

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended December 27, 2020

OR

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

Commission file number 001-38250



FAT Brands Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

82-1302696
(I.R.S. Employer
Identification No.)

9720 Wilshire Blvd., Suite 500
Beverly Hills, CA 90212
(Address of principal executive offices, including zip code)

(310) 319-1850
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	FAT	The Nasdaq Stock Market LLC
Series B Cumulative Preferred Stock, par value \$0.0001 per share	FATBP	The Nasdaq Stock Market LLC
Warrants to purchase Common Stock	FATBW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

The aggregate market value of voting common stock held by non-affiliated stockholders as of June 28, 2020 was approximately \$13,424,000.

As of March 26, 2021, there were 12,029,264 shares of common stock outstanding.

FAT BRANDS INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein and certain statements contained in future filings by the Company with the SEC may not be based on historical facts and are “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts contained in this Form 10-K may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, including, among others, statements regarding expected new franchisees, brands, store openings and future capital expenditures are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions.

Forward-looking statements are subject to significant business, economic and competitive risks, uncertainties and contingencies including, but not limited to, the impact of the current novel coronavirus pandemic (“COVID-19”), many of which are difficult to predict and beyond our control, which could cause our actual results to differ materially from the results expressed or implied in such forward-looking statements. These and other risks, uncertainties and contingencies are described in this Annual Report on Form 10-K, including under “Item 1A. Risk Factors”, and the other reports that we file with the SEC from time to time.

These forward-looking statements speak only as of the date of this Form 10-K. Except as may be required by law, the Company does not undertake, and specifically disclaims any obligation, to publicly release the results of any revisions that may be made to any Forward-Looking Statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

The following discussion and analysis should be read in conjunction with the Financial Statements of FAT Brands Inc. and the notes thereto included elsewhere in this filing. References in this filing to “the Company,” “we,” “our,” and “us” refer to FAT Brands Inc. and its subsidiaries unless the context indicates otherwise.

PART I

ITEM 1. BUSINESS

Business Overview

FAT Brands Inc. is a leading multi-brand restaurant franchising company that develops, markets and acquires primarily quick-service, fast casual and casual dining restaurant concepts around the world. Organized in March 2017 as a wholly owned subsidiary of Fog Cutter Capital Group, Inc. (“FCCG”), we completed our initial public offering on October 20, 2017 and issued additional shares of common stock representing 20 percent of our ownership upon completion of the offering. During the fourth quarter of 2020, we completed a transaction in which FCCG merged into a wholly owned subsidiary of ours, and we became the parent company of FCCG.

As a franchisor, we generally do not own or operate restaurant locations, but rather generate revenue by charging franchisees an initial franchise fee as well as ongoing royalties. We believe that this “asset light” franchisor model provides the opportunity for strong profit margins and an attractive free cash flow profile while minimizing restaurant operating company risk, such as long-term real estate commitments or capital investments. Our scalable management platform enables us to add new stores and restaurant concepts to our portfolio with minimal incremental corporate overhead cost, while taking advantage of significant corporate overhead synergies. The acquisition of additional brands and restaurant concepts as well as expansion of our existing brands are key elements of our growth strategy.

As of December 27, 2020, we were the owner and franchisor of the following restaurant brands:

Fatburger. Founded in Los Angeles, California in 1947, Fatburger (The Last Great Hamburger Stand) has, throughout its history, maintained its reputation as an iconic, all-American, Hollywood favorite hamburger restaurant serving a variety of freshly made-to-order, customizable, big, juicy, and tasty Fatburgers, Turkeyburgers, Chicken Sandwiches, Impossible™ Burgers, Veggieburgers, French fries, onion rings, soft-drinks and milkshakes. With a legacy spanning over 70 years, Fatburger’s dedication to superior quality inspires robust loyalty amongst its customer base and has long appealed to American cultural and social leaders. We have counted many celebrities and athletes as past franchisees and customers, and we believe this prestige has been a principal driver of the brand’s strong growth. Fatburger offers a premier dining experience, demonstrating the same dedication to serving gourmet, homemade, custom-built burgers as it has since 1947. As of December 27, 2020, there were 182 franchised and sub-franchised Fatburger locations globally.

Johnny Rockets. Founded in 1986 on iconic Melrose Avenue in Los Angeles, Johnny Rockets is a world-renowned, international restaurant franchise that offers high quality, innovative menu items including Certified Angus Beef® cooked-to-order hamburgers, Boca Burger®, chicken sandwiches, crispy fries and rich, delicious hand-spun shakes and malts. This dynamic lifestyle brand offers friendly service and upbeat music contributing to the chain’s signature atmosphere of relaxed, casual fun. We acquired the Johnny Rockets brand on September 21, 2020 and began consolidating Johnny Rockets’ financial results on that date. As of December 27, 2020, there were 316 franchised and nine corporate-owned Johnny Rockets locations globally. The corporate-owned locations are part of the Company’s refranchising program.

Buffalo’s Cafe. Established in Roswell, Georgia in 1985, Buffalo’s Cafe (Where Everyone is Family) is a family-themed casual dining concept known for its chicken wings and 13 distinctive homemade wing sauces, burgers, wraps, steaks, salads and other classic American cuisine. Featuring a full bar and table service, Buffalo’s Cafe offers a distinctive dining experience affording friends and family the flexibility to share an intimate dinner together or to casually watch sporting events while enjoying extensive menu offerings. Beginning in 2011, Buffalo’s Express was developed and launched as a fast-casual, smaller footprint variant of Buffalo’s Cafe offering a limited version of the full menu with an emphasis on chicken wings, wraps and salads. Current Buffalo’s Express outlets are co-branded with Fatburger locations, providing our franchisees with complementary concepts that share kitchen space and result in a higher average unit volume (compared to stand-alone Fatburger locations). As of December 27, 2020, there were 16 franchised Buffalo’s Cafe and 112 co-branded Fatburger / Buffalo’s Express locations globally.

Ponderosa & Bonanza Steakhouse. Ponderosa Steakhouse, founded in 1965, and Bonanza Steakhouse, founded in 1963 (collectively, “Ponderosa”), offer the quintessential American steakhouse experience, for which there is strong and growing demand in international markets, particularly in Asia and the Middle East. Ponderosa and Bonanza Steakhouses offer guests a high-quality buffet and broad array of great tasting, affordably priced steak, chicken and seafood entrées. Buffets at Ponderosa and Bonanza Steakhouses feature a large variety of all you can eat salads, soups, appetizers, vegetables, breads, hot main courses and desserts. An additional variation of the brand, Bonanza Steak & BBQ, offers a full-service steakhouse with fresh farm-to-table salad bar and a menu showcase of USDA flame-grilled steaks and house-smoked BBQ, with contemporized interpretations of traditional American classics. As of December 27, 2020, there were 70 Ponderosa and Bonanza franchised locations globally.

Hurricane Grill & Wings. Founded in Fort Pierce, Florida in 1995, Hurricane Grill & Wings is a tropical beach themed casual dining restaurant known for its fresh, jumbo, chicken wings, 35 signature sauces, burgers, bowls, tacos, salads and sides. Featuring a full bar and table service, Hurricane Grill & Wings’ laid-back, casual, atmosphere affords family and friends the flexibility to enjoy dining experiences together regardless of the occasion. The acquisition of Hurricane Grill & Wings has been complementary to FAT Brands existing portfolio chicken wing brands, Buffalo’s Cafe and Buffalo’s Express. As of December 27, 2020, there were 48 franchised Hurricane Grill & Wings and one franchised Hurricane BTWs (Hurricane’s fast-casual burgers, tacos & wings concept) locations in the United States.

Yalla Mediterranean. Founded in 2014, Yalla Mediterranean is a Los Angeles-based restaurant chain specializing in authentic, healthful, Mediterranean cuisine with an environmentally conscience and focus on sustainability. The word “yalla” which means “let’s go” is embraced in every aspect of Yalla Mediterranean’s culture and is a key component of our concept. Yalla Mediterranean offers a healthful Mediterranean menu of wraps, plates, and bowls in a fast-casual setting, with cuisine prepared fresh daily using, GMO-free, local ingredients for a menu that includes vegetarian, vegan, gluten-free and dairy-free options accommodating customers with a wide variety of dietary needs and preferences. The brand demonstrates its commitment to the environment by using responsibly sourced proteins and utensils, bowls and serving trays made from compostable materials. Each of Yalla’s three locations in California also feature on-tap selections of craft beers and fine wines. We intend to expand the business through additional franchising.

Elevation Burger. Established in Northern Virginia in 2002, Elevation Burger is a fast-casual burger, fries, and shakes chain that provides its customers with healthier, “elevated” food options. Serving grass-fed beef, organic chicken, and French fries cooked using a proprietary olive oil-based frying method, Elevation maintains environmentally friendly operating practices including responsible sourcing of ingredients, robust recycling programs intended to reduce carbon footprint, and store décor constructed of eco-friendly materials. The acquisition of Elevation Burger in June 2019 aligns with our corporate mission of providing fresh, authentic and tasty products to the customers of our franchisees and complements our existing burger brand, Fatburger. The Company acquired the Elevation Burger brand on June 19, 2019 and began consolidating Elevation Burger’s financial results effective with that date. As of December 27, 2020, there were 43 franchised Elevation Burger locations globally.

Beyond our current brand portfolio, we intend to acquire other restaurant franchise concepts that will allow us to offer additional food categories and expand our geographic footprint. In evaluating potential acquisitions, we specifically seek concepts with the following characteristics:

- established, widely recognized brands;
- steady cash flows;
- track records of long-term, sustainable operating performance;
- good relationships with franchisees;
- sustainable operating performance;
- geographic diversification; and
- growth potential, both geographically and through co-branding initiatives across our portfolio.

Leveraging our scalable management platform, we expect to achieve cost synergies post-acquisition by reducing the corporate overhead of the acquired company – most notably in the legal, accounting and finance functions. We also plan to grow the top line revenues of newly acquired brands through support from our management and systems platform, including public relations, marketing and advertising, supply chain assistance, site selection analysis, staff training and operational oversight and support.

Our franchisee base consisted of 326 franchisees as of December 27, 2020. Of these franchisees, 87 own multiple restaurant locations. System wide, our franchisees operated 679 restaurants as of December 27, 2020 with store level sales in excess of \$312 million in 2020. As of December 27, 2020, we had 34 units under construction and a development pipeline of over 200 new units which remain to be completed.

The FAT Brands Difference – Fresh. Authentic. Tasty.

Our name represents the values that we embrace as a company and the food that we provide to customers – **Fresh. Authentic. Tasty** (which we refer to as “**FAT**”). The success of our franchisor model is tied to consistent delivery by our restaurant operators of freshly prepared, made-to-order food that our customers desire. With the input of our customers and franchisees, we continually strive to keep a fresh perspective on our brands by enhancing our existing menu offerings and introducing appealing new menu items. When enhancing our offerings, we ensure that any changes are consistent with the core identity and attributes of our brands, although we do not intend to adapt our brands to be all things to all people. In conjunction with our restaurant operators (which means the individuals who manage and/or own our franchised restaurants), we are committed to delivering authentic, consistent brand experiences that have strong brand identity with customers. Ultimately, we understand that we are only as good as the last meal served, and we are dedicated to having our franchisees consistently deliver tasty, high-quality food and positive guest experiences in their restaurants.

