

Risk Factors Comparison 2024-12-12 to 2023-12-14 Form: 10-K

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You should carefully consider the following risk factors before making **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 and various cloud-based systems that are an integral part of** investment decision with respect to our securities **operations and financial reporting processes**. You are cautioned that the risk factors discussed below are not exhaustive. Risks Related to Our Business—Our operations **depend upon our ability to protect our technology and digital assets 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, malware, 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 technology or digital assets, 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** susceptible to the cost of and changes in food availability which could adversely affect our operating results. Our profitability depends in part on our ability to anticipate and react to changes in food costs. Various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability, recalls of food products, seasonality and supply chain impacts due to pandemics or other public health situations may affect our food costs or cause a disruption in our supply chain. We enter annual contracts with our chicken and other miscellaneous suppliers. Our Good Times contracts for chicken are fixed price contracts. Our Bad Daddy's contracts for chicken and all contracts for beef are generally based on current market prices plus a processing fee. Changes in the price or availability of our all-natural chicken or beef supply or other commodities could materially adversely affect our profitability. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, we may not be able to pass along higher costs through price increases to our customers. Macroeconomic conditions and inflation could affect our operating results. General economic conditions, including economic downturns related to pandemics or other public health emergencies, have adversely affected our results of operations and may continue to do so. Similarly, significant inflation has negatively affected our labor and product input costs and could continue to do so. If the economy experiences a more significant economic downturn or there are uncertainties regarding continued economic prosperity, declines in stock market indices, or other negative macroeconomic occurrences, consumer spending and the unemployment rate may be affected, which may adversely affect our sales in the future. A proliferation of heavy discounting or highly competitive pricing by our major competitors may also negatively affect our sales and operating results. Price increases may impact customer visits. We may make price increases on selected menu items in order to offset increased operating expenses we believe will be recurring. Although we have not experienced significant consumer resistance to our past price increases, future price increases may deter customers from visiting our restaurants or affect their purchasing decisions. Labor shortages could slow our growth or harm our business. Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified, high-energy employees. Qualified individuals needed to fill these positions are in short supply in some areas, and in fiscal 2023 we have seen an extreme shortage of qualified workers by historical standards as has been reported in various news outlets. The inability to recruit and retain these individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants, which could harm our business. Additionally, competition for qualified employees has required us to pay meaningfully higher wages to attract enough employees than has historically been the case, and continued tightness in labor markets could result in continued escalation of labor costs. Most of our employees are paid market wages on an hourly basis that are influenced by applicable minimum wage regulations. Accordingly, any increase in the minimum wage, whether state or federal, could have a material adverse impact on our business. Increasingly competitive labor markets and our need to provide additional incentives to remain competitive in our hiring and retention efforts may continue to negatively impact our margins and, if we are unable to staff and retain qualified restaurant management and operating personnel, we may be unable to effectively operate and grow our business and revenues, which could materially adversely affect our financial performance. Our ongoing success requires us to attract, motivate and retain a sufficient number of qualified, high-energy employees, including both restaurant managers and crew. However, qualified individuals needed to fill these positions are in short supply in many areas, and we and other companies in our industry have experienced high turnover. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, current unemployment subsidies. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent, which in turn has led to higher labor costs and margin compression. If this trend continues, it will negatively impact our ability to effectively operate and grow our business and revenues and materially adversely affect our financial performance. If we fail to appropriately plan and sustain our workforce and proactively respond to employee dissatisfaction, it could adversely impact guest satisfaction and operational efficiency, lead to increased litigation and unionization efforts and negatively impact restaurant profitability. Our restaurants could be short staffed, we may be forced to incur overtime expenses, and our ability to operate and expand our concepts effectively and meet customer demand could be limited. Difficulties recruiting and retaining new restaurant crew members in a timely manner also negatively impacts our ability to grow sales at existing restaurants and open new restaurants. Any or all of these factors could

