the supply of food, beverages, electric, water, sewer and waste disposal services necessary for our restaurants or Restaurant Support Center to operate. In addition, there has been increasing focus by the United States and overseas governmental authorities and investors on other environmental matters, such as climate change, which may increase the frequency and severity of weather- related events and conditions, such as drought and forest fires. This increased focus on climate change and efforts to reduce greenhouse gas emissions, waste, and water consumption may lead to new initiatives directed at regulating a yet to be specified array of environmental matters. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in the cost of raw materials, taxes, transportation and utilities, which could affect our results of operations and necessitate future investments in facilities and equipment. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including hurricanes and other natural disasters, back up and off- site locations for recovery of electronic and other forms of data and information. However, if we are unable to fully implement our disaster recovery plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that may have a material adverse effect on our financial condition, results of operation and exposure to administrative and other legal claims. Our corporate office is located in California and a significant number of our restaurants are located in California, Texas and Florida which makes us particularly sensitive to economic, regulatory, weather and other risk factors and conditions are more prevalent in those states. Our corporate office is located in California and a significant number of our restaurants are concentrated in California, Texas and Florida. As a result, we are particularly susceptible to adverse trends and economic conditions in those states. Many states and municipalities in which our restaurants are located may experience severe revenue and budget shortfalls. Additionally,

changes in state and municipal- level regulatory requirements, such as increases to the minimum wage rate, scheduling or other labor constraints not experienced in other locations, income taxes, unemployment insurance, as well as other taxes, mandatory healthcare coverage or paid leave where we operate or may desire to operate restaurants, may adversely impact our financial results. Additionally, we believe that California is subject to a greater risk for earthquakes, fires, water shortages, energy fluctuations and other natural and man- made disasters than most other states.

Risks Related to Data Security and Technology

We rely heavily upon information technology and related data security systems, including credit card processing and our loyalty and team member engagement programs, and any failure or interruption of these systems, including those operated by third parties, may adversely affect our ability to efficiently operate our business. We rely heavily on electronic information systems in all aspects of our operations, including (but not limited to) point- of- sale transaction processing in our restaurants; credit card processing; efficient operation of our restaurant kitchens; management of our inventories and overall supply chain; collection of cash; payment of payroll and other obligations; and various other processes and procedures including our guest loyalty and team member engagement programs. Our ability to efficiently manage our business depends significantly on the reliability and capacity of our in- house information systems and those technology services and systems that we contract from third parties. Although we and our third- party providers have operational safeguards in place, these safeguards may not be effective in preventing the failure of any of our or third- party systems or platforms to operate effectively and be available. Our electronic information systems, including our back- up systems, and those of our third- party providers, are subject to damage or interruption from power outages, **cyberattacks** ~~cyber-attacks~~, computer and telecommunications failures, computer viruses, **use of artificial intelligence, “ phishing ” attacks, ransomware, malware**, internal or external security breaches, catastrophic events such as fires, earthquakes, tornadoes and hurricanes, and / or errors by our team members. While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully insulate us from technology disruption. If any of the critical IT systems on which we rely were to become unreliable, unavailable, compromised or otherwise fail, and we were unable to recover in a timely manner, we could experience an interruption in our operations that could have a material adverse impact on our results of operations and our reputation as a brand or as an employer. Our business may be adversely affected by cybersecurity incidents which result in unauthorized access, theft, modification or destruction of confidential information that is stored in our systems or by third parties on our behalf, including confidential business, team member, or guest data. Cybersecurity incidents or other unauthorized access to systems may result in disruption to our operations, corruption or theft of critical data, confidential information or intellectual property. As reliance on technology continues to grow and more business activities have shifted online, the risk associated with any cybersecurity incidents **has have** ~~grown. As reliance on technology continues to grow and more business activities have shifted online, the risk associated with any cybersecurity incidents have~~ grown. While we, and our third- party vendors, have implemented security systems and infrastructure to prevent, detect, and / or mitigate the risk of unauthorized access to technology systems or platforms, there can be no assurance that these measures will be effective. Any cybersecurity or similar incident involving confidential information of our business, guests or team members could result in negative publicity, damage to our reputation, a loss of revenues, disruption of our business, litigation and regulatory actions. Significant capital investments might be required to remediate any problems, infringements, misappropriations or other third- party claims. We continue to make significant investments in technology, third- party services and personnel to develop and implement systems and processes that are designed to anticipate **cyberattacks** ~~cyber-attacks~~ and to prevent or minimize breaches of our information technology systems or data loss, but these security measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