In pursuing acquisitions and entering new restaurant brands, we are committed to instilling our FAT Brands values into new restaurant concepts. As our restaurant portfolio continues to grow, we believe that both our franchisees and diners will recognize and value this ongoing commitment as they enjoy a wider concept offering.

Competitive Strengths

We believe that our competitive strengths include:

- *Management Platform Built for Growth.* We have developed a robust and comprehensive management and systems platform designed to support the expansion of our existing brands while enabling the accretive and efficient acquisition and integration of additional restaurant concepts. We dedicate our considerable resources and industry knowledge to promote the success of our franchisees, offering them multiple support services such as public relations, marketing and advertising, supply chain assistance, site selection analysis, staff training and operational oversight and support. Furthermore, our platform is scalable and adaptable, allowing us to incorporate new concepts into the FAT Brands family with minimal incremental corporate costs. We intend to grow our existing brands as well as make strategic and opportunistic acquisitions that complement our existing portfolio of concepts providing an entrance into targeted restaurant segments. We believe that our platform is a key differentiator in pursuing this strategy.
- *Asset Light Business Model Driving High Free Cash Flow Conversion.* We maintain an “asset light” business model requiring minimal capital expenditures by franchising our restaurant concepts to our owner / operators. The multi-brand franchisor model also enables us to efficiently scale the number of restaurant locations with very limited incremental corporate overhead and minimal exposure to store-level risk, such as long-term real estate commitments and increases in employee wage costs. Our multi-brand approach also gives us the organizational depth to provide a host of services to our franchisees, which we believe enhances their financial and operational performance. As a result, new store growth and accelerating financial performance of the FAT Brands network drive increases in our franchise fee and royalty revenue streams while expanding profit and free cash flow margins.
- *Strong Brands Aligned with FAT Brands Vision.* We have an enviable track record of delivering Fresh, Authentic, and Tasty meals across our franchise system. Our Fatburger, Johnny Rockets and Buffalo’s concepts have built distinctive brand identities within their respective segments, providing made-to-order, high-quality food at competitive prices. The Ponderosa and Bonanza brands deliver an authentic American steakhouse experience with which customers identify. Hurricane Grill & Wings offer customers fresh, jumbo chicken wings with an assortment of sauces and rubs in a casual dining atmosphere. Yalla Mediterranean offers a healthful Mediterranean menu of wraps, plates, and bowls in a fast-casual setting. Elevation Burger was the first organic burger chain, serving premium grass-fed beef patties and heart-healthy olive oil fries in a family and eco-friendly environment. Maintaining alignment with the FAT Brands vision across an expanding platform, we believe that our concepts will appeal to a broad base of domestic and global consumers.

- *Experienced and Diverse Global Franchisee Network.* Our franchise development team has built an attractive pipeline of new potential franchisees, with many experienced restaurant operators and new entrepreneurs eager to join the FAT Brands family.
- *Ability to Cross-Sell Existing Franchisees Concepts from the FAT Brands Portfolio.* Our ability to easily and efficiently cross-sell our existing franchisees new brands from our FAT Brands portfolio affords us the ability to grow more quickly and satisfy our existing franchisees' demands to expand their organizations. By having the ability to offer our franchisees a variety of concepts (i.e., a fast-casual better-burger concept, a fast-casual chicken wing concept, a casual dining concept, a healthful Mediterranean menu concept and steakhouse concepts) from the FAT Brands portfolio, our existing franchisees are able to acquire the rights to, and develop, their respective markets with a well-rounded portfolio of FAT Brands concept offerings affording them the ability to strategically satisfy their respective market demands by developing our various concepts where opportunities are available.
- *Seasoned and Passionate Management Team.* Our management team and employees are critical to our success. Our senior leadership team is highly experienced in the restaurant industry, and many have been a part of our team since our acquisition of the Fatburger brand in 2003. In addition, through their holdings, our senior executives own a significant equity interest in the Company, ensuring long-term commitment and alignment with our public shareholders. Our management team is complemented by an accomplished Board of Directors that is highly involved in overseeing our strategic initiatives and implementation.

Growth Strategy

The principal elements of our growth strategy include:

- *Opportunistically Acquire New Brands.* Our management platform was developed to cost-effectively and seamlessly scale with new restaurant concept acquisitions. Our recent acquisitions of the Elevation Burger and Johnny Rockets brands are a continuation of this growth strategy. We have identified food categories that appeal to a broad international base of customers, targeting the burgers, chicken, pizza, steak, coffee, sandwich and dessert segments for future growth. We have developed a strong and actionable pipeline of potential acquisition opportunities to achieve our objectives. We seek concepts with established, widely recognized brands; steady cash flows; track records of long-term, good relationships with franchisees; sustainable operating performance; geographic diversification; and growth potential, both geographically and through co-branding initiatives across our portfolio. We approach acquisitions from a value perspective, targeting modest multiples of franchise-level cash flow valuations to ensure that acquisitions are immediately accretive to our earnings prior to anticipated synergies.
- *Optimize Capital Structure to Enable Profitable Growth through Acquisitions.* While we believe our existing business can be funded through cash generated from current operations, we intend to finance future acquisitions of restaurant brands through the issuance of debt and equity financing placed with investors and issued directly to sellers of restaurant brands. In fiscal 2020, we launched a whole-business securitization facility and conducted two issuances of notes under the facility, which significantly reduced our net cost of capital. We believe that future issuances of debt under this or a similar facility will enable us to pursue larger and more profitable acquisitions with a reasonable cost of capital.

- *Accelerate Same-Store Sales Growth.* Same-store sales growth reflects the change in year-over-year sales for the comparable store base, which we define as the number of stores open for at least one full fiscal year. To optimize restaurant performance, we have embraced a multi-faceted same-store sales growth strategy. We utilize customer feedback and closely analyze sales data to introduce, test and perfect existing and new menu items. In addition, we regularly utilize public relations and experiential marketing, which we leverage via social media and targeted digital advertising to expand the reach of our brands and to drive traffic to our stores. Furthermore, we have embraced emerging technology to develop our own brand-specific mobile applications, allowing guests to find restaurants, order online, earn rewards and join our e-marketing providers. We have also partnered with third-party delivery service providers, including UberEATS, Grub Hub, Amazon Restaurants and Postmates, which provide online and app-based delivery services and constitute a new sales channel for our existing locations. Finally, many of our franchisees are pursuing a robust capital expenditure program to remodel legacy restaurants and to opportunistically co-brand them with our Buffalo's Express and / or Fat Bar concepts (serving beer, wine, spirits and cocktails).
- *Drive Store Growth through Co-Branding, Virtual Restaurants, and Cloud Kitchens.* We franchise co-branded Fatburger / Buffalo's Express locations, giving franchisees the flexibility of offering multiple concepts, while sharing kitchen space, resulting in a higher average check (compared to stand-alone Fatburger locations). Franchisees benefit by serving a broader customer base, and we estimate that co-branding results in a 20%-30% increase in average unit volume compared to stand-alone locations with minimal incremental cost to franchisees. Our acquisition strategy reinforces the importance of co-branding, as we expect to offer each of the complementary brands that we acquire to our existing franchisees on a co-branded basis.

In addition to driving growth through co-branding opportunities, we are leveraging the current industry trend of virtual restaurants, whereby one (or more) of our brands serves its food out of the kitchen of another brand for online delivery only, and cloud kitchens, whereby restaurants open without a customer-facing store-front solely for the purpose of servicing delivery or virtual kitchens. Virtual restaurants and cloud kitchens allow us to introduce our brands in geographic areas where previously unknown such as introducing selected menu items from Hurricane Grill & Wings to the southern California market through the preparation in and delivery from Fatburger franchised restaurants via a program with UberEats.

- *Extend Brands into New Segments.* We have a strong track record of extending our brands into new segments, and we believe that we have a significant opportunity to capture new markets by strategically adapting our concepts while reinforcing the brand identity. In addition to dramatically expanding the traditional Buffalo's Cafe customer base through Fatburger / Buffalo's Express co-branding, we have also begun evaluating opportunities to leverage the Buffalo's brand by promoting Buffalo's Express on a stand-alone basis. Furthermore, we have also begun the roll-out of Fat Bars (serving beer, wine, spirits and cocktails), which we are opportunistically introducing to select existing Fatburger locations on a modular basis. Similarly, we plan to create smaller-scale, fast casual Ponderosa and Bonanza concepts, to drive new store growth, particularly internationally.
- *Continue Expanding FAT Brands Internationally.* We have a significant global presence, with international franchised stores in 37 countries including 36 states within the United States. We believe that the appeal of our Fresh, Authentic, and Tasty concepts is global, and we are targeting further penetration of Middle Eastern and Asian markets, particularly through leveraging the Fatburger and Elevation brands.
- *Enhance Footprint in Existing Markets through Current Franchisee Networks.* We had 326 franchisees who collectively operated 679 restaurants as of December 27, 2020. We anticipate that our new and existing franchisees will open more than 50 new stores annually for at least the next four years. Beyond these existing commitments, we have found that many of our franchisees have grown their businesses over time, increasing the number of stores operated in their organizations and expanding their concept offerings across the FAT Brands portfolio of concepts.

- *Attract New Franchisees in Existing and Unpenetrated Markets.* In addition to the large pipeline of new store commitments from current franchisees, we believe the existing markets for our brands are far from saturated and can support a significant increase in units. Furthermore, new franchisee relationships represent the optimal way for our brands to penetrate geographic markets where we do not currently operate. In many cases, prospective franchisees have experience in and knowledge of markets where we are not currently active, facilitating a smoother brand introduction than we or our existing franchisees could achieve independently. We generate franchisee leads through various channels, including franchisee referrals, traditional and non-traditional franchise brokers and broker networks, franchise development advertising, and franchise trade shows and conventions.
- *Explore Strategic Alternatives.* We may engage in strategic transactions involving our Company, restaurant brands and franchisees. For example, we may in the future build and develop Company owned restaurants with the intention of selling and refranchising the stores, and build the capacity to offer debt financing to our franchisees to develop additional stores. We may also manage restaurants for our franchisees in exchange for a management fee and manage external restaurant brands that we do not own. In addition, we may at times seek to monetize our investment in restaurant brands that we have acquired and/or developed through a sale or other strategic transaction.

Franchise Program – FAT Brands

General. We utilize a franchise development strategy as our primary method for new store growth by leveraging the interest of our existing franchisees and those potential franchisees with an entrepreneurial spirit looking to launch their own business. We have a rigorous franchisee qualification and selection process to ensure that each franchisee meets our strict brand standards.

Fatburger Franchise Agreements. For Fatburger locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store (\$65,000 per store internationally) and a royalty fee of 6% of net sales on a 15-year term. In addition, the franchisee must also pay an advertising fee of 2% of net sales on local marketing and 2% of net sales on international marketing.

Johnny Rockets Franchise Agreements. For Johnny Rockets locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 6% of gross sales on a 15-year term. In addition, the Johnny Rocket's franchisee agrees to pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to the Johnny Rocket's advertising fund.

Buffalo's Franchise Agreements. For Buffalo's Cafe and Buffalo's Express locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 6% of gross sales on a 15-year term. In addition, the franchisee agrees to pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to the Buffalo's Cafe advertising fund.

Ponderosa / Bonanza Franchise Agreements. For Ponderosa and Bonanza locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 5% of net sales on a 15-year term. In addition, the franchisee agrees to pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to a pooled advertising fund.

Hurricane Franchise Agreements. For Hurricane locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 6% of net sales on a 15-year term. In addition, the franchisee must also pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to a pooled advertising fund.