materially adversely affect our financial performance. The outbreak of, and local, state and federal governmental responses to, pandemics or other future health concerns have previously significantly disrupted and could disrupt our business again in the future, which has and could materially affect our financial condition and operating results. The COVID-19 pandemic and the associated government response, change in consumer behavior, labor market effects and supply chain impacts significantly affected the results of operations and financial condition of our business. The risk of similar government and consumer response to future pandemics or other public health concerns, and the risk of similar impacts within the labor markets and global supply chain, could cause significant disruption **be harmed and subject us to litigation our or actions** business. The failure of banks where we maintain deposits in excess of the limits insured by **regulatory authorities** FDIC or other government or quasi-government agencies could materially affect our financial position and operating results. The Company maintains deposits with certain banks in excess of the maximum insured limits by the FDIC. The significant interest rate increases by the Federal Reserve have caused recent bank failures. Although in certain of those cases, depositors have been protected from loss by government intervention, no assurances can be made in the case of any failure of a bank in which the Company has uninsured deposits, that the Company would be similarly protected against loss of such uninsured deposits. International conflicts could disrupt our business and could materially affect our financial condition and operating results. Although we conduct all of our restaurant operations within the USA, worldwide product supply chains have been impacted by international conflicts, which have expanded into new regions of the world recently. The lack of availability of supplies of such products may impact the availability and supplier pricing for products purchased by us for use in our business, which could result in higher food and packaging costs or reduced revenues. Consumer behavior may also be affected by international conflicts and may result in reduced traffic and sales at our restaurants. We have accumulated losses and cannot guarantee future profits. We have incurred losses in 29 of our 36 years since inception. As of September 26, 2023, we had an accumulated deficit of \$ 19, 235, 000. Though we recognized net income in fiscal 2023, in light of the uncertainty of macro-economic conditions, increasing inflation and other factors affecting our supply chain and employee markets, we cannot provide assurance that we will produce income again or generate a loss for the fiscal year ending September 24, 2024. If we are unable to continue to increase same store sales at existing restaurants, our ability to attain profitability may be adversely affected. We have increased same store sales for twelve of the past thirteen years at Good Times. We have operated Bad Daddy's for a shorter period of time and have recently experienced declines in same store sales. Same store sales increases will depend in part on the success of our advertising and promotion of new and existing menu items and consumer acceptance and could be greatly impacted by changes in general customer behavior and preferences. If our same store sales decline, and our operating costs increase, our ability to attain profitability will be adversely affected. New restaurants, when and if opened, may not be profitable, if at all, for several months. We anticipate that our new restaurants, when and if opened, will generally take several months to reach normalized operating levels due to inefficiencies typically associated with new restaurants, including lack of market awareness, the need to hire and train a sufficient number of employees, operating costs which are often materially greater during the first several months of operation than thereafter, preopening costs and other factors. In addition, restaurants opened in new markets may open at lower average weekly sales volumes 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 annual company-owned restaurant sales, if at all, thereby affecting the profitability of these restaurants. General economic conditions, including economic downturns related to pandemics or other public health emergencies, have adversely affected our results of operations and may continue to do so. Similarly, significant inflation has negatively affected our labor and product input costs and could continue to do so. If the economy experiences a more significant economic downturn or there are uncertainties regarding continued economic prosperity, declines in stock market indices, or other negative macroeconomic occurrences, consumer spending and the unemployment rate may be affected, which may adversely affect our sales in the future. A proliferation of heavy discounting or highly competitive pricing by our major competitors may also negatively affect our sales and operating results. The hamburger restaurant market is highly competitive. The hamburger restaurant market is highly competitive. Our competitors in the quick-service restaurant segment include many recognized national and regional fast-food hamburger restaurant chains, such as McDonald's, Burger King, Wendy's, Carl's Jr., Sonic, Jack in the Box, Freddy's and Culver's. In-N-Out has expanded into the state of Colorado, the primary state in which we operate, and is continuing to expand in the market, and Whataburger has announced its intention to expand into the state of Colorado. We also compete with small regional and local hamburger and other fast-food restaurants, many of which feature drive-thru service. Most of our competitors have greater financial resources, marketing programs and name recognition than we do. Discounting by our