Risk Factors Comparison 2024-02-29 to 2023-02-21 Form: 10-K

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In evaluating our Company, you should carefully consider the following risk factors and the other information in this report, including our consolidated financial statements and related notes to those statements. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed. Risks Relating to Our Business and Industry We have experienced and continue to experience inflationary conditions with respect to the cost for food, grocery items, labor and utilities, and we may not be able to increase prices or implement operational improvements sufficient to fully offset inflationary pressures on such costs, which may harm our business, financial condition and results of operations. Our results of operations are dependent upon, among other things, the price and availability of food, grocery items, labor and utilities. In fiscal **2023, 2022 and** 2021 ~~and 2022~~, the costs of commodities, labor, energy and other inputs necessary to operate our restaurants significantly increased **from prior years**. Fluctuations in economic conditions, weather, demand and other factors also affect the availability, quality and cost of the ingredients and products that we buy. Further, many of the products that we use and their costs are interrelated. Changes in global demand for corn, wheat and dairy products could cause volatility in the feed costs for poultry and livestock. Our operating margins are also affected, whether as a result of general inflation or otherwise, by fluctuations in the price of utilities such as natural gas and electricity, on which our locations depend for their energy supply. Our inability to anticipate and respond effectively to one or more adverse changes in any of these factors could harm our business, financial condition and results of operations. We expect the inflationary pressures and other fluctuations impacting the cost of these items to continue to impact our business in ~~2023~~ **2024**. Our attempts to offset cost pressures, such as through menu price increases and operational improvements, may not be successful. We may not seek to or be able to pass along price increases to our customers sufficient to completely offset cost increases. Consumers may be less willing to pay our menu prices and may increasingly visit lower- priced competitors, or may forgo some purchases altogether. To the extent that price increases are not sufficient to offset higher costs adequately or in a timely manner, and / or if they result in significant decreases in revenue, our business, financial condition and results of operations may be harmed. ~~COVID- 19 has harmed our business and may continue to do so. The COVID- 19 pandemic has caused and may continue to cause significant disruptions to our ability to generate revenue and cash flows, implement our restaurant development plan and open new restaurants and hire and retain employees and has caused and may continue to cause an increase in our commodity and labor costs. We have now reopened all of our restaurants without operating capacity restrictions and begun to open new restaurants; however, we cannot predict whether we will have to revert back to an off- premise only operating model at some or all of our restaurants or postpone restaurant development again. Additionally, different areas have seen varying levels of outbreaks or resurgences of COVID- 19 and due to the concentration of our restaurants, these outbreaks or resurgences may harm our business, financial condition and results of operations more than our competitors. The COVID- 19 pandemic has also adversely affected and may in the future continue to adversely affect the availability of liquidity generally in the credit markets, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms to us, if necessary. Our business, financial condition and results of operations may be harmed if a significant number of our employees are unable to work, whether because of illness, required quarantine, limitations on travel or other government restrictions in connection with COVID- 19. Additionally, if our suppliers' employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID- 19, we could face shortages of food items or other supplies at our restaurants and our operations and sales could be adversely harmed by such supply interruptions. We could also experience other potential impacts as a result of the COVID- 19 pandemic that are not completely known at this time, including, but not limited to, charges from potential adjustments to the carrying amount of goodwill, indefinite- lived intangibles and additional long- lived asset impairment charges. Our actual results may differ materially from our current estimates as the COVID- 19 pandemic continues to evolve, depending largely though not exclusively on the duration of the disruption to our business.~~ Our financial results depend significantly upon the success of our existing and new restaurants. Future growth in our revenues and profits will depend on our ability to develop profitable new restaurants, maintain or grow sales and efficiently manage costs in our existing and new restaurants. As of December ~~25~~ **31**, ~~2022~~ **2023**, we operated ~~98~~ **101** restaurants, of which ~~5~~ **7** restaurants are not considered comparable. The results achieved by these restaurants may not be indicative of longer- term performance or the potential market acceptance of restaurants in other locations and you should not rely on our past results as an indication of our future results of operations. The success of our restaurants revolves principally around customer traffic and average check per customer and customer experience. Significant factors that might adversely affect customer traffic and average check per customer include, without limitation: • uncertain or declining economic conditions, including ~~rising~~ **as a result of** inflation and **high** interest rates, housing market downturns, rising unemployment rates, lower disposable income, credit conditions, fuel prices **, wars** and consumer confidence and other events or factors that adversely affect consumer spending in the markets we serve; • increased competition, particularly in the Mexican and casual and fast- casual dining segments; • changes in consumer preferences or budgeting constraints; • customers' acceptance of our brand in new markets and experiences dining in our restaurants; • customers' failure to accept menu price increases that we may make to offset increases in key operating costs; • our reputation and consumer perception of our concepts' offerings in terms of quality, price, value, ambience and service; and • **pandemics, including** the COVID- 19 pandemic and other future health crises and the actions taken in response by governmental authorities and others to contain these health crises or treat their impact, including stay- at- home orders. Our restaurants are also susceptible to increases in certain key operating expenses that are either wholly or partially beyond our control, including, without limitation: • food and other raw materials costs, including to- go supplies, many of which we do not or cannot effectively hedge; • labor costs, including wage, workers' compensation and other benefits expenses; • rent expenses and construction, remodeling, maintenance and other costs under leases for our new and existing restaurants; • compliance costs as a result of changes in regulatory or industry standards or expenses due to litigation; • energy, water and other utility costs and costs for insurance (including health, liability and workers' compensation); and • information technology, delivery service charges and other logistical costs. Certain of our restaurants operate at or near capacity. As a result, we may be unable to grow or maintain same store sales at those restaurants, particularly if additional restaurants are opened near the existing location. The failure of our existing or new restaurants to perform as expected could harm our business, financial condition and results of operations. Our long- term success is highly dependent on our ability to successfully identify appropriate sites and develop and expand our operations in existing and new markets. We intend to develop new restaurants in our existing markets, and selectively enter into new markets. Since the start of 2008, we have expanded from 8 to ~~98~~ **101** restaurants as of December ~~25~~ **31** , ~~2022~~ **2023** . We plan to open a total of six to ~~seven~~ **eight** restaurants during fiscal year ~~2023~~ **2024** . There can be no assurance that any new restaurant that we open will have similar operating results to those of existing restaurants. We may not be able to open our planned new restaurants on a timely basis, if at all, and, if opened, these restaurants may not be operated profitably. The number and timing of new restaurants opened during any given period, and their associated contribution to operating growth, may be negatively impacted by a number of factors including, without limitation: • identification and availability of appropriate locations that will drive high levels of customer traffic and sales per unit; • inability to generate sufficient funds from operations or to obtain acceptable financing to support