Yalla Mediterranean Franchise Agreements. For franchised Yalla locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 6% of net sales on a 15-year term. In addition, the franchisee must also pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to a pooled advertising fund.

Elevation Burger Franchise Agreements. For franchised Elevation locations, the current franchise agreement provides for an initial franchise fee of \$50,000 per store and a royalty fee of 6% of net sales on a 15-year term. In addition, the franchisee must also pay an advertising fee of 2% of net sales on local marketing and 2% of net sales to a pooled advertising fund.

Development Agreements. We use development agreements to facilitate the planned expansion of Fatburger and Buffalo's restaurants through single and multiple unit development. In addition, through our acquisition of Hurricane, Johnny Rockets and Elevation, we acquired certain development agreements. Each development agreement gives a developer the exclusive right to construct, own and operate stores within a defined area. In exchange, the franchisee agrees to open a minimum number of stores in the area in a prescribed time period. Franchisees that enter into development agreements are required to pay a fee, which is credited against franchise fees due when the store is opened in the future. Franchisees may forfeit such fees and lose their rights to future development if they do not maintain the required schedule of openings.

Franchisee Support – FAT Brands

Marketing

Our *Fresh, Authentic and Tasty* values are the anchor that inspires our marketing efforts. Our resolve to maintain our premium positioning, derived from the FAT Brands' values, is reinforced by our management platform, capital light business model, experienced and diverse global franchisee network and seasoned and passionate management team. Although our marketing and advertising programs are concept-specific, we believe that our patrons appreciate the value of their experiences visiting our establishments and, thus, the core of our marketing strategy is to engage and dialogue with customers at our restaurant locations as well as through social media.

Our *Fresh, Authentic and Tasty* values are an invitation for our guests to align with FAT Brands' commitment to consistently deliver freshly prepared, made-to-order food that customers desire. We are dedicated to keeping a fresh perspective on our concepts, perfecting our existing menu offerings as well as introducing appealing new items. We ensure that any changes are consistent with the core identity of our brands, and we will not adapt our brands to be all things to all people.

Our marketing initiatives include a robust mix of local community marketing, in-store campaigns, product placements, partnerships, promotions, social media, influencer marketing, traditional media and word of mouth advertising. Corresponding with the evolutionary shift in how customers receive content and engage with media and brands today, we have also dramatically increased our focus on mobile, social, and digital advertising to leverage the content we generate from public relations and experiential marketing in order to better connect with customers, sharing information about new menu offerings, promotions, new store openings and other relevant FAT Brands information. We communicate with customers in creative and organic ways that fortify our connections with them and increase brand awareness.

Site Selection and Development.

Our franchisees work alongside our franchise development department during the search, review, leasing and development process for a new restaurant location. Typically, it takes between 60 and 90 days from the time we sign an agreement with a franchisee until that franchisee signs a lease. When selecting a location, our team assists franchisees in seeking locations with the following site characteristics:

- *Average Daily Traffic:* 35,000+ people
- *Access:* Easy, distinguishable, and preferably with signaled entry and intersection; two-to-three curb cuts to center and entry from two streets
- *Activity Generators:* Going home traffic side, easily accessible for lunchtime traffic (pedestrian and automobile), high-frequency specialty retail and storefront urban corridors with convenient parking
- *Lease Terms:* Five-year minimum with four five-year options; fixed rates preferred
- *Visibility:* Site and signage must be highly visible from street and/or traffic generators, ideally visible from at least 500 feet in two directions

Supply Chain Assistance

FAT Brands has always been committed to seeking out and working with best-in-class suppliers and distribution networks on behalf of our franchisees. Our *Fresh, Authentic and Tasty* vision guides us in how we source and develop our ingredients, always looking for the best ways to provide top quality food that is as competitively priced as possible for our franchisees and their customers. We utilize a third-party purchasing and consulting company that provides distribution, rebate collection, product negotiations, audits and sourcing services focusing on negotiating distributor, vendor and manufacturer contracts, thereby ensuring that our brands receive meaningful buying power for our franchisees.

Our team has developed a reliable supply chain and continues to focus on identifying additional back-ups to avoid any possible interruption of service and product globally for our franchisees. We have a regional strategy for ground beef supply to ensure that our franchisees are always serving a proprietary blend of freshly ground and never frozen beef in their stores in the continental United States for Fatburger, while our Elevation Burger franchisees utilize another supplier that provides the organic, grass-fed beef associated with that brand. Internationally, we utilize the same strategy market-by-market in each country in which our franchisees operate. Domestically, our franchisees utilize the same, Southern California based, beef supplier for all of the U.S. Fatburger locations. Similarly, our franchisees utilize the same, South East United States based, beef supplier for Buffalo's Cafe. Ponderosa and Bonanza Steakhouses franchisees utilize contracted beef suppliers as do those of our Hurricane brand. Internationally, we have a select group of beef suppliers providing product to our franchisees market-by-market for each brand. We utilize the same procurement strategies on behalf of our franchisees for the poultry, produce, and Mediterranean offerings.

Domestically, FAT Brands has distribution agreements with broadline national distributors as well as regional providers. Internationally, our franchisees have distribution agreements with different providers market-by-market. We utilize distribution centers operated by our distributors. Our broadline national distributors are the main purchasing link in the United States among many of our suppliers, and distribute most of our dry, refrigerated and frozen goods, non-alcoholic beverages, paper goods and cleaning supplies. Internationally, distributors are also used to provide the majority of products to our franchisees.

Food Safety and Quality Assurance. Food safety is a top priority of FAT Brands. As such, we maintain rigorous safety standards for our menu offerings. We have carefully selected preferred suppliers that adhere to our safety standards, and our franchisees are required to source their ingredients from these approved suppliers. Furthermore, our commitment to food safety is strengthened through the direct relationship between our Supply Chain and Field Consultant Assistance teams.

Management Information Systems. FAT Brands restaurants utilize a variety of back-office, computerized and manual, point-of-sale systems and tools, which we believe are scalable to support our growth plans. We utilize these systems following a multi-faceted approach to monitor restaurants operational performance, food safety, quality control, customer feedback and profitability.

The point-of-sale systems are designed specifically for the restaurant industry and we use many customized features to evaluate and increase operational performance, provide data analysis, marketing promotional tracking, guest and table management, high-speed credit card and gift card processing, daily transaction data, daily sales information, product mix, average transaction size, order modes, revenue centers and other key business intelligence data. Utilizing these point-of-sale systems back-end, web-based, enterprise level, software solution dashboards, our home office and Franchise Operations Consultant Support staff are provided with real-time access to detailed business data which allows for our home office and Franchise Operations Consultant Support staff to closely, and remotely, monitor stores performance and assist in providing focused and timely support to our franchisees. Furthermore, these systems supply sales, bank deposit and variance data to our accounting department on a daily basis, and we use this data to generate daily sales information and weekly consolidated reports regarding sales and other key measures for each restaurant with final reports following the end of each period.

In addition to utilizing these point-of-sale systems, FAT Brands utilizes systems which provide detailed, real-time (and historical) operational data for all locations, allowing our management team to track product inventories, equipment temperatures, repair and maintenance schedules, intra-shift team communications, consistency in following standard operating procedures and tracking of tasks. FAT Brands also utilizes a web-based employee scheduling software program providing franchisees, and their management teams, increased flexibility and awareness of scheduling needs allowing them to efficiently, and appropriately, manage their labor costs and store staffing requirements/needs. Lastly, FAT Brands utilizes a proprietary customer feedback system allowing customers to provide feedback in real-time to our entire management team, franchisees and store managers.

Field Consultant Assistance.

In conjunction with utilizing the FAT Brands Management Information Systems, FAT Brands has a team of dedicated Franchise Operations Consultant Support staff who oversee designated market areas and specific subsets of restaurants. Our Franchise Operations Consultant Support staff work in the field daily with franchisees, and their management teams, to ensure that the integrity of all FAT Brands concepts are upheld and that franchisees are utilizing the tools and systems FAT Brands requires in order to optimize and accelerate franchisee profitability. FAT Brands Franchise Operations Consultant Support staff responsibilities include (but are not limited to):

- Conducting announced and un-announced store visits and evaluations
- Continuous training and re-training of new and existing franchise operations
- Conducting quarterly workshops for franchisees and their management teams
- Development and collection of monthly profit and loss statements for each store
- Store set-up, training, oversight and support for pre- and post- new store openings
- Training, oversight and implementation of in-store marketing initiatives
- Inspections of equipment, temperatures, food-handling procedures, customer service, products in store, cleanliness, and team member attitude

Training, Pre-Opening Assistance and Opening Support

FAT Brands offers Executive level and Operational level training programs to its franchisees, pre-opening assistance and opening assistance. Once open, FAT Brands constantly provides ongoing operational and marketing support to our franchisees by assisting their management teams in effectively operating their restaurants and increasing their stores financial profitability.

Competition

As a franchisor, our most important direct customers are our franchisees, who own and operate FAT Brands restaurants. Our competitors for franchisees include well-established national, regional or local franchisors with franchises in the geographies or restaurant segments in which we operate or in which we intend to operate.

Our franchisees compete in the fast casual and casual dining segments of the restaurant industry, a highly competitive industry in terms of price, service, location, and food quality. The restaurant industry is often affected by changes in consumer trends, economic conditions, demographics, traffic patterns, and concern about the nutritional content of fast casual foods. Furthermore, there are many well-established competitors with substantially greater financial resources, including a number of national, regional, and local fast casual, casual dining, and convenience stores. The restaurant industry also has few barriers to entry and new competitors may emerge at any time.

Food Safety

Food safety is a top priority. As such, we maintain rigorous safety standards for each menu item. We have carefully selected preferred food suppliers that adhere to our safety standards, and our franchisees are required to source their ingredients from these approved suppliers.

Seasonality

Our franchisees have not historically experienced significant seasonal variability in their financial performance.

Intellectual Property

We own, domestically and internationally, valuable intellectual property including trademarks, service marks, trade secrets and other proprietary information related to our restaurant and corporate brands. This intellectual property includes logos and trademarks which are of material importance to our business. Depending on the jurisdiction, trademarks and service marks generally are valid as long as they are used and/or registered. We seek to actively protect and defend our intellectual property from infringement and misuse.

Employees

As of December 27, 2020, our company, including our subsidiaries, employed approximately 179 people, including approximately 116 people who are employed in restaurants which are being marketed to potential franchisees for resale as part of our refranchising program. We believe that we have good relations with our employees.

Government Regulation

U.S. Operations. Our U.S. operations are subject to various federal, state and local laws affecting our business, primarily laws and regulations concerning the franchisor/franchisee relationship, marketing, food labeling, sanitation and safety. Each of our franchised restaurants in the U.S. must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety, fire and zoning agencies in the state and/or municipality in which the restaurant is located. To date, we have not been materially adversely affected by such licensing and regulation or by any difficulty, delay or failure to obtain required licenses or approvals.

International Operations. Our restaurants outside the U.S. are subject to national and local laws and regulations which are similar to those affecting U.S. restaurants. The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment, as well as anti-bribery and anti-corruption laws.

See “Risk Factors” for a discussion of risks relating to federal, state, local and international regulation of our business.