quick-service restaurant competitors may adversely affect the revenues and profitability of our restaurants. While Bad Daddy's Burger Bar operates in the "better burger" restaurant segment, it offers a relatively broad menu and competes with other full-service restaurants in the bar and grill segment. Additionally, customers of both our Good Times restaurants and Bad Daddy's Burger Bar restaurants are also customers of fast casual hamburger restaurants. Further, changes in customer taste preferences, dietary trends, and preference for delivery and / or carry-out options often affect the restaurant business. If we are unable to continue to compete effectively with other restaurant concepts, our traffic, sales, and restaurant-level profitability could be negatively affected. Sites for new restaurants may be difficult to acquire. Locating our restaurants in high-traffic and readily accessible areas is an important factor for our success. We intend to continue to locate Bad Daddy's Burger Bar restaurants in leased in-line and end-cap retail locations. Since suitable locations are in great demand, in the future we may not be able to obtain optimal sites for either of our restaurant concepts at a reasonable cost or at all. In addition, we cannot assure you that the sites we do obtain will be successful. Our franchisees could take actions that could harm our business. Franchisees are independent contractors and are not our employees. We provide training and support to franchisees; however, franchisees operate their restaurants as independent businesses. Consequently, the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Moreover, franchisees may not successfully operate restaurants in a manner consistent

with our standards and requirements or may not hire and train qualified managers and other restaurant personnel. Our image and reputation, and the image and reputation of other franchisees, may suffer materially, and system-wide sales could significantly decline if our franchisees do not operate successfully. We depend on key management employees. We believe our current operations and future success depend largely on the continued services of our management employees, in particular Ryan Zink, our President and Chief Executive Officer and Don Stack, our Senior Vice President of Operations for Good Times. Although we have entered into an employment agreement with Mr. Zink, he may voluntarily terminate his employment with us at any time. In addition, we do not currently maintain key-person insurance on the lives of Messrs. Zink or Stack. We have not entered into an employment agreement with Mr. Stack. The loss of services by Messrs. Zink or Stack, or those of other key management personnel, could have a material adverse effect on our financial condition and results of operations. Security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions may adversely affect our business. 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 have an adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations such an event may harm our business, financial condition and results of operations. Although we have a comprehensive program to protect material adverse effect on us and mitigate risks associated with physical infrastructure and digital assets, including various vulnerability thefts, firewalls, data encryption and other security controls and intend to maintain and upgrade our security technology and operational procedures to prevent damage, breaches our or restaurants other disruptions, these measures may not eliminate all risks. Further, although we purchase cybersecurity insurance, such insurance is a responsive, not a preventive measure, and there can be no assurances that the limits of the policy will be sufficient to cover the costs associated with a cybersecurity event. We 18 We are subject to extensive government regulation that may adversely hinder or impact our ability to govern various aspects of our business including our ability to expand and develop our restaurants. The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food. Our failure to maintain necessary governmental licenses, permits and approvals, including food licenses, could adversely affect our operating results. Difficulties or failures in obtaining the required licenses and approvals could delay, or result in our decision to cancel, the opening of new restaurants. Local authorities may suspend or deny renewal of our food licenses if they determine that our conduct does not meet applicable standards or if there are changes in regulations. In addition, any adverse food safety event could result in regulatory and other investigations, and / or fines and penalties, any of which could disrupt our operations, increase our costs, require us to respond to findings from regulatory agencies that may divert resources and assets, and result in potential fines and penalties as well as other legal action, any of which could materially adversely affect our financial performance. Various federal, state and labor laws govern our relationship with our employees and affect operating costs. These laws govern minimum wage requirements, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor regulations and sales taxes. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits may increase our operating costs. Several states and cities, including the city of Denver and the state of Colorado, where many of our restaurants are located, have legislation passed which provides for annual increases in their respective minimum wage. Additional states may raise their respective minimum wage in the future. This could impact the profitability of existing restaurants as well as impact development opportunities in those states. The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons. We are also subject to federal and state laws that regulate the offer and sale of franchises and aspects of the licensor- licensee relationship. Many state franchise laws impose restrictions on the franchise agreement, including limitations on non- competition provisions and the termination or non- renewal of a franchise. Some states require that franchise materials be registered before franchises can be offered or sold in the state. Our Bad Daddy' s Burger Bar restaurants are also subject to state and local laws that regulate the sale of alcoholic beverages. Alcoholic beverage control regulations govern various aspects of these restaurants' daily operations, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing and inventory control, handling and storage. Typically, licenses to sell alcoholic beverages require annual renewal and may be suspended or revoked at any time for cause, the definition of which varies by locality. The failure of any of our Bad Daddy' s Burger Bar restaurants to timely obtain and maintain any required licenses, permits or approvals to serve alcoholic beverages could delay or prevent the opening of a new restaurant or prevent regular day-to- day operations, including the sale of alcoholic beverages, at a restaurant that is already operating, any of which would adversely affect our business. Concerns relating to food safety, food- borne illness, pandemics and other diseases could reduce customer traffic to our restaurants, or cause us to be the target of litigation, which could materially adversely affect our financial performance. We face food safety risks, including the risk of food- borne illness and food contamination (including allergen cross contamination), which are common both in the restaurant industry and the food supply chain. While we dedicate substantial resources and provide training to ensure the safety and quality of the food we serve, these risks cannot be completely eliminated. Additionally, we rely on our network of suppliers to properly handle, store and transport our ingredients for delivery to our restaurants. Any failure by our suppliers, or their suppliers, could cause our ingredients to be contaminated, which could be difficult to detect and put the safety of our food in jeopardy. In addition to the novel coronavirus that causes COVID- 19, consumer Consumer preferences could be affected by health concerns about outbreaks of other viruses, including various

strains of influenza; the consumption of beef, the key ingredient in many of our menu items; or negative publicity concerning food quality, illness and injury generally, such as negative publicity concerning E. coli, “ mad cow ” or “ foot- and- mouth ” disease, publication of government or industry findings concerning food products served by us, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. This negative publicity may adversely affect demand for our food and could result in a decrease in customer traffic to our restaurants. If we react to the negative publicity by changing our concept or our menu, we may lose customers who do not prefer the new concept or menu, and we may not be able to attract a sufficient new customer base to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended customers as a result of a concept change and may not be able to compete successfully against those competitors. A decrease in customer traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business. Additionally, if our customers or staff members become infected with a pathogen which was actually or claimed to be contracted at our restaurants, customers may avoid our restaurants and / or it may become difficult to adequately staff our restaurants. Any adverse food safety occurrence may result in litigation against us. The negative publicity associated with such an event could damage our reputation and materially adversely affect our financial performance. **19** The inability of the company to successfully negotiate extended terms on leases reaching end- of- term may reduce future profitability. The company leases the real estate underlying substantially all of its restaurants. While our leases generally have options for extension of the initial term, in the case of some of our Good Times restaurants, we have exercised all of the options granted to us under the lease. Additionally, some options are set at fair market rental rates, and in the case of one Bad Daddy’ s restaurant, no option to extend exists in the lease. Furthermore, many of our Good Times leases are at rates below current market prices. Although the Company has generally been successful in negotiations with our landlords, the risk that we are unable **to negotiate additional lease term on expiring leases at reasonable rental rates could materially impact our future profitability , and even in the case we are able to negotiate additional term at rates that are acceptable to us, those rates may be significantly higher than the expiring rate and may result in lower profitability for the Company** . If we are unable to protect our reputation, the value of our brands and sales at our restaurants may be negatively impacted, which may materially adversely affect our financial performance. One of our largest assets is the value of our brands, which is directly linked to our reputation. We must protect our reputation in order to continue to be successful and to grow the value of our brands. Negative publicity directed at any of our brands, regardless of factual basis, such as, relating to food quality, restaurant facilities, customer complaints or litigation alleging injury or food- borne illnesses, food tampering or contamination or poor health inspection scores, sanitary or other issues with respect to food processing by us or our suppliers, the condition of our restaurants, labor relations, any failure to comply with applicable regulations or standards, allegations of harassment, or other negative publicity, could damage our reputation. Negative publicity about us could harm our reputation and damage the value of