Risk Related to Regulations and Legal Proceedings

Federal, state and local beer, liquor and food service regulations and any violations thereof may adversely affect our revenues and results of operations. We are required to operate in compliance with federal laws and regulations relating to alcoholic beverages administered by the Alcohol and Tobacco Tax and Trade Bureau of the U. S. Department of Treasury, as well as the laws and licensing requirements for alcoholic beverages of states and municipalities where our restaurants are or will be located. In addition, each restaurant must obtain a food service license from local authorities. Failure to comply with federal, state or local regulations may cause our licenses to be revoked and force us to cease the brewing or sale of alcoholic beverages, or both, or the serving of food at our restaurants. Additionally, state liquor laws may prevent or impede the expansion of our restaurants into certain markets. The liquor laws of certain states prevent us from selling the beer brewed at our restaurants. Any difficulties, delays or failures in obtaining such licenses, permits or approvals may delay or prevent the opening of a restaurant in a particular area or increase the costs associated therewith. If we are unable to obtain or maintain our existing licenses, our guest patronage, revenues and results of operations may be adversely affected. Or, if we choose to open a restaurant in those states where the number of available licenses is limited, the cost of a new license may be significant. Brewing operations require various federal, state, and local licenses, permits and approvals. Our restaurants and on-site brewpubs operate pursuant to exceptions to the “ tied house ” laws, which created the “ three tier system ” of liquor distribution. These “ tied house ” laws generally prohibit brewers from holding retail licenses and prohibit vertical integration in ownership and control among the three tiers. Brewing restaurants and brewpubs operate under exceptions to these general prohibitions. Generally, our brewing restaurants are licensed as retailers with limited privileges to brew beer on the restaurant premises, and we do not have the same privileges as a microbrewery. Other restrictions imposed by law may prevent us from operating both brewing restaurants and non- brewing restaurants in some states. We are at risk that a state’ s regulations concerning brewing restaurants or the interpretation of these regulations may change. Because of the many and various state and federal licensing and permitting requirements, there is a significant risk that one or more regulatory agencies may determine that we have not complied with applicable licensing or permitting regulations or have not maintained the approvals necessary for us to conduct business within its jurisdiction. Even after the issuance of our licenses, our operations may be subject to differing interpretations of the “ tied house ” laws and the requirements of the “ three tier system ” of liquor distribution in any jurisdiction that we conduct business. Any such changes in interpretation may adversely impact our current model of brewing beer or

supplying beer, or both, to our restaurants in that state, and may also cause us to lose, either temporarily or permanently, the licenses, permits and registrations necessary to conduct our restaurant operations, and subject us to fines and penalties. The manufacture, distribution and sale of alcoholic beverages is highly regulated and taxed under federal, state and local laws and regulations. Our operations are subject to more restrictive regulations and increased taxation by federal, state, and local governmental entities than are those of non- alcohol related beverage businesses. Failure to comply with applicable federal, state, or local laws and regulations may result in higher taxes, penalties, fees, and suspension or revocation of permits, licenses or approvals. The loss or revocation of any existing licenses, permits or approvals, and / or the failure to obtain any required additional or new licenses, permits, or approvals may have a material adverse effect on our ability to conduct our business. Increasing the federal and / or state excise tax on alcoholic beverages, or certain types of alcoholic beverages, is frequently proposed in various jurisdictions either to increase revenues or discourage purchases by underage drinkers. If adopted, these measures may affect some or all of our proprietary craft beer products. If federal or state excise taxes are increased, we may have to raise prices to maintain our current profit margins. Higher taxes may reduce overall demand for beer, thus negatively impacting sales of our beer. Some states have also been reviewing the state tax treatment for flavored malt beverages which may result in increased costs for us, as well as decreased sales. Compliance with cybersecurity, privacy and similar laws may involve significant costs and any failure to comply could adversely affect our business, reputation and results of operations. Cybersecurity breaches also could result in a violation of applicable privacy and other laws, and subject us to private consumer, business partner, or securities litigation and governmental investigations and proceedings, any of which could result in our exposure to material civil or criminal liability. In addition, the California Privacy Rights Act (“ CPRA ”) provides a private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties and request deletion of personal information (subject to certain exceptions). Compliance with the CPRA and other current and future privacy, cybersecurity and related laws may involve significant costs. If we fail to properly respond to security breaches of our or third- party’ s information technology systems or fail to properly respond to consumer requests under the CPRA or any similar laws adopted in other states, our reputation and results of operations may be adversely affected. We are subject to a variety of laws, government regulations and other legal requirements and any failure to comply with these laws and regulations or any new laws or regulations could have a material adverse effect on our operations. Our business is subject to large number of federal, state, and laws and regulations, including those relating to: • the production, distribution and sale of alcoholic beverages; • employment practices and working conditions, including, among others, minimum wage and other wage and benefit requirements, overtime pay, meal and rest breaks, predictive scheduling, paid leave requirements, work eligibility requirements, team member classification as exempt / non- exempt for overtime and other purposes, immigration status, workplace safety, discrimination, and harassment; • public accommodations and safety conditions, including the Americans with Disabilities Act and similar state laws that give protections to individuals with disabilities in the context of employment, public accommodations, and other areas; • environmental matters, such as emissions and air quality, water consumption, and the discharge, storage, handling, release, and disposal of hazardous or toxic substances; • preparation, sale and labeling of food, including regulations of the Food and Drug Administration, including those relating to inspections and food recalls, menu labeling and nutritional content; • data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information, and payment card industry standards and requirements; • building and zoning requirements, including state and local licensing and regulation governing the design and operation of facilities and land use, • health, sanitation, safety and fire standards; and • public company compliance, disclosure and governance matters, including accounting regulations, **Securities and Exchange Commission (“ SEC ”)** and NASDAQ disclosure requirements. Compliance with these laws and regulations, and future new laws or changes in these laws or regulations that impose additional requirements, can be costly. Failure to comply with the laws and regulatory requirements of federal, state and local authorities may result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can increase our exposure to litigation or governmental investigations or proceedings. We may become party to legal proceedings which could have a material adverse effect on our business. Our business is subject to the risk of litigation by team members, guests, suppliers, shareholders, government agencies or others through private actions, class or collective actions, administrative proceedings, regulatory actions or other litigation. These actions and proceedings may involve allegations of illegal, unfair or inconsistent employment practices, including wage and hour violations and employment discrimination; guest discrimination; food safety issues including poor food quality, food- borne illness, food tampering, food contamination, and adverse health effects from consumption of various food products or high- calorie foods (including obesity); other personal injury; violation of “ dram- shop ” laws (providing an injured party with recourse against an establishment that serves alcoholic beverages to an intoxicated party who then causes injury to himself or a third- party); trademark or patent infringement; violation of the federal securities laws; **disputes with landlords under our leases;** or other concerns . ~~The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may be significant. There may also be adverse publicity associated with litigation that may decrease guest acceptance of our brands, regardless of whether the allegations are valid, or we ultimately are found liable. Litigation may impact our operations in other ways as well. Allegations of illegal, unfair or inconsistent employment practices, for example, may adversely affect team member acquisition and retention. Also, some employment related claims in the area of wage and hour disputes are not insurable risks. We also are subject to claims and disputes from landlords under our leases, which may lead to litigation or a threatened or actual lease termination.~~ Litigation of any nature may be expensive to defend, may adversely affect our reputation and the reputation of our restaurants, and may divert money and management’ s