our development; • recruitment and training of qualified operating personnel in the local market; • availability of acceptable lease arrangements, including sufficient levels of tenant allowances; • construction and development cost management; • timely delivery of the leased premises to us from our landlords and punctual commencement of our buildout construction activities; • delays due to the customized nature of our restaurant concepts and decor, construction and pre- opening processes for each new location; • obtaining all necessary governmental licenses and permits, including our liquor licenses, on a timely basis to construct or remodel and operate our restaurants; • our inability to comply with certain covenants under our revolving credit facility (the " Revolving Credit Facility ") that could limit our ability to open new restaurants; • consumer tastes in new geographic regions and acceptance of our restaurant concept; • competition in new markets, including competition for restaurant sites; • unforeseen engineering or environmental problems with the leased premises; • adverse weather during the construction period; • anticipated commercial, residential and infrastructure development near our new restaurants; • other unanticipated increases in costs, any of which could give rise to delays or cost overruns; and We have experienced, and expect to continue to experience, delays in restaurant openings from time to time. Such actions may limit our growth opportunities. We cannot assure you that we will be able to successfully expand or acquire critical market presence for our brand in new geographical markets, as we may encounter well- established competitors with substantially greater financial resources. We may be unable to find attractive locations, build name recognition, successfully market our brand or attract new customers. We may incur additional costs in new markets, particularly for transportation and distribution, which may impact the profitability of those restaurants. Competitive circumstances and consumer characteristics and preferences in new market segments and new geographical markets may differ substantially from those in the market segments and geographical markets in which we have substantial experience. As a result, we may be required to close restaurants that are not meeting our performance expectations. If we are unable to successfully expand in existing markets or penetrate new markets, our ability to increase our revenues and profitability may be harmed. If we fail to manage our growth effectively, it could harm our business. Failure to manage our growth effectively could harm our business. We have grown significantly since 2008 and intend to continue growing in the future. Our objective is to grow our business and increase stockholder value by (1) expanding our base of restaurants that are profitable and (2) increasing sales and profits at existing restaurants. While both these methods of achieving our objective are important to us, historically the most significant means of achieving our objective has been through opening new restaurants and operating these restaurants on a profitable basis. As we open and operate more restaurants, our rate of expansion relative to the size of our existing restaurant base will decline, which may make it increasingly difficult to achieve levels of sales and profitability growth that we have seen in the past. In addition, our existing restaurant management systems, financial and management controls and information systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We also have placed an emphasis on our culture, which we believe has been an important contributor to our success. As we grow, we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. We cannot assure you that we will be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure. If we are unable to manage our growth effectively, our business, financial condition and results of operations could be harmed. Any decision to either reduce or accelerate the pace of openings may positively or negatively affect our comparative financial performance. Our opening costs continue to be significant and the amount incurred in any single year or quarter is dependent on the number of restaurants expected to be opened during that time period. As such, our decision to either decrease or increase the rate of openings may have a significant impact on our financial performance for the period of time being measured. Therefore, if we decide to reduce our openings, our comparable opening costs will be lower and the short- term effect on our comparative financial performance will be favorable. Conversely, if the rate at which we develop and open new restaurants is increased to higher levels in the future, the resulting increase in opening costs will have an unfavorable short- term impact on our comparative financial performance. We occupy most of our restaurants under long- term non- cancelable leases for which we may remain obligated to perform under even after a restaurant closes, and we may be unable to renew leases at the end of their terms. Many of our current leases are non- cancelable and typically have initial terms ranging from 10 or 15 years in length with two to three five- year extension options. The initial terms of our leases currently expire between ~~2023~~ **2025** and ~~2043~~ **2039** . We believe that leases that we enter into in the future will be on substantially similar terms. If we were to close or fail to open a restaurant at a location we lease, we would generally remain committed to perform our obligations under the applicable lease, which could include, among other things, payment of the base rent for the balance of the lease term. Our obligation to continue making rental payments and fulfilling other lease obligations in respect of leases for closed or unopened restaurants could have a material adverse effect on our business and results of operations. Alternatively, at the end of the lease term and any renewal period for a restaurant, we may be unable to renew the lease without substantial additional cost, if at all. If we cannot renew such a lease we may be forced to close or relocate a restaurant, which could subject us to construction and other costs and risks. If we are required to make payments or otherwise perform under one of our leases after a restaurant closes or if we are unable to renew our restaurant leases, our business, financial condition and results of operations could be harmed. The success of our restaurants depends in large part on leased locations. As demographic and economic patterns change, current locations may or may not continue to be attractive or profitable. Possible declines in trade areas where our restaurants are located or adverse economic conditions in surrounding areas could result in reduced revenues in those locations. In addition, desirable locations for new restaurant openings or for the relocation of existing restaurants may not be available at an acceptable cost. Changes in economic conditions could harm our business, financial condition and results of operations. The restaurant industry depends on consumer discretionary spending. Economic conditions are uncertain and may decline or become more uncertain as a result of many factors, including the COVID- 19 pandemic, ~~rising~~ **and other future pandemics or health crises, higher** interest rates and inflation. Uncertain or declining economic conditions, higher interest rates, higher fuel and other energy costs, inflation, higher levels of unemployment, higher debt levels and higher tax rates may repress consumer confidence and discretionary spending. If any of these events occur for a prolonged period of time, customer traffic could be adversely impacted if our customers choose to dine out less frequently or reduce the amount they spend on meals while dining out. We believe that if volatile economic conditions persist for a long period of time or become more pervasive, consumers might make long- lasting changes to their discretionary spending behavior, including dining out less frequently on a permanent basis. If restaurant sales decrease, our profitability could decline as we spread fixed costs across a lower level of sales. Reductions in staff levels, asset impairment charges and restaurant closures could result from prolonged negative restaurant sales, which could harm our business, financial condition and results of operations. Changes in consumer buying patterns could harm our business, financial condition and results of operations. In the last several years and more recently during the COVID- 19 pandemic, off premise sales, including delivery, have increased due to consumer demand for convenience and safety. While we plan to continue to invest in the growth of our off premise sales, there can be no guarantee that we will be able to increase and / or maintain our off premise sales. Off premise sales could also cannibalize dine in sales. Additionally, our systems and procedures may not be sufficient to handle off premise sales, which require additional investments in technology and people. Our failure to manage off premise sales effectively could harm our business, financial condition and results of operations. Additionally, delivery from our restaurants is through third party delivery