Our Corporate Information

FAT Brands Inc. was formed as a Delaware corporation on March 21, 2017. Our corporate headquarters are located at 9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212. Our main telephone number is (310) 319-1850. Our principal Internet website address is www.fatbrands.com. The information on our website is not incorporated by reference into, or a part of, this Annual Report.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are filed with the Securities and Exchange Commission (the “SEC”). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. The public may read and copy any materials filed by us with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549, and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this Annual Report. Further, our references to the URLs for these websites are intended to be inactive textual references only. We also make the documents listed above available without charge through the Investor Relations Section of our website at www.fatbrands.com.

ITEM 1A. RISK FACTORS

Except for the historical information contained herein or incorporated by reference, this report and the information incorporated by reference contain forward-looking statements that involve risks and uncertainties. These statements include projections about our accounting and finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results could differ materially from those discussed in this report. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in the following section, as well as those discussed in Part II, Item 7 entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere throughout this report and in any documents incorporated in this report by reference.

You should consider carefully the following risk factors and in the other information included or incorporated in this report. If any of the following risks, either alone or taken together, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected. If that happens, the market price of our common stock could decline, and stockholders may lose all or part of their investment.

Risks Related to COVID-19, Health Epidemics and Food Safety

The novel coronavirus (COVID-19) outbreak has disrupted and is expected to continue to disrupt our business, which could continue to materially affect our operations, financial condition and results of operations for an extended period of time.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and other countries. As a result, Company franchisees have closed, or temporarily closed, some retail locations, reduced or modified store operating hours, adopted a “to-go” only operating model, or a combination these actions. These actions have reduced consumer traffic, all resulting in a negative impact to Company revenues. In addition, the COVID-19 pandemic may make it more difficult for our franchisees to staff restaurants and, in more severe cases, may cause a temporary inability to obtain supplies, increase commodity costs or cause full and partial closures of our affected restaurants for a prolonged period of time.

Our franchisees have temporarily shifted to a “to-go” only operating model at the majority of our Fatburger, Johnny Rockets, Hurricane Grill & Wings, Buffalo’s Café, and Elevation Burger restaurants in the United States, suspending sit-down dining and serving our guests through take-out, drive-thru and delivery. In addition, most of our Ponderosa, Bonanza, and Yalla stores have implemented temporary closures or modified hours. COVID-19 and the economic downturn caused by the pandemic may also materially adversely affect our ability to implement our growth plans, including closures of existing stores if our franchisees cannot continue operating, delays in opening new stores, and delays or inability to finance acquisitions of additional brands and restaurant concepts.

Furthermore, the fear of contracting viruses could cause employees or guests to avoid gathering in public places, which has had, and could further have, longer-term adverse effects on our restaurant guest traffic or the ability to adequately staff restaurants. We could also be adversely affected if government authorities impose longer-term restrictions on public gatherings such as reductions in restaurant capacity, operations of restaurants or mandatory closures. Even if such measures are not implemented and the COVID-19 virus does not continue to spread significantly, the perceived risk of infection or health risk may adversely affect our business, liquidity, financial condition and results of operations.

While the disruption to our business from the COVID-19 pandemic is currently expected to be temporary, there is a great deal of uncertainty around the severity and duration of the disruption, and also the longer-term effects on our business and economic growth and consumer demand in the U.S. and worldwide. The effects of COVID-19 may materially adversely affect our business, results of operations, liquidity and ability to service our existing debt, particularly if these effects continue in place for a significant amount of time.

Health concerns arising from outbreaks of diseases, other than COVID-19, may have an adverse effect on our business.

In addition to the risks to our business of COVID-19 discussed above, our business could be materially and adversely affected by the outbreak of other widespread health epidemics or pandemics. The occurrence of such an outbreak of an epidemic illness, other than COVID-19, or other adverse public health developments could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of restaurants, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

Furthermore, viruses other than COVID-19 may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff franchised restaurants. We could also be adversely affected if jurisdictions in which our franchisees' restaurants operate impose mandatory closures, seek voluntary closures or impose restrictions on operations of restaurants. Even if such measures are not implemented and a virus or other disease, other than COVID-19, does not spread significantly, the perceived risk of infection or health risk may affect our business.

Food safety and foodborne illness concerns may have an adverse effect on our business.

Foodborne illnesses, such as E. coli, hepatitis A, trichinosis and salmonella, occur or may occur within our system from time to time. In addition, food safety issues such as food tampering, contamination and adulteration occur or may occur within our system from time to time. Any report or publicity linking one of our franchisee's restaurants, or linking our competitors or our industry generally, to instances of foodborne illness or food safety issues could adversely affect our brands and reputations as well as our revenues and profits, and possibly lead to product liability claims, litigation and damages. If a customer of one of our franchisees' restaurants becomes ill as a result of food safety issues, restaurants in our system may be temporarily closed, which would decrease our revenues. In addition, instances or allegations of foodborne illness or food safety issues, real or perceived, involving our franchised restaurants, restaurants of competitors, or suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), or otherwise involving the types of food served at our franchisees' restaurants, could result in negative publicity that could adversely affect our revenues or the sales of our franchisees. Additionally, allegations of foodborne illness or food safety issues could result in litigation involving us and our franchisees. The occurrence of foodborne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain and/or lower revenues and margins for us and our franchisees.

Risks Related to Our Franchised Business Model

Our operating and financial results and growth strategies are closely tied to the success of our franchisees.

Our restaurants are operated by our franchisees, which makes us dependent on the financial success and cooperation of our franchisees. We have limited control over how our franchisees' businesses are run, and the inability of franchisees to operate successfully could adversely affect our operating and financial results through decreased royalty payments. If our franchisees incur too much debt, if their operating expenses or commodity prices increase or if economic or sales trends deteriorate such that they are unable to operate profitably or repay existing debt, it could result in their financial distress, including insolvency or bankruptcy. If a significant franchisee or a significant number of our franchisees become financially distressed, our operating and financial results could be impacted through reduced or delayed royalty payments. Our success also depends on the willingness and ability of our franchisees to implement major initiatives, which may include financial investment. Our franchisees may be unable to successfully implement strategies that we believe are necessary for their further growth, which in turn may harm the growth prospects and financial condition of the company. Additionally, the failure of our franchisees to focus on the fundamentals of restaurant operations, such as quality service and cleanliness (even if such failures do not rise to the level of breaching the related franchise documents), could have a negative impact on our business.

Our franchisees could take actions that could harm our business and may not accurately report sales.

Our franchisees are contractually obligated to operate their restaurants in accordance with the operations, safety, and health standards set forth in our agreements with them and applicable laws. However, although we will attempt to properly train and support all our franchisees, they are independent third parties whom we do not control. The franchisees own, operate, and oversee the daily operations of their restaurants, and their employees are not our employees. Accordingly, their actions are outside of our control. Although we have developed criteria to evaluate and screen prospective franchisees, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises at their approved locations, and state franchise laws may limit our ability to terminate or not renew these franchise agreements. Moreover, despite our training, support and monitoring, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements or may not hire and adequately train qualified managers and other restaurant personnel. The failure of our franchisees to operate their franchises in accordance with our standards or applicable law, actions taken by their employees or a negative publicity event at one of our franchised restaurants or involving one of our franchisees could have a material adverse effect on our reputation, our brands, our ability to attract prospective franchisees, our company-owned restaurants, and our business, financial condition or results of operations.

Franchisees typically use a point of sale, or POS, cash register system to record all sales transactions at the restaurant. We require franchisees to use a specific brand or model of hardware or software components for their restaurant system. Currently, franchisees report sales manually and electronically, but we do not have the ability to verify all sales data electronically by accessing their POS cash register systems. We have the right under our franchise agreement to audit franchisees to verify sales information provided to us, and we have the ability to indirectly verify sales based on purchasing information. However, franchisees may underreport sales, which would reduce royalty income otherwise payable to us and adversely affect our operating and financial results.

If we fail to identify, recruit and contract with a sufficient number of qualified franchisees, our ability to open new franchised restaurants and increase our revenues could be materially adversely affected.

The opening of additional franchised restaurants depends, in part, upon the availability of prospective franchisees who meet our criteria. Most of our franchisees open and operate multiple restaurants, and our growth strategy requires us to identify, recruit and contract with a significant number of new franchisees each year. We may not be able to identify, recruit or contract with suitable franchisees in our target markets on a timely basis or at all. In addition, our franchisees may not have access to the financial or management resources that they need to open the restaurants contemplated by their agreements with us, or they may elect to cease restaurant development for other reasons. If we are unable to recruit suitable franchisees or if franchisees are unable or unwilling to open new restaurants as planned, our growth may be slower than anticipated, which could materially adversely affect our ability to increase our revenues and materially adversely affect our business, financial condition and results of operations.

If we fail to open new domestic and international franchisee-owned restaurants on a timely basis, our ability to increase our revenues could be materially adversely affected.

A significant component of our growth strategy includes the opening of new domestic and international franchised restaurants. Our franchisees face many challenges associated with opening new restaurants, including:

- identification and availability of suitable restaurant locations with the appropriate size; visibility; traffic patterns; local residential neighborhood, retail and business attractions; and infrastructure that will drive high levels of customer traffic and sales per restaurant;
- competition with other restaurants and retail concepts for potential restaurant sites and anticipated commercial, residential and infrastructure development near new or potential restaurants;
- ability to negotiate acceptable lease arrangements;
- availability of financing and ability to negotiate acceptable financing terms;
- recruiting, hiring and training of qualified personnel;
- construction and development cost management;
- completing their construction activities on a timely basis;
- obtaining all necessary governmental licenses, permits and approvals and complying with local, state and federal laws and regulations to open, construct or remodel and operate our franchised restaurants;
- unforeseen engineering or environmental problems with the leased premises;
- avoiding the impact of adverse weather during the construction period; and
- other unanticipated increases in costs, delays or cost overruns.

As a result of these challenges, our franchisees may not be able to open new restaurants as quickly as planned or at all. Our franchisees have experienced, and expect to continue to experience, delays in restaurant openings from time to time and have abandoned plans to open restaurants in various markets on occasion. Any delays or failures to open new restaurants by our franchisees could materially and adversely affect our growth strategy and our results of operations.

Negative publicity relating to one of our franchised restaurants could reduce sales at some or all of our other franchised restaurants.

Our success is dependent in part upon our ability to maintain and enhance the value of our brands, consumers' connection to our brands and positive relationships with our franchisees. We may, from time to time, be faced with negative publicity relating to food quality, public health concerns, restaurant facilities, customer complaints or litigation alleging illness or injury, health inspection scores, integrity of our franchisees or their suppliers' food processing, employee relationships or other matters, regardless of whether the allegations are valid or whether or not the Company is held to be responsible. The negative impact of adverse publicity relating to one franchised restaurant may extend far beyond that restaurant or franchisee involved to affect some or all of our other franchised restaurants. The risk of negative publicity is particularly great with respect to our franchised restaurants because we are limited in the manner in which we can manage and control a franchisee's operations and messaging, especially on a real-time basis. The considerable expansion in the use of social media over recent years can further amplify any negative publicity that could be generated by such incidents. A similar risk exists with respect to unrelated food service businesses, if consumers associate those businesses with our own or franchised operations. Additionally, employee claims against us based on, among other things, wage and hour violations, discrimination, harassment or wrongful termination may also create negative publicity that could adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. A significant increase in the number of these claims or an increase in the number of successful claims would have a material adverse effect on our business, financial condition and results of operations. Consumer demand for our products and our brands' value could diminish significantly if any such incidents or other matters create negative publicity or otherwise erode consumer confidence in us or our products, which would likely result in lower sales and could have a material adverse effect on our business, financial condition and results of operations.