our brands, which could materially and adversely affect our financial performance . **Ongoing capital expenditures at existing restaurants will require significant capital expenditures and remodel initiatives may not result in increased sales. Most of our Good Times restaurants are more than a decade old. As a result, we are in the process of replacing signage and making other significant capital investments in our existing restaurants. These signage, technology, and other remodeling expenditures may not increase sales and we may not be able to attract enough additional customers to meet our targeted level of performance and our business and results of operations may be adversely affected** . Our ability to succeed with the Bad Daddy’ s Burger Bar restaurant concept will require significant capital expenditures and management attention. We believe that new openings of Bad Daddy’ s Burger Bar restaurants are likely to serve as the primary contributor of our new unit growth and increased profitability over the longer term based on the unit economics of that concept. Our ability to succeed with this concept will require significant capital expenditures and management attention and is subject to certain risks in addition to those of opening a new Good Times restaurant, including customer acceptance of and competition with the Bad Daddy’ s Burger Bar concept. If the “ ramp- up ” period for new Bad Daddy’ s Burger Bar restaurants does not meet our expectations, our operating results may be adversely affected. There can be no assurance that we will be able to successfully develop and grow the Bad Daddy’ s Burger Bar concept to a point where it will become profitable or generate positive cash flow. We may not be able to attract enough customers to meet targeted levels of performance at new Bad Daddy’ s Burger Bar restaurants because potential customers may be unfamiliar with the concept, or the atmosphere or menu might not be appealing to them. If we cannot successfully execute our growth strategies for Bad Daddy’ s Burger Bar, our business and results of operations may be adversely affected. Our growth, including the development of Bad Daddy’ s Burger Bar restaurants, may strain our management and infrastructure. Any growth of our business would increase our operating complexity and place increased demands on our management and infrastructure, including our current restaurant management systems, financial and management controls, and information systems. If our infrastructure is insufficient to support our growth, our ability to open new restaurants, including the development of the Bad Daddy’ s Burger Bar concept, would be adversely affected. **20** Bad Daddy’ s Burger Bar is subject to all of the risks of a relatively new business, including competition, and there is no guarantee of a return on our capital investment. The Bad Daddy’ s Burger Bar concept has been in existence for approximately ~~sixteen~~ **seventeen** years and the average age for all Bad Daddy’ s restaurants, as of the date of this filing, is **approximately eight 7.0**-years. Existing restaurants are currently located in Alabama, Colorado, Georgia, North Carolina, Oklahoma, South Carolina, and Tennessee. Because of the small number of existing Bad Daddy’ s Burger Bar restaurants and the relatively short period of time that they have been in operation, there is substantial uncertainty that additional restaurants in other locations will be successful. Though the Company currently has no franchisee- owned restaurants, the Company has offered franchises in the past and may do so again in the future. There is no guarantee that we will be successful in offering Bad Daddy’ s Burger Bar franchises throughout the U. S. or that, if and when, such franchises are granted, the restaurants developed by franchisees will be successful. Costs associated with our employee health care programs continue to escalate and we may not be able to fully pass along those cost increases to

employees. We maintain various health care programs, including coverage for medical claims, to employees who select such programs. All of our salaried managers are eligible to participate in these programs and those of our hourly employees who meet the service requirements under the Affordable Care Act are also eligible. We maintain insurance coverage for claims in excess of a certain threshold on a per- member basis (“**Stop- Loss ” insurance**) but do not maintain insurance coverage for aggregate claims. We have a limited number of participants in our plans and should a significant number of participants report claims in a given year, the actual claims under the plan may meaningfully exceed our expected claims, and any such costs would be borne by us and not by the participants in the plan (our Employees). **Further, excessive claims may result in the inability for us to renew our Stop- Loss policies at reasonable rates, if at all, and we may be required to self- insure significantly higher levels of claims or to completely self- insure all claims under the plans which could have a material and adverse effect on our business and financial performance. Our business is subject to evolving corporate governance and public disclosure regulations, including environmental, social and governance (“ ESG ”) matters, that could expose us to numerous risks. We are subject to changing rules and regulations arising from governmental, quasi- governmental, and other self- regulatory organizations, including state and local governments, the SEC, the Nasdaq Stock Market and the Financial Accounting Standards Board. These rules and regulations are evolving in scope and complexity and many new requirements have been created in response to recently enacted laws, making compliance more difficult and uncertain. In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on environmental, social and governance (“ ESG ”) matters and related disclosures. Within our industry, concerns have been expressed regarding energy sourcing and management, water usage, chemicals used in food and supplies (such as PFAS or other “ forever chemicals ”), food safety, labor policies and practices and supply chain and management of food sourcing. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on policies, procedures, and practices within the scope of ESG, and collecting, measuring and reporting ESG related information may be costly and time intensive. Further, these issues are subject to evolving reporting standards, including the SEC’ s recently proposed climate- related reporting requirements. We may also communicate certain information regarding ESG- related matters in our SEC filings or in other public disclosures. Even to the extent to which we are not subject to certain rules or regulations, shareholders or other interested parties could make intensive efforts to push for our voluntary compliance with such rules or regulations, or could be criticized for the accuracy or completeness of the disclosure; all of which could lead to increased costs. Our approach towards compliance, whether required or voluntary, toward ESG- related matters, and criticism over such, could adversely affect our reputation, business and financial performance. Changes in enforcement practices related to existing immigration laws and / or modified or newly adopted immigration legislation may affect labor markets related to our suppliers or the QSR business segment The upcoming Presidential administration change may increase the likelihood for Congress to amend existing immigration laws or adopt new immigration laws. Further, policy decisions related to the enforcement of, and rulemaking related to, immigration laws have been volatile and subject to changes resulting from election cycles. Those policies include the degree of tolerance of undocumented workers employed in various segments of the workforce. Various subsegments of the agricultural industry, as well as the QSR subsegment of the restaurant industry itself are at risk for employees who obtain fraudulent documentation but that contains data related to actual individuals or are of such quality that they may not be detected through appropriate document validation practices. Any new or modified immigration laws or a change in these policy decisions may have an adverse impact on the number of individuals participating in these markets, and may reduce the total number of employees in the population from which we recruit, affecting our ability to conduct our business, and with respect to our suppliers, may have an adverse impact on their ability to produce products that we purchase for ingredients in our recipes. 21**

Risks Related to the Ownership of Our Common Stock Our business could be negatively affected as a result of significant shareholders or potential shareholders attempting to effect changes or acquire control over our company, which could cause us to incur significant expense, hinder execution of our business strategy and impact the trading value of our securities. Shareholders may from time- to- time attempt to effect changes, engage in proxy solicitations or advance shareholder proposals. Responding to proxy contests and other actions by activist shareholders can be costly and time- consuming, disrupting our operations and diverting the attention of our board of directors and senior management from the pursuit of business strategies. Any of these impacts could materially and adversely affect our business and operating results. Further, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties described above. **A future ownership change as defined by Section 382 of the Internal Revenue Code (“ IRC ”) could limit our ability to utilize tax loss and credit carryforwards to offset our taxable income. Our deferred tax assets include certain general business credit tax credits and loss carryforwards. Our ability to realize these deferred tax assets through their use to offset future taxable income may be significantly limited if we experience an ownership change, as defined by Section 382 of the IRC. In general, an ownership change under Section 382 occurs if the percentage of stock owned by an entity’ s 5 % stockholders (as defined for tax purposes) increases by more than 50 percentage points over a rolling three- year period. Such an ownership change has occurred several times in the Company’ s history, although during the periods in which such prior ownership changes occurred, the Company had placed a 100 % valuation allowance on its deferred tax assets. The limitation on our ability to utilize these credits and tax loss carryforwards that could arise from an ownership change under Section 382 would depend on the value of our equity at the time of any ownership change. If we were to experience an ownership change, it is possible that a significant portion of our tax loss and credit carryforwards could expire before we would be able to use them to offset future taxable income and could result in the recognition of loss associated with the reduced value of the Company’ s deferred**