companies. These third party delivery companies require us to pay them commissions, which lower our profit margin on those sales; however, we believe that the majority of such sales are incremental. Any bad publicity, whether true or not, regarding third party delivery companies or their business model may negatively impact our sales. If these third party delivery companies cease doing business with us, or cannot make their scheduled deliveries, or do not continue their relationship with us on favorable terms, it could harm our business, financial condition and results of operations. Advances in technologies or certain changes in consumer behavior driven by such technologies could also harm our business, financial condition and results of operations. Technology and consumer offerings continue to develop, and we expect new or enhanced technologies and consumer offerings will be available in the future and we may pursue certain of those technologies and consumer offerings. However, we cannot predict consumer acceptance of new or enhanced technology or their impact on our business. In addition, our competitors, some of whom have greater resources than us, may be able to benefit from changes in technologies or consumer acceptance of such changes, which could harm our competitive position. There can be no assurance we will be able to successfully respond to changing consumer preferences, including with respect to new technologies or to effectively adjust to these changes. If we are not able to successfully respond to these challenges, our business, financial condition and operating results could be harmed. Damage to our reputation or lack of acceptance of our brand in existing or new markets could harm our business, financial condition and results of operations. We believe we have built our reputation on the high- quality of our food, service and staff, as well as on our unique culture and the ambience in our restaurants, and we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer affinity for our brand, including any foodborne illness or foodborne illness scare or COVID- 19 outbreak **or other future pandemic or health crisis** could significantly reduce our brand' s value and harm our business, financial condition and results of operations. For example, our brand value could suffer and our business could be harmed if customers perceive a reduction in the quality of our food, service or staff, or an adverse change in our culture or ambience, or otherwise believe we have failed to deliver a consistently positive experience. Additionally, negative incidents that occur at other restaurants may decrease demand for restaurant dining broadly including at our restaurants. In addition, our ability to successfully develop new restaurants in new markets may be adversely affected by a lack of awareness or acceptance of our brand in these new markets. To the extent that we are unable to foster name recognition and affinity for our brand in new markets, our new restaurants may not perform as expected, our growth may be significantly delayed or impaired and we may have to close restaurants. We may be adversely affected by news reports or other negative publicity regardless of their accuracy, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers, or others across the food industry supply chain. The risks associated with such negative publicity cannot be completely eliminated or mitigated and may materially harm our results of operations and result in damage to our brand. Also, there has been a marked increase in the use of social media and other forms of internet- based communications which allow individuals access to a broad audience of consumers and other interested persons. 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. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is high and readily available. Information concerning our company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our business, financial condition and results of operations. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms also could be used for dissemination of trade secret information, compromising valuable company assets. In summary, the dissemination of information online could harm our business, financial condition and results of operations, regardless of the information' s accuracy. Our brand could also be confused with brands that have similar names, including Baja Chuy' s, an unaffiliated restaurant chain with whom we have entered into a settlement agreement regarding use of the Chuy' s name. As a result, our brand value may be harmed by any negative publicity related to Baja Chuy' s or any other restaurant that may use brand names, trademarks or trade dress that are similar to ours. Our expansion into new markets may present increased risks due to our unfamiliarity with the area. Some of our new restaurants will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than restaurants in our existing markets. An additional risk of expanding into new markets is the lack of market awareness of our brands. Restaurants opened in new markets may open at lower average weekly sales volume than restaurants opened in existing markets and may have higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average unit volume, if at all, thereby harming our business, financial condition and results of operations. Further, the restaurant industry is subject to extensive state and local laws and regulations, which we may be unfamiliar with as we expand into new locations. We are subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards and the sale of alcoholic beverages. We are also subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws could harm our business, financial condition and results of operation. Approximately ~~41~~ **42** % of our restaurants are located in Texas and, as a result, we are sensitive to economic, adverse weather and other trends and developments in that state. As of December ~~25~~ **31** , ~~2022~~ **2023** , we operated a total of ~~40~~ **42** restaurants in Texas. As a result, we are particularly susceptible to adverse trends and economic conditions in this state, including its labor market. In addition, given our geographic concentration in this state, negative publicity regarding any of our restaurants in Texas, local labor issues, the spread of COVID- 19 **or any other future pandemic or health crisis** , changes in energy prices, adverse weather conditions, hurricanes, droughts, fires or other natural or man-made disasters could harm our **business, financial condition and results of operations.** We are susceptible to economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located. Our financial performance is dependent on our restaurants located in Texas and the Southeastern and Midwestern United States. As a result, adverse economic conditions in any of these areas could harm our business, financial condition and results of operations. In addition, negative publicity regarding any of our restaurants in these areas could harm our business, financial condition and results of operations, as could other ~~regional~~ occurrences such as local labor issues, changes in energy prices, adverse weather conditions, hurricanes, droughts, fires or other natural or man- made disasters **, pandemics, including the COVID- 19 pandemic or other health crises or other catastrophic events** . Adverse weather conditions may also impact customer traffic at our restaurants, cause the temporary underutilization of outdoor patio seating, and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods. In addition, climate change may increase the frequency and severity of weather- related events and conditions, which affect our business **. Further, different areas have seen varying levels of outbreaks or resurgences of COVID- 19 and due to the concentration of our restaurants, these outbreaks and resurgences may harm our business, financial condition and results of operations** . Our business is subject to seasonal fluctuations, with restaurant sales typically higher during the spring and summer months as well as in December. Adverse weather conditions during our most favorable months or periods may exacerbate the effect of adverse weather on customer traffic and may cause fluctuations in our results of operations from quarter- to- quarter within a fiscal year. In addition, outdoor patio seating is available at nearly all of our restaurants and may be impacted by a number of weather- related factors. Our inability to fully utilize our restaurants' seating capacity as planned may harm our business, financial condition and results of operations. Acts of violence at or threatened against our restaurants or the centers in which they are located, including active shooter situations and terrorism, could harm our business, financial condition and results of operations. Any act of violence at or threatened against our restaurants or the centers in which they are located, including active shooter situations and terrorist activities, may result in restricted access to our restaurants and / or restaurant closures in the short- term and, in the long- term, may cause our customers and staff to avoid our restaurants. Any such situation could adversely impact customer traffic and make it more difficult to fully staff our restaurants, which could harm our