Our brands' value may be limited or diluted through franchisee and third-party activity.

Although we monitor and regulate franchisee activities under the terms of our franchise agreements, franchisees or other third parties may refer to or make statements about our brands that do not make proper use of our trademarks or required designations, that improperly alter trademarks or branding, or that are critical of our brands or place our brands in a context that may tarnish our reputation. This may result in dilution of, or harm to, our intellectual property or the value of our brands. Franchisee noncompliance with the terms and conditions of our franchise agreements may reduce the overall goodwill of our brands, whether through the failure to meet health and safety standards, engage in quality control or maintain product consistency, or through the participation in improper or objectionable business practices. Moreover, unauthorized third parties may use our intellectual property to trade on the goodwill of our brands, resulting in consumer confusion or dilution of our brands' value. Any reduction of our brands' goodwill, consumer confusion, or reputational dilution is likely to impact sales, and could materially and adversely impact our business and results of operations.

Risks Relating to Our Business and Operations

We have significant outstanding indebtedness under our whole-business securitization facility, which requires that we generate sufficient cash flow to satisfy the payment and other obligations under the terms of our debt and exposes us to the risk of default and lender remedies.

The principal balance of the indebtedness under our whole-business securitization facility issued by our special purpose subsidiary, FAT Brands Royalty I, LLC ("FAT Royalty"), was \$80.0 million as of December 27, 2020. We and FAT Royalty may incur additional indebtedness for various purposes, including to fund future acquisitions and operational needs. The terms of our outstanding indebtedness provide for significant principal and interest payments, and subjects us and FAT Royalty to certain financial and non-financial covenants, including a debt service coverage ratio calculation, as defined in the Indenture. If certain covenants are not met, the indebtedness may become partially or fully due and payable on an accelerated schedule. Our ability to meet the payment obligations under our debt depends on our ability to generate significant cash flow in the future. We cannot assure you that our business will generate cash flow from operations, or that other capital will be available to us, in amounts sufficient to enable us to meet our payment obligations under our loan agreements and to fund our other liquidity needs. If we are not able to generate sufficient cash flow to service these obligations, we may need to refinance or restructure our debt, sell unencumbered assets (if any) or seek to raise additional capital. If we are unable to implement one or more of these options, we may not be able to meet these payment obligations, and the imposition of lender remedies could materially and adversely affect our business, financial condition and liquidity.

Our growth strategy includes pursuing opportunistic acquisitions of additional brands, and we may not find suitable acquisition candidates or successfully operate or integrate any brands that we may acquire.

As part of our growth strategy, we intend to opportunistically acquire new brands and restaurant concepts. Although we believe that opportunities for future acquisitions may be available from time to time, competition for acquisition candidates may exist or increase in the future. Consequently, there may be fewer acquisition opportunities available to us as well as higher acquisition prices. There can be no assurance that we will be able to identify, acquire, manage or successfully integrate additional brands or restaurant concepts without substantial costs, delays or operational or financial problems.

The difficulties of integration include coordinating and consolidating geographically separated systems and facilities, integrating the management and personnel of the acquired brands, maintaining employee morale and retaining key employees, implementing our management information systems and financial accounting and reporting systems, establishing and maintaining effective internal control over financial reporting, and implementing operational procedures and disciplines to control costs and increase profitability.

In the event we are able to acquire additional brands or restaurant concepts, the integration and operation of such acquisitions may place significant demands on our management, which could adversely affect our ability to manage our existing restaurants. In addition, we may be required to obtain additional financing to fund future acquisitions, but there can be no assurance that we will be able to obtain additional financing on acceptable terms or at all.

Our success depends substantially on our corporate reputation and on the value and perception of our brands.

Our success depends in large part upon our and our franchisees' ability to maintain and enhance the value of our brands and our customers' loyalty to our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring, and whether originating from us, franchisees, competitors, suppliers or distributors, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our brands could be damaged by claims or perceptions about the quality or safety of our products or the quality or reputation of our suppliers, distributors or franchisees, regardless of whether such claims or perceptions are true. Similarly, entities in our supply chain may engage in conduct, including alleged human rights abuses or environmental wrongdoing, and any such conduct could damage our or our brands' reputations. Any such incidents (even if resulting from actions of a competitor or franchisee) could cause a decline directly or indirectly in consumer confidence in, or the perception of, our brands and/or our products and reduce consumer demand for our products, which would likely result in lower revenues and profits. Additionally, our corporate reputation could suffer from a real or perceived failure of corporate governance or misconduct by a company officer, or an employee or representative of us or a franchisee.

Failure to protect our service marks or other intellectual property could harm our business.

We regard our Fatburger®, Johnny Rockets®, Buffalo's Cafe®, Ponderosa®, Bonanza®, Hurricane®, and Yalla Mediterranean® service marks, and other service marks and trademarks related to our franchise restaurant businesses, as having critical importance to our future operations and marketing efforts. We rely on a combination of protections provided by contracts, copyrights, patents, trademarks, service marks and other common law rights, such as trade secret and unfair competition laws, to protect our franchised restaurants and services from infringement. We have registered certain trademarks and service marks in the U.S. and foreign jurisdictions. However, from time to time we become aware of names and marks identical or confusingly similar to our service marks being used by other persons. Although our policy is to oppose any such infringement, further or unknown unauthorized uses or other misappropriation of our trademarks or service marks could diminish the value of our brands and adversely affect our business. In addition, effective intellectual property protection may not be available in every country in which our franchisees have, or intend to open or franchise, a restaurant. There can be no assurance that these protections will be adequate and defending or enforcing our service marks and other intellectual property could result in the expenditure of significant resources. We may also face claims of infringement that could interfere with the use of the proprietary knowhow, concepts, recipes, or trade secrets used in our business. Defending against such claims may be costly, and we may be prohibited from using such proprietary information in the future or forced to pay damages, royalties, or other fees for using such proprietary information, any of which could negatively affect our business, reputation, financial condition, and results of operations.

If our franchisees are unable to protect their customers' credit card data and other personal information, our franchisees could be exposed to data loss, litigation, and liability, and our reputation could be significantly harmed.

Privacy protection is increasingly demanding, and the use of electronic payment methods and collection of other personal information expose our franchisees to increased risk of privacy and/or security breaches as well as other risks. The majority of our franchisees' restaurant sales are by credit or debit cards. In connection with credit or debit card transactions in-restaurant, our franchisees collect and transmit confidential information by way of secure private retail networks. Additionally, our franchisees collect and store personal information from individuals, including their customers and employees.

If a person is able to circumvent our franchisees' security measures or those of third parties, he or she could destroy or steal valuable information or disrupt our operations. Our franchisees may become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and our franchisees may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause our franchisees to incur significant unplanned expenses, which could have an adverse impact on our financial condition, results of operations and cash flows. Further, adverse publicity resulting from these allegations could significantly harm our reputation and may have a material adverse effect on us and our franchisees' business.

We and our franchisees rely on computer systems to process transactions and manage our business, and a disruption or a failure of such systems or technology could harm our ability to effectively manage our business.

Network and information technology systems are integral to our business. We utilize various computer systems, including our franchisee reporting system, by which our franchisees report their weekly sales and pay their corresponding royalty fees and required advertising fund contributions. When sales are reported by a franchisee, a withdrawal for the authorized amount is initiated from the franchisee's bank on a set date each week based on gross sales during the week ended the prior Sunday. This system is critical to our ability to accurately track sales and compute royalties and advertising fund contributions and receive timely payments due from our franchisees. 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, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities. Despite the implementation of protective measures, our systems are subject to damage and/or interruption as a result of power outages, computer and network failures, computer viruses and other disruptive software, security breaches, catastrophic events, and improper usage by employees. Such events could result in a material disruption in operations, a need for a costly repair, upgrade or replacement of systems, or a decrease in, or in the collection of, royalties and advertising fund contributions paid to us by our franchisees. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability which could materially affect our results of operations. It is also critical that we establish and maintain certain licensing and software agreements for the software we use in our day-to-day operations. A failure to procure or maintain these licenses could have a material adverse effect on our business operations.

The retail food industry in which we operate is highly competitive.

The retail food industry in which we operate is highly competitive with respect to price and quality of food products, new product development, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. If consumer or dietary preferences change, if our marketing efforts are unsuccessful, or if our franchisees' restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our business could be adversely affected. We also face growing competition as a result of convergence in grocery, convenience, deli and restaurant services, including the offering by the grocery industry of convenient meals, including pizzas and entrees with side dishes. Competition from delivery aggregators and other food delivery services has also increased in recent years, particularly in urbanized areas. Increased competition could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

The food products sold by our franchisees and raw materials used in their restaurants are sourced from a variety of domestic and international suppliers. We, along with our franchisees, are also dependent upon third parties to make frequent deliveries of food products and supplies that meet our specifications at competitive prices. Shortages or interruptions in the supply of food items, raw materials and other supplies to our franchisees' restaurants could adversely affect the availability, quality and cost of items we use and the operations of our franchisees' restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters, increased demand, problems in production or distribution, restrictions on imports or exports, the inability of vendors to obtain credit, political instability in the countries in which suppliers and distributors are located, the financial instability of suppliers and distributors, suppliers' or distributors' failure to meet our standards, product quality issues, inflation, the price of gasoline, other factors relating to the suppliers and distributors and the countries in which they are located, food safety warnings or advisories or the prospect of such pronouncements, the cancellation of supply or distribution agreements or an inability to renew such arrangements or to find replacements on commercially reasonable terms, or other conditions beyond our control or the control of our franchisees.

A shortage or interruption in the availability of certain food products, raw materials or supplies could increase costs and limit the availability of products critical to our franchisees' restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales and therefore a reduction in royalty fees to us. In addition, failure by a key supplier or distributor to our franchisees to meet its service requirements could lead to a disruption of service or supply until a new supplier or distributor is engaged, and any disruption could have an adverse effect on our franchisees and therefore our business. See "Business—Supply Chain."

Our business may be adversely impacted by changes in consumer discretionary spending, general economic conditions, or consumer behavior.

Purchases at our franchisees' restaurants are generally discretionary for consumers and, therefore, our results of operations are susceptible to economic slowdowns and recessions. Our results of operations are dependent upon discretionary spending by consumers of our franchisees' restaurants, which may be affected by general economic conditions globally or in one or more of the markets we serve. Some of the factors that impact discretionary consumer spending include unemployment rates, fluctuations in the level of disposable income, the price of gasoline, stock market performance, changes in the level of consumer confidence, and long-term changes in consumer behavior related to social distancing behaviors resulting from COVID-19 or other widespread health events. These and other macroeconomic factors could have an adverse effect on sales at our franchisees' restaurants, which could lead to an adverse effect on our profitability or development plans and harm our financial condition and operating results.

Our expansion into international markets exposes us to a number of risks that may differ in each country where we have franchised restaurants.

We currently have franchised restaurants in 37 countries including 36 states within the United States, and we plan to continue to grow internationally. Expansion in international markets may be affected by local economic and market as well as geopolitical conditions. Therefore, as we expand internationally, our franchisees may not experience the operating margins we expect, and our results of operations and growth may be materially and adversely affected. Our financial condition and results of operations may be adversely affected if global markets in which our franchised restaurants compete are affected by changes in political, economic or other factors. These factors, over which neither our franchisees nor we have control, may include:

- recessionary or expansive trends in international markets;
- changing labor conditions and difficulties in staffing and managing our foreign operations;
- increases in the taxes we pay and other changes in applicable tax laws;
- legal and regulatory changes, and the burdens and costs of our compliance with a variety of foreign laws;
- changes in inflation rates;
- changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;
- difficulty in protecting our brand, reputation and intellectual property;
- difficulty in collecting our royalties and longer payment cycles;
- expropriation of private enterprises;
- increases in anti-American sentiment and the identification of our brands as American brands;
- political and economic instability; and
- other external factors.