attention from our operations and adversely affect our financial condition and results of operations. General Risk Factors Any inability to access sources of capital and / or to raise capital in the future on favorable terms may adversely affect our business and results of operations. There can be no guarantee that additional financing will be readily available or available on favorable terms, or at all. The unavailability of financing when needed may adversely affect our growth and other plans, as well as our financial condition. Even if available, additional financing may involve significant cash payment obligations, covenants and financial ratios that restrict our ability to operate and grow our business and would cause us to incur additional interest expense and financing costs. The market price of our common stock may be volatile, and our shareholders may lose all or part of their investment. The market price of our common stock may fluctuate significantly, and our shareholders may not be able to resell their shares at or above the price they paid for them. Those fluctuations may be based on various factors, including the following: • actual or anticipated fluctuations in comparable restaurant sales or operating results, whether in our operations or in those of our competitors; • changes in financial estimates or opinions by research analysts, either with respect to us or other ~~casual dining~~ **full-service restaurant** companies; • any failure to meet investor or analyst expectations, particularly with respect to total restaurant operating weeks, number of restaurant openings, comparable restaurant sales, average weekly sales per restaurant, total revenues, operating ~~margins~~ **profit** and net income per share; • the public's reaction to our press releases, other public announcements and our filings with the SEC; • actual or anticipated changes in domestic or worldwide economic, political or market conditions, such as recessions or international currency fluctuations; • changes in the consumer spending environment; • terrorist acts; • union organization; • changes in laws or regulations, or new interpretations or applications of laws and regulations, which are applicable to our business; • changes in accounting standards, policies, guidance, interpretations or principles; • short sales, hedging and other derivative transactions in the shares of our common stock; • future sales or issuances of our common stock, including sales or issuances by us, our directors or executive officers and our significant shareholders; • our dividend policy; • changes in the market valuations of other restaurant companies; • actions by shareholders, including actions of activist investors or unsolicited takeover proposals; • various market factors or perceived market factors, including rumors, involving us, our suppliers and distributors, whether accurate or not; • announcements by us or our competitors of new locations, menu items, technological advances, significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives; • the addition or loss of a key member of management; and • changes in the costs or availability of key inputs to our operations. In addition, we cannot assure that an active trading market for our common stock will continue which may affect our stock price and the liquidity of any investment in our common stock.