business, financial condition and results of operations. The impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants could harm our business, financial condition and results of operations. Negative effects on our existing and potential landlords due to the inaccessibility of credit, ~~rising~~ **high** interest rates and other unfavorable economic factors may, in turn, harm our business, financial condition and results of operations. If our landlords are unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants to us. In addition, if our landlords are unable to obtain sufficient credit to continue to properly manage their retail sites, we may experience a drop in the level of quality of such retail centers. Our development of new restaurants may also be adversely affected by the negative financial situations of developers and potential landlords. Landlords may try to delay or cancel recent development projects (as well as renovations of existing projects) due to the instability in the credit markets which could reduce the number of appropriate locations available that we would consider for our new restaurants. Furthermore, the failure of landlords to obtain licenses or permits for development projects on a timely basis, which is beyond our control, may negatively impact our ability to implement our development plan. Changes in food availability and costs could harm our business, financial condition and results of operations. Our profitability and operating margins are dependent in part on our ability to anticipate and react to changes in food costs. We rely on our national distributor, PFG, and various other suppliers to provide our beef, cheese, beans, soybean oil, beverages and our groceries. For our chicken products, we rely on two suppliers for all of our locations. See " Item 1. Business — Sourcing and Supply " for information regarding our suppliers. Any increase in distribution prices, increase in the prices charged by suppliers or failure to perform by these third- parties could cause our food costs to increase or us to experience short- term unavailability of certain products. Failure to identify an alternate source of supply for these items may result in significant cost increases and an inability to provide certain of the items on our menu. If these events occur, it may reduce the profitability of certain of our offerings and may cause us to increase our prices. In addition, any material interruptions in our supply chain, such as a material interruption of ingredient supply due to the failures of third- party distributors or suppliers, or interruptions in the delivery of products we need, may result in significant cost increases and reduce sales. Changes in the price, as a result of inflation or otherwise, or availability of certain food products could affect the profitability of certain food items, our ability to maintain existing prices and our ability to purchase sufficient amounts of items to satisfy our customer' s demands, which could harm our business, financial condition and results of operations. The type, variety, quality, availability and price of produce, beef, chicken and cheese are more volatile than other types of food and are subject to factors beyond our control, including weather, governmental regulation, availability and seasonality, each of which may affect our food costs or cause a disruption in our supply. Our food distributors and suppliers also may be affected by higher costs to produce and transport commodities used in our restaurants, higher minimum wage and benefit costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. Although we are able to contract for some of the food commodities used in our restaurants for periods of up to one year, the pricing and availability of some of the commodities used in our operations, such as our produce, cannot be locked in for periods of longer than one week or at all. We do not use financial instruments to hedge our risk to market fluctuations in the price of our ingredients and other commodities at this time. We may not be able to anticipate and react to changing food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could harm our business, financial condition and results of operations. Food safety and foodborne illness concerns may have an adverse effect on our business by reducing demand and increasing costs. Food safety is a top priority, and we dedicate substantial resources to help ensure that our ~~guests~~ **customers** enjoy safe, quality food products. However, foodborne illnesses and food safety issues have occurred in the food industry in the past, and could occur in the future. Any report or publicity linking us to instances of foodborne illness or other food safety issues, including food tampering or contamination, could harm our brand and reputation as well as our business, financial condition and results of operations. In addition, instances of foodborne illness, food tampering or food contamination occurring at our competitors' restaurants could result in negative publicity about the food service industry generally and could harm our business, financial condition and results of operations. Furthermore, our reliance on third- party food suppliers and distributors increases the risk that foodborne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our restaurants. If our ~~guests~~ **customers** become ill from foodborne illnesses, we could be forced to temporarily close some restaurants. Furthermore, any instances of food contamination, whether or not at our restaurants, could subject us or our suppliers to a food recall. Any such results could harm our business, financial condition and results of operations. The United States and other countries have experienced, or may experience in the future, **pandemics,** outbreaks of viruses **or other health crises** , such as COVID- 19, Ebola, and H1N1. To the extent that a virus is foodborne, future outbreaks may adversely affect the price and availability of certain food products and cause our ~~guests~~ **customers** to eat less of a product. To the extent that a virus is transmitted by human ~~- to- human~~ contact **or through respiratory transmission** , our employees or ~~guests~~ **customers** could become infected, or could choose, or be advised or required, to avoid gathering in public places, any one of which could harm our business, financial condition and results of operations. Customer traffic at our restaurants could be significantly affected by competition in the restaurant industry in general and, in particular, within the dining segments of the restaurant industry in which we compete. The restaurant industry is highly competitive with respect to food quality, ambience, service, price and value and location, and a substantial number of restaurant operations compete with us for customer traffic. The main competitors for our brand are other operators of mid- priced, full service concepts in the multi- location casual dining and Tex- Mex / Mexican food segments in which we compete most directly for real estate locations and customers. Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do, and many of our competitors are well established in markets in which we have existing restaurants or intend to locate new restaurants. Any inability to successfully compete with the other restaurants in our markets will place downward pressure on our customer traffic and may prevent us from increasing or sustaining our revenues and profitability. In addition, with improving product offerings at fast casual restaurants, quick- service restaurants and grocery stores and the influence of negative economic conditions and other factors, consumers may choose less expensive alternatives, which could also negatively affect customer traffic at our restaurants and harm our business, financial condition and results of operations. We may also need to evolve our concept or expand to new concepts in order to compete with popular new restaurant formats or concepts that are developed, which would require significant capital expenditures and management attention and would be subject to certain risks in addition to those of opening a new restaurant, including customer acceptance and competition with our other restaurants. We cannot offer any assurance that we will be successful in modifying or expanding our concept or that modifications or additions to our concept will not harm our business, financial condition and results of operations. Our marketing programs may not be successful. We expend resources in our marketing efforts using a variety of media, including social media. We expect to continue to conduct brand awareness programs and customer initiatives to attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to spend significantly more on marketing and advertising than we are able to. Should our competitors increase spending on marketing and advertising or our marketing funds decrease for any reason, or should our advertising and promotions be less effective than our competitors, our business, financial condition and results of operations could be harmed. The impact of restaurant openings and closures could result in fluctuations in our financial performance. Quarterly results have been, and in the future may continue to be, significantly impacted by the timing of restaurant openings (often dictated by factors outside of our control), including associated restaurant pre- opening costs and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new restaurants. We typically incur the most significant portion of restaurant pre- opening expenses associated with a given restaurant within the five months immediately preceding and the month of the opening of the restaurant. Further, we may encounter increased competition in obtaining lease sites and, as a result, may be unable to negotiate similar levels of tenant incentives under our new leases. If we are unable to obtain similar levels of tenant incentives for a particular unit, we would expect to incur increased capital expenditures in advance of opening and pay lower rent with respect to the restaurant. Our experience has been that labor and operating costs associated with a newly opened restaurant for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Our new restaurants commonly take nine months to one year to reach planned operating levels due to inefficiencies typically associated with new restaurants, including the training of new personnel, lack of market awareness, inability to hire sufficient qualified staff and other factors. Additionally, our quarterly results have been and in the future may be impacted by restaurant closures, including by continued lease obligations, employee termination benefits, other closure related obligations and impairment charges. Accordingly, the volume and timing of restaurant openings and closures has had, and may continue to have, a meaningful impact on our results of operations. Due to the foregoing factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for a full fiscal year, and these fluctuations may cause our results of operations to be below expectations of public market analysts and investors. Opening new restaurants in existing markets may harm sales at our existing restaurants. The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which we already have existing restaurants could harm the sales of new or existing restaurants. Our core business strategy does not entail opening new restaurants that materially impact sales at our existing restaurants but we may selectively open new restaurants in and around areas of existing restaurants that are operating at or near capacity. There can be no assurance that sales cannibalization between our restaurants will not occur or become more significant in the future as we continue to expand our operations. Our growth may strain our infrastructure and resources, which could slow our development of new restaurants and adversely affect our ability to manage our existing restaurants. During fiscal years **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we opened **four,** three ~~,~~ **and** four ~~and one~~ restaurants, respectively. During ~~2023~~ **2024** , we plan to open a total of six to ~~seven~~ **eight** restaurants. Our future growth may strain our administrative staff, management systems and resources, financial controls and information systems. Those demands on our infrastructure and resources may also adversely affect our ability to manage our existing restaurants. If we fail to continue to improve our infrastructure or to manage other factors necessary for us to meet our expansion objectives, our business, financial condition and results of operations could be harmed. Likewise, if sales decline, we may be unable to reduce our infrastructure quickly enough to prevent sales deleveraging, which would harm our business, financial condition and results of operations. Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability. We believe our insurance coverage is customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, if they occur, could harm our business, financial condition and results of operations. In addition, the cost of workers' compensation insurance, general liability insurance and directors' and officers' liability insurance fluctuates based on our historical trends, market conditions and availability. Additionally, health insurance costs in general have risen significantly over the past few years and are expected to continue to increase. These increases, as well as any new federal legislation regarding healthcare, could harm our business, financial condition and results of operations, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass- through of such increased costs to our customers. Security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions may harm our business, financial condition and results of operations. The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their customers has been stolen. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit or debit card information. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim, proceeding, or mandatory notification could cause us to incur significant unplanned expenses, which could harm our business, financial condition and results of operations. Further, adverse publicity resulting from these allegations could harm our business, financial condition and results of operations. We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brand and our business. Our ability to implement our business plan successfully depends in part on our ability to build brand recognition in the areas surrounding our locations using our trademarks and other proprietary intellectual property, including our brand names, logos and the unique ambience of our restaurants. We have registered or applied to register a number of our trademarks. We cannot assure you that our trademark applications will be approved. Also, as a result of the settlement agreement with an unaffiliated entity, Baja Chuy’ s, we may not use “ Chuy’ s ” in Nevada, California or Arizona, which may have an adverse effect on our growth plans in these states. Additionally, our brand value may be diluted as a result of their use of “ Chuy’ s ” in these states. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our goods and services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. We enforce our rights through a number of methods, including the issuance of cease- and- desist letters or making infringement claims in federal court. If our efforts to register, maintain and protect our trademarks or other intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brand may be harmed, which could harm our business and might prevent our brand from achieving or maintaining market acceptance. We may also face the risk of claims that we have infringed third parties’ intellectual property rights. A successful claim of infringement against us could result in our being required to pay significant damages or enter into costly licensing or royalty agreements in order to obtain the right to use a third party’ s intellectual property, any of which could harm our business, financial condition and results of operations. If such royalty or licensing agreements are not available to us on acceptable terms or at all, we may be forced to stop the sale of certain products or services. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require us to rebrand our services, if feasible, and divert management’ s attention. We also rely on trade secrets and proprietary know- how to protect our brand. Our methods of safeguarding this information may not be adequate. Moreover, we may face claims of misappropriation or infringement of third parties’ rights that could interfere with our use of this information. Defending these claims may be costly and, if unsuccessful, may prevent us from continuing to use this proprietary information in the future and may result in a judgment or monetary damages. We do not maintain confidentiality agreements with all of our team members or suppliers. Even with respect to the confidentiality agreements we have, we cannot assure you that those agreements will not be breached, that they will provide meaningful protection, or that adequate remedies will be available in the event of an unauthorized use or disclosure of our proprietary information. If competitors independently develop or otherwise obtain access to our trade secrets or proprietary know- how, the appeal of our restaurants could be reduced and our business could be harmed. In addition, if we default under our lease agreements at certain of our locations, our landlord at those locations, may have the right to operate a Tex- Mex or Mexican food restaurant at that location using our recipes and our trade dress. If such default were to occur, the brand value of our recipes and our trade dress might suffer. Information technology system failures or breaches of our network security could interrupt our operations and harm our business, financial condition and results of operations. We rely on our computer systems and network infrastructure across our operations, including point- of- sale processing at our restaurants. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches or attacks, viruses, worms and other disruptions. Any damage or failure of our computer systems or network infrastructure **or any cybersecurity incident** that causes an interruption in our operations **or otherwise compromises our computer systems or network infrastructure, any use of artificial intelligence that results in cybersecurity incidents, an interruption in our operations or otherwise compromises our computer systems or network infrastructure,** or if software or third- party vendors that support our information technology environment are compromised, our business, financial condition and results of operations could be harmed and subject us to litigation or actions by regulatory authorities. Further, adverse publicity resulting from such an event may harm our business, financial condition and results of operations. Although we have employed both internal resources and external consultants to audit our systems, and test them for vulnerability, and we have implemented firewalls, data encryption and other security controls and intend to maintain and upgrade our security technology and operational procedures to prevent damage, breaches or other disruptions, these measures may not eliminate all risks. A major natural or man- made disaster could have a material adverse effect on our business. Most of our corporate systems, processes and corporate support for our restaurant operations are centralized at our headquarters in Austin, Texas, with certain systems and processes being concurrently stored at an offsite storage facility in accordance with our disaster recovery plan. As part of our disaster recovery plan, we have backup processes for our core systems at our co- location facility. If our disaster recovery plan fails, we may experience failures or delays in recovery of data, delayed reporting and compliance, an inability to perform necessary corporate functions and other breakdowns in normal operating procedures that could harm our business, financial condition and results of operations and create exposure to administrative and other legal claims against us. Risks Relating to Human Capital Increases in our labor costs, including as a result of changes in government regulation, could slow our growth or harm our business. We are subject to a wide range of labor costs. Because our labor costs are, as a percentage of revenues, higher than other industries, we may be significantly harmed by labor cost increases. Labor shortages, unfavorable fluctuations in market conditions, availability of insurance, changes in state and / or federal regulations or our employees attempting to unionize or establish boycotts or other types of work stoppages could significantly increase our labor costs. We are subject to federal, state, and local laws governing employment practices and working conditions. These laws cover wage and hour practices, labor relations, paid and family leave, and workplace safety, among others. The number of laws and regulations being passed at the state and local level creates unique challenges as different standards apply to different locations, sometimes with conflicting requirements. In addition, we are subject to the risk of employment- related litigation at both the state and federal levels, including claims styled as class action lawsuits which are more costly to defend. Also, some employment related claims in the area of wage and hour disputes are not insurable risks. In addition, many of our restaurant personnel are hourly workers subject to various minimum wage requirements or changes to tip credits. Mandated increases in minimum wage levels and changes to the tip credit, which are the amounts an employer is permitted to assume an employee receives in tips when calculating the employee’ s hourly wage for minimum wage compliance purposes, have recently been and continue to be proposed and implemented at both federal and state government levels. For example, some states do not require employees to pool tips in order to share those tips with wait staff, bartenders and bussing staff. As a result, we may be required to pay our wait staff, bartenders and bussing staff in these states additional amounts to ensure they receive minimum wage. Continued minimum wage increases or changes to allowable tip credits may further increase our labor costs or effective tax rate. Further, changes to immigration laws may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we require all workers to provide us with government- specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. Termination of a significant number of employees that unbeknown to us were unauthorized employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. Our business, financial condition and results of operations could be harmed as a result of any of these factors. Labor shortages could increase our labor costs significantly or restrict our growth plans. Our restaurants are highly dependent on qualified management and operating personnel. Qualified individuals have historically and since the COVID- 19 pandemic have been in short supply and an inability to attract and retain them would limit the success of our existing restaurants as well as our development of new restaurants. We place a heavy emphasis on the qualification and training of our personnel and believe we spend significantly more on training our employees than our competitors. We can make no assurances that we will be able to attract and retain qualified individuals in the future which may have a more significant effect on our operation than those of our competitors. Additionally, the cost of attracting and retaining qualified individuals may be higher than we anticipate, and as a result, our business, financial condition and results of operations could be harmed. Our business operations and future development could be significantly disrupted if we lose key members of our management team. The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent in particular on our ability to retain and motivate Steve Hislop, our Chief Executive Officer, Jon Howie, our Chief Financial Officer **, John Korman, our Chief Operating Officer,** and John Mountford, our Chief ~~Operating~~ **Culinary and Procurement** Officer. We currently have employment agreements in place with Messrs. Hislop, Howie **, Korman** and Mountford. The loss of the services of our CEO, other senior officers or other key employees could have a material adverse effect on our business and plans for future development. We also do not maintain any key man life insurance policies for any of our employees. If we are unable to retain these key members of management or are unable to successfully execute succession planning and attract additional qualified personnel, our business, financial condition and results of operations could be harmed. Risks Relating to Legal, Regulatory, Tax and Accounting Issues New legal or regulatory requirements, information or attitudes regarding diet and health or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our results of operations. Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings. We are required to publish the total number of calories of standard menu items on menus, along with a statement that puts this calorie information in the context of a total daily calorie intake. We are also required to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus about the availability of this information. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions, or the nutritional content of our menu items could negatively influence the demand for our offerings. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to adapt our menu offerings to trends and eating habits, which could harm our business, financial condition and results of operations. Further, many jurisdictions require that we have a food safety and quality management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. We expect to incur certain costs to comply with these regulations and these costs may be more than we anticipate. Our business, financial condition and results of operations may be harmed if we fail to comply with these laws or regulations or our food management system is unable to prevent an issue. Federal, state and local laws and regulations may have a significant adverse impact on our operations. We are required to operate in compliance with federal laws and regulations relating to alcoholic beverages administered by the Bureau of Alcohol, Tobacco, Firearms and Explosives of the U. S. Department of Justice, 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 could cause our licenses to be revoked and force us to cease the sale of food or alcoholic beverages at certain locations. Any difficulties, delays or failures in obtaining such licenses, permits or approvals could delay or prevent the opening of a restaurant in a particular area or increase the costs associated therewith. In addition, in certain states, including states where we have existing restaurants or where we plan to open a restaurant, the number of liquor licenses available is limited, and licenses are traded on the open market. Liquor, beer and wine sales comprise a significant portion of our revenues. If we are unable to maintain our existing licenses, customer traffic and our business, financial condition and results of operations could be harmed. Or, if we choose to open a restaurant in those states where the number of licenses available is limited, the cost of a new license could be significant. We apply for our liquor licenses with the advice of outside legal and licensing consultants. Because of the many and various state and federal licensing and permitting requirements, there is a significant risk that one or more regulatory agencies could 