We depend on key executive management.

We depend on the leadership and experience of our relatively small number of key executive management personnel, in particular our Chief Executive Officer, Andrew Wiederhorn. The loss of the services of any of our executive management members could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. We do not maintain key man life insurance policies on any of our executive officers. We believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in our industry. Our inability to meet our executive staffing requirements in the future could impair our growth and harm our business.

Labor shortages or difficulty finding qualified employees could slow our growth, harm our business and reduce our profitability.

Restaurant operations are highly service oriented, and our success depends in part upon our franchisees' ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant managers and other crew members. The market for qualified employees in our industry is very competitive. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants by our franchisees and could adversely impact our existing franchised restaurants. Any such delays, material increases in employee turnover rate in existing franchised restaurants or widespread employee dissatisfaction could have a material adverse effect on our and our franchisees' business and results of operations.

In addition, strikes, work slowdowns or other job actions may become more common in the United States. Although none of the employees employed by our franchisees are represented by a labor union or are covered by a collective bargaining agreement, in the event of a strike, work slowdown or other labor unrest, the ability to adequately staff our restaurants could be impaired, which could result in reduced revenue and customer claims, and may distract our management from focusing on our business and strategic priorities.

Changes in labor and other operating costs could adversely affect our results of operations.

An increase in the costs of employee wages, benefits and insurance (including workers' compensation, general liability, property and health) could result from government imposition of higher minimum wages or from general economic or competitive conditions. In addition, competition for qualified employees could compel our franchisees to pay higher wages to attract or retain key crew members, which could result in higher labor costs and decreased profitability. Any increase in labor expenses, as well as increases in general operating costs such as rent and energy, could adversely affect our franchisees' profit margins, their sales volumes and their ability to remain in business, which would adversely affect our results of operations.

Risks Related to Government Regulation and Litigation

We could be party to litigation that could adversely affect us by increasing our expenses, diverting management attention or subjecting us to significant monetary damages and other remedies.

We may become involved in legal proceedings involving consumer, employment, real estate related, tort, intellectual property, breach of contract, securities, derivative and other litigation. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may not be accurately estimated. Regardless of whether any such claims have merit, or whether we are ultimately held liable or settle, such litigation may be expensive to defend and may divert resources and management attention away from our operations and negatively impact reported earnings. With respect to insured claims, a judgment for monetary damages in excess of any insurance coverage could adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also adversely affect our reputation, which in turn could adversely affect our results of operations.

Our subsidiary Fog Cutter Acquisition, LLC is a party to environmental litigation which could result in significant legal expenses whether or not it is resolved favorably.

As described in this Annual Report under “Item 3. Legal Proceedings”, our subsidiary Fog Cutter Capital Group Inc. (now known as Fog Cutter Acquisition, LLC), is a party to litigation entitled *Stratford Holding LLC v. Foot Locker Retail Inc.* for alleged environmental contamination stemming from dry cleaning operations on a property which was included in a lease portfolio managed by a former subsidiary of Fog Cutter. The property owners seek damages in the range of \$12 million to \$22 million in the aggregate from all defendants. The Company is unable to predict the ultimate outcome of this matter, and reserves have been recorded on the balance sheet relating to this litigation. There can be no assurance that Fog Cutter Acquisition, LLC will be successful in defending against this action, and an unfavorable outcome in excess of the reserves could have a material adverse effect on our financial condition and results of operations.

Changes in, or noncompliance with, governmental regulations may adversely affect our business operations, growth prospects or financial condition.

We and our franchisees are subject to numerous laws and regulations around the world. These laws change regularly and are increasingly complex. For example, we and our franchisees are subject to:

- Government orders regarding the response to health and other public safety concerns such as the various restrictions on business operations relating to the COVID-19 pandemic being experienced in 2020.
- The Americans with Disabilities Act in the U.S. and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas.
- The U.S. Fair Labor Standards Act, which governs matters such as minimum wages, overtime and other working conditions, as well as family leave mandates and a variety of similar state laws that govern these and other employment law matters.
- Laws and regulations in government mandated health care benefits such as the Patient Protection and Affordable Care Act.
- Laws and regulations relating to nutritional content, nutritional labeling, product safety, product marketing and menu labeling.
- Laws relating to state and local licensing.
- Laws relating to the relationship between franchisors and franchisees.
- Laws and regulations relating to health, sanitation, food, workplace safety, child labor, including laws prohibiting the use of certain “hazardous equipment” by employees younger than the age of 18 years of age, and fire safety and prevention.
- Laws and regulations relating to union organizing rights and activities.
- Laws relating to information security, privacy, cashless payments, and consumer protection.
- Laws relating to currency conversion or exchange.
- Laws relating to international trade and sanctions.
- Tax laws and regulations.
- Antibribery and anticorruption laws.
- Environmental laws and regulations.
- Federal and state immigration laws and regulations in the U.S.

Compliance with new or existing laws and regulations could impact our operations. The compliance costs associated with these laws and regulations could be substantial. Any failure or alleged failure to comply with these laws or regulations by our franchisees or indirectly by us could adversely affect our reputation, international expansion efforts, growth prospects and financial results or result in, among other things, litigation, revocation of required licenses, internal investigations, governmental investigations or proceedings, administrative enforcement actions, fines and civil and criminal liability. Publicity relating to any such noncompliance could also harm our reputation and adversely affect our revenues.

In addition, if any governmental authority were to adopt and implement a broader standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under laws such as the National Labor Relations Act in a manner that is applied generally to franchise relationships (which broader standards in the past have been adopted by U.S. governmental agencies such as the National Labor Relations Board), this could cause us to be liable or held responsible for unfair labor practices and other violations of our franchisees. Further, a California law enacted in 2019 adopted an employment classification test to be used when determining employee or independent contractor status which establishes a high threshold to obtain independent contractor status. These laws and any similar laws enacted at the federal, state or local level, could increase our and our franchisees' labor costs and decrease profitability or could cause employees of our franchisees to be deemed to be our employees.

Failure to comply with antibribery or anticorruption laws could adversely affect our business operations.

The U.S. Foreign Corrupt Practices Act and other similar applicable laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis and enforcement around the world. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents, franchisees or other third parties will not take actions in violation of our policies or applicable law, particularly as we expand our operations in emerging markets and elsewhere. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial fines and significant investigation costs, and could also materially damage our reputation, brands, international expansion efforts and growth prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our revenues and results of operations.

Risks Related to Our Common Stock and Organizational Structure

We are controlled by Fog Cutter Holdings LLC, whose interests may differ from those of our public stockholders.

Fog Cutter Holdings LLC controls approximately 58.4% of the voting power of our Common Stock and has significant influence over our corporate management and affairs and is able to control virtually all matters requiring stockholder approval. It is possible that the interests of Fog Cutter Holdings LLC may, in some circumstances, conflict with our interests and the interests of our other stockholders.

Our anti-takeover provisions could prevent or delay a change in control of our company, even if such change in control would be beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation and bylaws as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if such change in control would be beneficial to our stockholders. These provisions include:

- net operating loss protective provisions, which require that any person wishing to become a “5% shareholder” (as defined in our certificate of incorporation) must first obtain a waiver from our board of directors, and any person that is already a “5% shareholder” of ours cannot make any additional purchases of our stock without a waiver from our board of directors;
- authorizing the issuance of “blank check” preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt;
- limiting the ability of stockholders to call special meetings or amend our bylaws;
- providing for a classified board of directors with staggered, three-year terms;
- requiring all stockholder actions to be taken at a meeting of our stockholders; and
- establishing advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

These provisions could also discourage proxy contests and make it more difficult for minority stockholders to elect directors of their choosing and cause us to take other corporate actions they desire. In addition, because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

In addition, the Delaware General Corporation Law, or the DGCL, to which we are subject, prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets or business combinations with any stockholder or group of stockholders who owns at least 15% of our common stock.

We may continue to issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Common Stock, which could depress the price of our Common Stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. We may authorize or issue shares of preferred stock with voting, liquidation, dividend and other rights superior to the rights of our Common Stock. To date we have authorized and outstanding shares of Series A Preferred Stock and Series B Preferred Stock, which have liquidation and dividend rights superior to the rights of our Common Stock. The potential issuance of preferred stock may also delay or prevent a change in control of us, discourage bids for our Common Stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Common Stock.

The provision of our certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or the bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

If our operating and financial performance in any given period does not meet the guidance that we provide to the public, our stock price may decline.

We may provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward-looking statements subject to the risks and uncertainties described in our public filings and public statements. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts or if we reduce our guidance for future periods, the market price of our Common Stock may decline as well.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law.

While we have paid cash and stock dividends to holders of our Common Stock during fiscal 2018, 2019 and 2020, our board of directors may, in its sole discretion, decrease the amount or frequency of cash or stock dividends or discontinue the payment of dividends entirely. In addition, as a holding company, we will be dependent upon the ability of our operating subsidiaries to generate earnings and cash flows and distribute them to us so that we may pay cash dividends to our stockholders. Our ability to pay cash dividends will be subject to our consolidated operating results, cash requirements and financial condition, the applicable provisions of Delaware law which may limit the amount of funds available for distribution to our stockholders, our compliance with covenants and financial ratios related to existing or future indebtedness, and our other agreements with third parties. In addition, each of the companies in the corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters, including our principal administrative, sales and marketing, customer support, and research and development operations, are located in Beverly Hills, California, comprising 6,137 square feet of space, pursuant to a lease that expires on September 29, 2025, as well as an additional 2,915 square feet of space pursuant to a lease amendment that expires on February 29, 2024.

Our administrative and culinary operations for Bonanza and Ponderosa are located in Plano, Texas, where we currently lease and occupy 1,775 square feet of space pursuant to a lease that expires on March 31, 2021.

As part of the Yalla transaction in December 2018, the Company assumed control of seven restaurant properties subject to leases in California being operated as Yalla Mediterranean restaurants, but did not guarantee the leases of the Yalla restaurants. As of December 27, 2020, all of these locations had either been sold to franchisees or closed.

When we acquired Johnny Rockets, we assumed control of nine restaurant locations which are now being marketed as part of our refranchising efforts. Each location is subject to a real estate lease.

We believe that all our existing facilities are in good operating condition and adequate to meet our current and foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS

Eric Rojany, et al. v. FAT Brands Inc., et al., Superior Court of California for the County of Los Angeles, Case No. BC708539, and Daniel Alden, et al. v. FAT Brands Inc., et al., Superior Court of California for the County of Los Angeles, Case No. BC716017.