tax assets. Future changes in financial accounting standards may cause adverse unexpected operating results and affect our reported results of operations. Changes in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. See Note 1 to our Consolidated Financial Statements for further discussion. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or differing interpretations with respect to our current practices may adversely affect our reported financial results. Because we currently qualify as a “ smaller reporting company, ” our disclosures of non-financial and financial information are less than is required by non- smaller reporting companies. Currently we qualify as a “ smaller reporting company ” under SEC rules. A smaller reporting company prepares and files SEC reports and registration statements using the same forms as other SEC reporting companies, though the information required to be disclosed may differ and be less comprehensive. We cannot predict whether investors will find our common stock less attractive because of our reliance on any of the reduced disclosure requirements available to smaller reporting companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. The price of our common stock may fluctuate significantly. The trading price of our shares of common stock has from time –to –time fluctuated widely and, in the future may be subject to similar fluctuations. **Our average daily volume traded is extremely low and even smaller amounts of activity can cause significant movements in the price of our common stock.** This volatility may affect the price at which you could sell your common stock. The market price of our common stock is likely to continue to be volatile and may fluctuate significantly in response to many factors, including: • the impact **of public health concerns** ~~pandemics, including the COVID-19 pandemic~~ on our business; • operating results that vary from the expectations of management, securities analysts and investors; • developments in our business; • the operating and securities price performance of companies that investors consider to be comparable to us; • announcements of implementation of strategic transactions or developments and other material events by us or our competitors; • negative economic conditions that adversely affect the economy, commodity prices, the job market and other factors that may affect the markets in which we operate; • publication of research reports about us or the sectors in which we operate generally; • changes in market valuations of similar companies; • **news, publication of research reports, or speculation related to companies similar to us** • additions or departures of key management personnel; • actions by institutional shareholders; • speculation in the press ~~or~~, investment community, **or on social media about our company, our stock or similar companies or of their stock; 22** • **increased trading volume in our stock caused by individual or algorithmic trading activity**; and • the realization of any of the other risk factors included in this Annual Report on Form 10- K. Holders of our common stock will be subject to the risk of volatile and depressed market prices of our common stock. In addition, many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our financial condition, results of operations, business or prospects. It is impossible to assure investors in our common stock that the market price of our common stock will not fall in the future. Sales of a substantial number of shares of our common stock in the public market by our existing Shareholders could cause our stock price to fall. Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise adequate capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. There may be future sales or other dilution of our equity, which may adversely affect the market price of the shares of our common stock and / or dilute the value of shares of our common stock. We are not restricted from issuing, and shareholder approval is not required in order to issue, additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, shares of common stock, except any shareholder approval required by The NASDAQ Capital Markets. We have in the past, and may in the future, sell such equity and equity- linked securities. Sales of a substantial number of shares of our common stock or other equity- related securities in the public market could depress the market price of our shares of common stock. We cannot predict the effect that future sales of our common stock or other equity- related securities would have on the market price of our shares of common stock. The market price of our common stock may be adversely affected if we issue additional shares of our common stock. Provisions in our articles of incorporation and bylaws and provisions of Nevada law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock. We are subject to anti- takeover laws for Nevada corporations. These anti- takeover laws prevent a Nevada corporation from engaging in a business combination with any shareholder, including all affiliates and associates of the shareholder, who is the beneficial owner of 10 % or more of the corporation’ s outstanding voting stock, for two years following the date that the shareholder first became the beneficial owner of 10 % or more of the corporation’ s voting stock, unless specified conditions are met. If those conditions are not met, then after the expiration of the two- year period the corporation may not engage in a business combination with such shareholder unless certain other conditions are met. Our articles of incorporation and our bylaws contain several provisions that may deter or impede takeovers or changes of control or management. These provisions: • authorize our board of directors to establish one or more series of preferred stock the terms of which can be determined by the board of directors at the time of issuance; • do not allow for cumulative voting in the election of directors unless required by applicable law. Under cumulative voting a minority shareholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors; • state that special meetings of our shareholders may be called only by the chairman of the board of directors, the president or any two directors and must be called by the president upon the written request of the holders of 25 % of the outstanding shares of capital stock entitled to vote at such special meeting; and • provide that the authorized number of directors is no more than five, as determined by our board of directors. These provisions, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to shareholders for their common stock. ITEM 1B. UNRESOLVED STAFF COMMENTS