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. Any changes in the application or interpretation of existing laws may adversely impact our restaurants in that state, and could also cause us to lose, either temporarily or permanently, the licenses, permits and regulations necessary to conduct our restaurant operations, and subject us to fines and penalties. We are also subject to numerous federal, state and local laws affecting our business, including (1) laws relating to (a) immigration, employment, minimum wages, breaks, overtime, tip credits, worker conditions and health care, (b) nutritional labeling, nutritional content, menu labeling and food safety and (c) information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud, (2) the Americans with Disabilities Act, which, among other things, requires our restaurants to meet federally mandated requirements for the disabled, and (3) environmental regulations concerning the handling, storage and disposal of hazardous materials, such as cleaning solvents, and the operation of restaurants in environmentally sensitive locations may impact aspects of our operations. Our inability to comply with these laws could harm our business, financial condition and results of operations **. Additionally, there has been increasing public focus by investors, the media, governmental and nongovernmental organizations and other stakeholders on social and environmental sustainability matters, climate change, greenhouse gases and land, energy and water use. As a result, we have experienced increased pressure and expectations to provide expanded disclosure and make commitments with respect to various environmental and social issues and to take the actions necessary to meet those commitments. If we are not effective in addressing social and environmental sustainability matters, consumer trust in our brand may suffer. In addition, the actions needed to achieve our commitments could result in market, operational, execution and other costs, which could harm our results of operation and financial condition. Our results of operation and financial condition could be harmed if we are unable to effectively manage the risks or costs to us and our supply chain associated with social and environmental sustainability matters. Further, evolving rules, regulations and expectations regarding social and environmental matters, including the SEC' s proposed climate- related requirements have and may continue to make compliance more difficult and uncertain. Additionally, these changing rules, regulations and expectations have resulted in and may continue to result in increased general and administrative expenses and increased management time and attention to comply with or meet those rules, regulations and expectations** . Restaurant companies have been the target of class- actions and other litigation alleging, among other things, violations of federal and state law. We are subject to a variety of lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. In recent years, a number of restaurant companies have been subject to claims by customers, employees and others regarding issues such as food safety, personal injury and premises liability, employment- related claims, harassment, discrimination, disability and other operational issues common to the foodservice industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. An adverse judgment or settlement that is not insured or is in excess of insurance coverage could harm our business, financial condition and results of operations and could cause variability in our results compared to expectations. We carry insurance policies for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, employer' s liability, health benefits and other insurable risks; however, there can be no assurances that our insurance will cover all such claims. Regardless of whether any claims that may be brought against us are valid or whether we are ultimately determined to be liable, we could also be harmed by negative publicity, litigation costs resulting from the defense of these claims and the diversion of time and resources from our operations. We are subject to state " dram shop " laws and regulations, which generally provide that a person injured by an intoxicated person may seek to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Recent litigation against restaurant chains has resulted in significant judgments, including punitive damages, under such " dram shop " statutes. While we carry liquor liability coverage as part of our existing comprehensive general liability insurance, we may still be subject to a judgment in excess of our insurance coverage, and we may not be able to obtain or continue to maintain such insurance coverage at reasonable costs, if at all. Regardless of whether any claims against us are valid or whether we are liable, we may be harmed by publicity resulting from such laws. We may be required to record asset impairment charges in the future. In accordance with accounting guidance as it relates to the impairment of long- lived assets, we review long- lived assets, such as property and equipment, operating lease assets and intangibles subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. Deficient restaurant- level cash flow (defined as restaurant net income plus depreciation, gain and / or loss on assets and pre- opening expense) over the previous 24- month period in a stabilized location is considered a potential impairment indicator. In such situations, the Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to the estimated undiscounted future cash flow expected to be generated by the restaurant. If the carrying amount of the restaurant exceeds estimated future cash flow, an impairment charge is recognized for the amount by which the asset' s carrying amount exceeds its fair value. As a result of the above- mentioned review process, we recognized a non- cash loss on asset impairment of $ ~~3~~ **2** . 6 million, $ **3. 6 million and $** 2. 7 million ~~and $ 20. 9 million~~ in fiscal years **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Economic weakness within our respective markets could adversely impact consumer discretionary spending and may result in lower restaurant sales. Unfavorable fluctuations in our commodity costs, supply costs and labor rates, which may or may not be within our control, may also impact our operating margins. Any of these factors could as a result affect the estimates used in our impairment analysis and require additional impairment tests and charges to earnings. We continue to assess the performance of our restaurants and monitor the need for future impairment. There can be no assurance that future impairment tests will not result in additional charges to earnings, which could harm our business, financial condition and results of operations. Failure of our internal control over financial reporting could harm our business, financial condition and results of operations. Our management is responsible for establishing and maintaining effective internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act of 2002. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Federal, state and local tax laws may harm our business, financial condition and results of operations. We are subject to federal, state and local taxes in the U. S. If the Internal Revenue Service (" IRS ") or other taxing authority disagrees with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could harm our business, financial condition and results of operations. In addition, complying with new tax laws, rules or regulations could impact our business, financial condition and results of operations, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could harm our business, financial condition and results of operations. Our reported financial results may be harmed by changes in accounting principles applicable to us. Our reported financial results may be harmed by changes in accounting principles applicable to us. Generally accepted accounting principles in the U. S. (" GAAP ") are subject to interpretation by the Financial Accounting Standards Board (" FASB "), the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. Risks Relating to Our Indebtedness Limitations in our Revolving Credit Facility may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with our financial covenants, our liquidity and results of operations could be harmed. At December ~~25~~ **31** , ~~2022~~ **2023** , we had no outstanding indebtedness under our Revolving Credit Facility. Our Revolving Credit Facility places certain conditions on us, including that it: (1) limits our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate; (2) makes us more vulnerable to increases in **, or sustained higher,** interest rates, as borrowings under our Revolving Credit Facility are at variable rates; (3) limits our ability to obtain additional financing in the future for working capital or other purposes; and (4) could place us at a competitive disadvantage compared to our competitors. Our Revolving Credit Facility places certain limitations on our ability to incur additional indebtedness. However, subject to the qualifications and exceptions in our Revolving Credit Facility, we may incur additional indebtedness under that facility and may incur obligations that do not constitute