On June 7, 2018, FAT Brands, Inc., Andrew Wiederhorn, Ron Roe, James Neuhauser, Edward H. Rensi, Marc L. Holtzman, Squire Junger, Silvia Kessel, Jeff Lotman, Fog Cutter Capital Group Inc., and Tripoint Global Equities, LLC (collectively, the “Original Defendants”) were named as defendants in a putative securities class action lawsuit entitled *Rojany v. FAT Brands, Inc.*, Case No. BC708539 (the “*Rojany Case*”), in the Superior Court of the State of California, County of Los Angeles. Since the time that the case was initially filed, plaintiffs Alden, Hazelton-Harrington and Marin, voluntarily dismissed their claims without prejudice, leaving only plaintiff Rojany as the putative class representative plaintiff (“Plaintiff”). On January 29, 2020, Plaintiff filed a Motion for Class Certification. On October 8, 2020, the Court denied Plaintiff’s Motion for Class Certification. On January 6, 2021, the parties executed a Settlement Agreement and Mutual Release pursuant to which plaintiff agreed to dismiss his individual claims against defendants with prejudice in exchange for a payment by or on behalf of defendants of \$50,000. On January 27, 2021, plaintiff filed a request for dismissal of this action, with prejudice, in its entirety.

On August 24, 2018, the Original Defendants were named as defendants in a putative securities class action lawsuit entitled *Vignola v. FAT Brands, Inc.*, Case No. 2:18-cv-07469-PSG-PLA, in the United States District Court for the Central District of California. The allegations and claims for relief asserted in *Vignola* are substantively identical to those asserted in the *Rojany* Case. On December 27, 2019, Lead Plaintiffs filed a Motion for Class Certification. By order entered March 16, 2020, the Court denied Lead Plaintiffs' Motion for Class Certification. On September 25, 2020, the parties executed a Settlement Agreement and Mutual Release pursuant to which lead plaintiffs agreed to dismiss their individual claims against defendants with prejudice in exchange for a payment by or on behalf of defendants of \$75,000. On October 13, 2020, the Court ordered the stipulated dismissal of this action, with prejudice, in its entirety.

Stratford Holding LLC v. Foot Locker Retail Inc. (U.S. District Court for the Western District of Oklahoma, Case No. 5:12-cv-00772-HE)

In 2012 and 2013, two property owners in Oklahoma City, Oklahoma sued numerous parties, including Foot Locker Retail Inc. and our subsidiary Fog Cutter Capital Group Inc. (now known as Fog Cutter Acquisition, LLC), for alleged environmental contamination on their properties, stemming from dry cleaning operations on one of the properties. The property owners seek damages in the range of \$12 million to \$22 million. From 2002 to 2008, a former Fog Cutter subsidiary managed a lease portfolio, which included the subject property. Fog Cutter denies any liability, although it did not timely respond to one of the property owners' complaints and several of the defendants' cross-complaints and thus is in default. The parties are currently conducting discovery, and the matter is scheduled for trial for November 2021. The Company is unable to predict the ultimate outcome of this matter, however, reserves have been recorded on the balance sheet relating to this litigation. There can be no assurance that the defendants will be successful in defending against these actions.

SBN FCCG LLC v FCCGI (Los Angeles Superior Court, Case No. BS172606)

SBN FCCG LLC ("SBN") filed a complaint against Fog Cutter Capital Group, Inc. ("FCCG") in New York state court for an indemnification claim (the "NY case") stemming from an earlier lawsuit in Georgia regarding a certain lease portfolio formerly managed by a former FCCG subsidiary. In February 2018, SBN obtained a final judgment in the NY case for a total of \$651,290, which included \$225,030 in interest dating back to March 2012. SBN then obtained a sister state judgment in Los Angeles Superior Court, Case No. BS172606 (the "California case"), which included the \$651,290 judgment from the NY case, plus additional statutory interest and fees, for a total judgment of \$656,543. In May 2018, SBN filed a cost memo, requesting an additional \$12,411 in interest to be added to the judgment in the California case, for a total of \$668,954. In May 2019, the parties agreed to settle the matter for \$580,000, which required the immediate payment of \$100,000, and the balance to be paid in August 2019. FCCG wired \$100,000 to SBN in May 2019, but has not yet paid the remaining balance of \$480,000. The parties have not entered into a formal settlement agreement, and they have not yet discussed the terms for the payment of the remaining balance.

The Company is involved in other claims and legal proceedings from time-to-time that arise in the ordinary course of business, including those involving the Company's franchisees. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on its business, financial condition, results of operations, liquidity or capital resources. As of December 27, 2020, the Company had accrued an aggregate of \$5.68 million for the specific matters mentioned above and claims and legal proceedings involving franchisees as of that date.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock, par value \$0.0001 per share (the "Common Stock"), is traded on the NASDAQ Capital Market under the ticker symbol "FAT".

As of March 13, 2021, there were 49 shareholders of record for our Common Stock. The number of record holders does not include persons who held shares of our Common Stock in nominee or "street name" accounts through brokers.

Dividends

In connection with the acquisition of FCCG by the Company, in December 2020 we declared a special stock dividend (the "Special Dividend") payable only to holders of our Common Stock, other than FCCG, on the record date, consisting of 0.2319998077 shares of our 8.25% Series B Cumulative Preferred Stock (liquidation preference \$25.00 per share) (the "Series B Preferred Stock") for each outstanding share of Common Stock held by such stockholders. The value of any fractional shares of Series B Preferred Stock was paid in cash and amounted to approximately \$29,000. The Special Dividend was paid on December 23, 2020 and resulted in the issuance of 520,145 additional shares of Series B Preferred Stock with a market value on the payment date of approximately \$8,885,000.

On February 7, 2019, we declared a stock dividend equal to 2.13% on our common stock, representing the number of shares equal to \$0.12 per share of common stock based on the closing price as of February 6, 2019. The stock dividend was paid on February 28, 2019 to stockholders of record as of the close of business on February 19, 2019. We issued 245,376 shares of common stock at a per share price of \$5.64 in satisfaction of the stock dividend. No fractional shares were issued, instead we paid stockholders cash-in-lieu of shares. (See Note 17 in the accompanying audited consolidated financial statements). Unless otherwise noted, the common stock share and share price information presented in this Form 10-K for periods prior to February 28, 2019 have been adjusted retrospectively to reflect the impact of the stock dividend.

The declaration and payment of future dividends will be at the sole discretion of the board of directors. In determining the amount of any future dividends, the board of directors will take into account: (i) our consolidated financial results, available cash, future cash requirements and capital requirements, (ii) any contractual, legal, tax or regulatory restrictions on the payment of dividends to stockholders, (iii) general economic and business conditions, and (iv) any other factors that the board of directors may deem relevant. The ability to pay dividends may also be restricted by the terms of our credit agreements and indentures, and any future debt or preferred equity securities of the Company or its subsidiaries.

Equity Compensation Plan Information

The Company's 2017 Omnibus Equity Incentive Plan (the "Plan") is a comprehensive incentive compensation plan under which the Company can grant equity-based and other incentive awards to officers, employees and directors of, and consultants and advisers to, FAT Brands Inc. and its subsidiaries. The purpose of the Plan is to help attract, motivate and retain qualified personnel and thereby enhance stockholder value. The Plan provides a maximum of 1,021,250 shares available for grant. Unexercised options which lapse or are forfeited become available again for grant.

As of December 27, 2020, under the Plan, we have granted options to purchase 502,922 shares of common stock to employees, 367,632 shares of common stock to non-employee directors, and 45,954 shares of common stock to non-employee consultants. As of December 27, 2020, options granted to employees to purchase 122,541 shares of common stock and options granted to non-employee directors to purchase 137,862 shares of common had been cancelled. Each grant is subject to a three-year vesting requirement, with one-third of the options vesting each year.

The information presented in the table below is as of December 27, 2020:

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	656,105	\$ 8.21	365,145
Equity compensation plans not approved by security holders	-	-	-
Total	656,105	\$ 8.21	365,145

Issuer Purchases of Equity Securities

We do not have a program in place to repurchase our own Common Stock or preferred stock and as of December 27, 2020, we have not repurchased any of these securities.

On July 30, 2020, we entered into an agreement (the "Lender Warrant Purchase Agreement") to reacquire for \$249,500, warrants that had been issued on July 3, 2018 and which granted the right to purchase 509,604 shares of our common stock at an exercise price of \$7.20 per share (the "Lender Warrant"). The Lender Warrant was issued as part of the former \$16 million credit facility with FB Lending, LLC, which was repaid on January 29, 2019. The Lender Warrant was valued at \$592,000 at the date of grant and may have been exercised at any time beginning on the issue date and ending on July 3, 2023.

On August 11, 2020, we purchased a portion of the outstanding Placement Agent Warrants for \$12,626. The reacquired Placement Agent Warrants were issued on July 3, 2018 and granted the right to purchase 25,787 shares of our common stock at an exercise price of \$7.20 per share. As of September 27, 2020, there were remaining outstanding Placement Agent Warrants granting rights to purchase 40,904 shares of our common stock at an exercise price of \$7.20 per share.

Between August 19, 2020 and December 7, 2020, we engaged in several open market purchases of the 2020 Series B Offering Warrants. For payment of total consideration of \$488,027, we acquired warrants which had been issued on July 16, 2020 and which granted the right to purchase a total of 284,290 shares of our common stock at an exercise price of \$5.00 per share. As a result of these transactions, the remaining outstanding 2020 Series B Offering Warrants grant rights to purchase 1,899,910 shares of our common stock, beginning on the earlier of one year from the date of issuance or the consummation of a consolidation, merger or other similar business combination transaction involving the Company and FCCG.

Recent Sales of Unregistered Securities

Other than sales of unregistered securities that were disclosed on reports that we filed with the SEC, we have not issued any additional securities in transactions that were not registered under the Securities Act during the year ended December 27, 2020.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

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

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States and other countries. As a result, Company franchisees have temporarily closed some retail locations, reduced or modified store operating hours, adopted a "to-go" only operating model, or a combination these actions. These actions have reduced consumer traffic, all resulting in a negative impact to Company revenues. While the disruption to our business from the COVID-19 pandemic is currently expected to be temporary, there is a great deal of uncertainty around the severity and duration of the disruption, and also the longer-term effects on our business and economic growth and consumer demand in the U.S. and worldwide. The effects of COVID-19 may materially adversely affect our business, results of operations, liquidity and ability to service our existing debt, particularly if these effects continue in place for a significant amount of time. As additional information becomes available regarding the potential impact and the duration of the negative financial effects of the current pandemic, the Company may determine that additional impairment adjustment to the recorded value of trademarks, goodwill and other intangible assets may be necessary.

Executive Overview

Business overview

FAT Brands Inc. is a leading multi-brand restaurant franchising company that develops, markets, and acquires primarily quick-service, fast casual and casual dining concepts restaurant concepts around the world. Organized in March 2017 as a wholly owned subsidiary of Fog Cutter Capital Group, Inc. ("FCCG"), we completed our initial public offering on October 20, 2017 and issued additional shares of common stock representing 20 percent of our ownership upon completion of the offering. During the fourth quarter of 2020, we completed a transaction in which FCCG merged into a wholly owned subsidiary of ours, and we became the parent company of FCCG.

As a franchisor, we generally do not own or operate restaurant locations, but rather generate revenue by charging franchisees an initial franchise fee as well as ongoing royalties. This asset light franchisor model provides the opportunity for strong profit margins and an attractive free cash flow profile while minimizing restaurant operating company risk, such as long-term real estate commitments or capital investments. Our scalable management platform enables us to add new stores and restaurant concepts to our portfolio with minimal incremental corporate overhead cost, while taking advantage of significant corporate overhead synergies. The acquisition of additional brands and restaurant concepts as well as expansion of our existing brands are key elements of our growth strategy.