indebtedness under that facility. The Revolving Credit Facility also places certain limitations on, among other things, our ability to enter into certain types of transactions, financing arrangements and investments, to make certain changes to our capital structure and to guarantee certain indebtedness. The Revolving Credit Facility also places certain restrictions on the payment of dividends and distributions. These restrictions limit or prohibit, among other things, our ability to: (1) pay dividends on, redeem or repurchase our stock or make other distributions; (2) incur or guarantee additional indebtedness; (3) create or incur liens; (4) make acquisitions or investments; (5) transfer or sell certain assets or merge or consolidate with or into other companies; and (6) enter into certain transactions with our affiliates. Failure to comply with certain covenants or the occurrence of a change of control under our Revolving Credit Facility could result in the acceleration of our obligations under the Revolving Credit Facility, which would harm our business, liquidity, capital resources and results of operations. Our Revolving Credit Facility also requires us to comply with financial covenants including a minimum fixed charge coverage ratio and a maximum consolidated total lease adjusted leverage ratio. Changes with respect to our consolidated total lease adjusted leverage ratio may increase our interest rate and failure to comply with these covenants could result in a default and an acceleration of our obligations under the Revolving Credit Facility, which would harm our business, liquidity, capital resources and results of operations. We may be unable to obtain debt or other financing on favorable terms or at all. There are inherent risks in our ability to borrow. Our lenders may be unable to lend to us or tighten their lending standards, which could make it more difficult for us to increase the available commitment under our Revolving Credit Facility, refinance our existing indebtedness or to obtain other financing on favorable terms or at all. Our business, financial condition and results of operations would be harmed if we were unable to draw funds under our Revolving Credit Facility because of a lender default or to obtain other cost- effective financing. Longer term disruptions in the capital and credit markets as a result of the COVID- 19 pandemic, ~~rising~~ **higher** interest rates, other uncertainties, changing or increased regulation, reduced alternatives, failures of significant financial institutions or other events could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business can be arranged, which could harm our business, liquidity, capital resources and results of operations. Such measures could include deferring capital expenditures (including the opening of new restaurants) and reducing or eliminating other discretionary uses of cash. Risks Relating to Ownership of Our Common Stock The price of our common stock may be volatile and you could lose all or part of your investment. Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons, which may include: • our quarterly or annual earnings or those of other companies in our industry; • changes in laws or regulations, or new interpretations or applications of laws and regulations, applicable to us; • the public' s reaction to our press releases, our other public announcements and our filings with the SEC; • changes in accounting standards, policies, guidance, interpretations or principles; • additions or departures of our senior management personnel; • sales of our common stock by our directors and executive officers; • adverse market reaction to any indebtedness we may incur or securities we may issue in the future; • the level and quality of research analyst coverage for our common stock, changes in financial estimates or investment recommendations by securities analysts following our business or failure to meet such estimates; • our financial disclosures, any changes in such disclosure or our failure to meet such disclosure; • various market factors or perceived market factors, including rumors, whether or not correct, involving us, our distributors or suppliers or our competitors; • acquisitions or strategic alliances by us or our competitors or actions taken by our stockholders; • short sales, hedging and other derivative transactions in our common stock; • the operating and stock price performance of other companies that investors may deem comparable to us; and • other events or factors, including **pandemics** ~~public heath crises~~ , including the COVID- 19 pandemic **or other public heath crises** , and changes in general conditions in the United States and global economies or financial markets (including those resulting from acts of God, war, incidents of terrorism or responses to such events). Recently, the stock market has experienced considerable price and volume fluctuations. This volatility has had an impact on the market price of securities issued by many companies, including companies in our industry. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price. In the past, following periods of market volatility in the price of a company' s securities, security holders have often instituted class action litigation. If the market value of our common stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management' s attention could be diverted from the operation of our business, causing our business to suffer. Future sales of our common stock by us, existing stockholders or holders of equity awards in the public market could lower our share price and any additional capital raised by us through the sale of our common stock or the granting of additional equity- based compensation may dilute your ownership in us. Sales of substantial amounts of our common stock in the public market by us, our existing stockholders or upon the exercise of outstanding stock options or vesting of equity awards held by our directors and employees may adversely affect the market price of our common stock. Additional capital raised by us through the sale of our common stock or the granting of additional equity- based compensation may dilute your ownership in us. Such sales could also create public perception of difficulties or problems with our business. These sales might also make it more difficult for us to sell securities in the future at a time and price that we deem appropriate. For additional information regarding our outstanding awards, see Note 9 of Notes to Consolidated Financial Statements included elsewhere **in** this annual report. If securities analysts or industry analysts downgrade our shares, publish negative research or reports, or do not publish reports about our business, our share price and trading volume could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our shares or our competitors' stock, our share price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Anti- takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock. Provisions in our certificate of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that: • authorize our board of directors to issue, without further action by the stockholders, up to 15, 000, 000 shares of undesignated preferred stock; • require that any action to be taken by our stockholders be effected only at a duly called annual or special meeting; • specify that special meetings of our stockholders cannot be called by stockholders; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors; • establish that our board of directors is divided into three classes, with each class serving three- year staggered terms; • prohibit cumulative voting in the election of directors; • provide that our directors may be removed only for cause by the holders of a supermajority of our outstanding shares of capital stock; • provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and • require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any " interested " stockholder (any stockholder with 15 % or more of our capital stock) for a period of three years following the date on which the stockholder became an " interested " stockholder. Since we do not expect to pay any dividends for the foreseeable future, investors may be forced to sell their stock in order to realize a return on their investment. Since we do not expect to pay any dividends for the foreseeable future, investors may be forced to sell their shares in order to realize a return on their investment. Other than a special dividend paid in 2011, we have not declared or paid any dividends on our common stock. We do not anticipate that we will pay any dividends to holders of our common stock for the foreseeable future. Any payment of cash dividends will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, legal requirements, earnings and other factors. Our ability to pay dividends is restricted by the terms of our Revolving Credit Facility and might be restricted by the terms of any indebtedness that we incur in the future. Consequently, you should not rely on dividends in order to receive a return on your investment. Our ability to raise capital in the future may be limited. Our ability to raise capital in the future may be limited. Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings, diluting their interest and reducing the market price of our common stock.