As of December 27, 2020, the Company owns nine restaurant brands: Fatburger, Johnny Rockets, Buffalo's Cafe, Buffalo's Express, Hurricane Grill & Wings, Ponderosa and Bonanza Steakhouses, Elevation Burger and Yalla Mediterranean, that have over 700 locations, including units under construction.

Operating segments

With minor exceptions, our operations are comprised exclusively of franchising a growing portfolio of restaurant brands. Our growth strategy is centered on expanding the footprint of existing brands and acquiring new brands through a centralized management organization which provides substantially all executive leadership, marketing, training and accounting services. While each of our brands could be considered an individual business segment, the nature of our business is consistent across our portfolio. Consequently, while our management assesses the progress of our operations by brand, these operations may be aggregated into one reportable segment in the Company's financial statements.

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our CODM reviews financial performance and allocates resources at an overall level on a recurring basis. Therefore, management has determined that the Company has one reportable segment.

Results of Operations

We operate on a 52-week or 53-week fiscal year ending on the last Sunday of the calendar year. In a 52-week fiscal year, each quarter contains 13 weeks of operations. In a 53-week fiscal year, each of the first, second and third quarters includes 13 weeks of operations and the fourth quarter includes 14 weeks of operations, which may cause our revenue, expenses and other results of operations to be higher due to an additional week of operations. The 2020 and 2019 fiscal years were each 52-week years.

Results of Operations of FAT Brands Inc.

The following table summarize key components of our consolidated results of operations for the fiscal years ended December 27, 2020 and December 29, 2019. Certain account balances from the prior period have been reclassified to conform to current period presentation.

	(In thousands)	
	For the Fiscal Years Ended	
	December 27, 2020	December 29, 2019
Consolidated statement of operations data:		
Revenues		
Royalties	\$ 13,420	\$ 14,895
Franchise fees	1,130	3,433
Advertising fees	3,527	4,111
Other income	41	66
Total revenues	<u>18,118</u>	<u>22,505</u>
Costs and expenses		
General and administrative expenses	14,876	12,257
Impairment of goodwill and other intangible assets	9,295	-
Advertising expenses	5,218	4,111
Refranchising loss	3,827	219
Total costs and expenses	<u>33,216</u>	<u>16,587</u>
(Loss) income from operations	(15,098)	5,918
Other expense, net	<u>(3,451)</u>	<u>(6,426)</u>
Loss before income tax expense (benefit)	(18,549)	(508)
Income tax expense (benefit)	<u>(3,689)</u>	<u>510</u>
Net loss	<u>\$ (14,860)</u>	<u>\$ (1,018)</u>

Net Loss - Net loss for the fiscal year ended December 27, 2020 totaled \$14,860,000 consisting of revenues of \$18,118,000 less costs and expenses of \$33,216,000 and other expense of \$3,451,000, plus income tax benefit of \$3,689,000. Net loss for the fiscal year ended December 29, 2019 totaled \$1,018,000 consisting of revenues of \$22,505,000 less costs and expenses of \$16,587,000, other expense of \$6,426,000 and provision for income tax of \$510,000.

Revenues - Revenues consist of royalties, franchise fees, advertising fees and other income. We earned revenues of \$18,118,000 for the fiscal year ended December 27, 2020 compared to \$22,505,000 for the fiscal year ended December 29, 2019. The decrease of \$4,387,000 (19%) was primarily the result of the negative effects of the COVID-19 pandemic on royalties and advertising fees from reduced restaurant sales.

Costs and Expenses - Costs and expenses consist primarily of general and administrative costs, impairment of goodwill and other intangible assets, advertising expense and refranchising losses. Our costs and expenses increased from \$16,587,000 in the 2019 fiscal year to \$33,216,000 in the comparable period of 2020.

For the fiscal year ended December 27, 2020, our general and administrative expenses increased \$2,619,000 over the previous year. The increase was primarily the result of an increase in COVID driven bad debt expense of \$904,000; increased occupancy costs of \$337,000 relating to new office space; an increase in legal fees of \$738,000 relating primarily to various litigation matters; an increase in amortization of intangible assets of \$385,000 arising from a full year of amortization for Elevation Burger and the addition of Johnny Rockets in 2020; and an increase in public company expenses of \$494,000 relating to various capital transactions in 2020.

Our refranchising efforts were significantly negatively impacted by the COVID pandemic. During the fiscal year ended December 27, 2020, our refranchising efforts resulted in a net loss of \$3,827,000. The refranchising loss consisted of losses on the sale or closure of certain restaurant locations in the amount of \$1,463,000, plus restaurant operating expenses, net of food sales, of \$2,364,000. During the fiscal year ended December 29, 2019, our refranchising efforts resulted in a net loss of \$219,000. The refranchising loss consisted of gains on the sale of six restaurant locations to new franchisees in the amount of \$1,795,000, less restaurant operating expenses, net of food sales, of \$2,014,000.

We review our goodwill and other intangible assets regularly throughout the year. In large part as a result of impacts from COVID-19, this analysis resulted in recognition of impairment charges of these assets in the amount of \$9,295,000 for the year ended December 27, 2020. There were no impairment charges during the 2019 fiscal year.

Advertising expenses totaled \$5,218,000 during the fiscal year ended December 27, 2020, compared with \$4,111,000 during the prior year period, representing an increase of \$1,107,000 (27%). These expenses generally vary in relation to the advertising revenue recognized. However, the increase in 2020 is largely the result of expensing advertising expenditures in excess of the advertising fees collected from franchisees.

Other Expense, net – Other expense for the fiscal year ended December 27, 2020 totaled \$3,451,000 and consisted primarily of net interest expense of \$4,919,000 and costs associated with the acquisition and analysis of additional franchise brands. These costs were partially offset by gains relating to a derivative liability in the amount of \$887,000 and a gain on the revaluation of the contingent portion of consideration for a previous acquisition. Other expense for the fiscal year ended December 29, 2019 totaled \$6,426,000 and consisted primarily of net interest expense of \$6,530,000.

Provision for income taxes – We recorded an income tax benefit of \$3,689,000 for the year ended December 27, 2020, compared to a provision for income taxes of \$510,000 for the fiscal year ended December 29, 2019. These tax results were based on a net losses before taxes of \$18,549,000 for 2020 and \$508,000 for 2019.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund business operations, acquisitions, and expansion of franchised restaurant locations and for other general business purposes. Our primary sources of funds for liquidity during the fiscal year ended December 27, 2020 consisted of cash provided by borrowings and the issuance of preferred stock.

We are involved in a world-wide expansion of franchise locations, which will require significant liquidity, primarily from our franchisees. If real estate locations of sufficient quality cannot be located and either leased or purchased, the timing of restaurant openings may be delayed. Additionally, if we or our franchisees cannot obtain capital sufficient to fund this expansion, the extent of or timing of restaurant openings may be reduced or delayed.

We also plan to acquire additional restaurant concepts. These acquisitions typically require capital investments in excess of our normal cash on hand. We would expect that future acquisitions will necessitate financing with additional debt or equity transactions. If we are unable to obtain acceptable financing, our ability to acquire additional restaurant concepts likely would be negatively impacted.

As of December 27, 2020, we had cash and restricted cash totaling \$7,211,000.

On March 6, 2020, we completed a whole-business securitization (the “Securitization”) through the creation of a bankruptcy-remote issuing entity, FAT Brands Royalty I, LLC (“FAT Royalty”) in which FAT Royalty issued new notes (the “Securitization Notes”) pursuant to an indenture and the supplement thereto (collectively, the “Indenture”). Net proceeds from the issuance of the Securitization Notes were \$37,389,000, which consisted of the combined face amount of \$40,000,000, net of discounts and debt offering costs. A portion of the proceeds from the Securitization was used to repay the remaining \$26,771,000 in outstanding balance under the Lion Loan and Security Agreement and to pay the Securitization debt offering costs.

On September 21, 2020, the FAT Royalty completed the sale of an additional \$40 million of Series 2020-2 Fixed Rate Asset-Backed Notes (the “Series M-2 Notes”), increasing FAT Royalty’s Securitization Notes to \$80 million. Net proceeds from the issuance of the Series M-2 Notes were \$35,371,000, which consist of the face amount of \$40,000,000, net of discounts of \$3,200,000 and debt offering costs of \$1,429,000. Approximately \$24,730,000 of the proceeds from the Series M-2 Notes were used to acquire Johnny Rockets. The remaining proceeds from the Securitizations are being used for working capital.

During the second quarter of 2020, the Company received loan proceeds in the amount of \$1,532,000 from the Paycheck Protection Program administered by the Small Business Administration (“PPP”) in response to economic difficulties resulting from the outbreak of COVID-19. These loan proceeds relate to FAT Brands Inc. as well as five restaurant locations that were part of the Company’s refranchising program.

On July 13, 2020, the Company entered into an underwriting agreement (the “Underwriting Agreement”) to issue and sell in a public offering (the “Offering”) 360,000 shares of 8.25% Series B Cumulative Preferred Stock (“Series B Preferred Stock”) and 1,800,000 warrants (the “2020 Series B Warrants”) to purchase common stock at \$5.00 per share. The Offering closed on July 16, 2020 with net proceeds to the Company of \$8,122,000, which was net of \$878,000 in underwriting and offering costs.

Comparison of Cash Flows

Our cash and restricted cash balance was \$7,211,000 as of December 27, 2020, compared to \$25,000 as of December 29, 2019.

The following table summarize key components of our audited consolidated cash flows for the fiscal years ended December 27, 2020 and December 29, 2019:

	(In thousands)	
	For the Fiscal Years Ended	
	December 27, 2020	December 29, 2019
Net cash (used in) provided by operating activities	\$ (11,484)	\$ 1,594
Net cash used in investing activities	(36,575)	(9,013)
Net cash provided by financing activities	55,245	6,791
Increase (decrease) in cash flows	<u>\$ 7,186</u>	<u>\$ (628)</u>

Operating Activities

Net cash from operating activities decreased \$13,078,000 in 2020 compared to 2019. There were variations in the components of the cash from operations between the two periods. Our net loss in 2020 was \$14,860,000, compared to a net loss in 2019 of \$1,018,000. The net positive adjustments to reconcile these net losses to net cash provided by (or used in) operations were \$3,376,000 in 2020 compared to \$2,612,000 in 2019. The primary components of the adjustments to reconcile the net loss to net cash from operations for each year were as follows:

For the fiscal year ended December 27, 2020:

- A positive adjustment to reconcile cash due to an increase in impairment expenses of \$9,295,000
- A positive adjustment to reconcile cash due to accretion expense related to each of the following: (i) the term loan, (ii) the preferred shares, and (iii) the acquisition purchase price payables totaling \$1,516,000
- A positive adjustment to due to an increase in accrued advertising of \$1,398,000
- A negative adjustment to reconcile cash due to an increase in accrued interest receivable from an affiliate of \$3,631,000
- A negative adjustment to reconcile cash due to a decrease in accounts payable and accrued expenses of \$1,687,000
- A negative adjustment to reconcile cash due to an increase in deferred income tax assets of \$4,077,000

For the fiscal year ended December 29, 2019:

- A positive adjustment to reconcile cash due to an increase in accounts payable and accrued expenses of \$3,771,000
- A positive adjustment to reconcile cash due to accretion expense related to each of the following: (i) the term loan, (ii) the preferred shares, and (iii) the acquisition purchase price payables totaling \$2,505,000
- A positive adjustment to reconcile cash due to an increase in dividends payable on preferred stock of \$1,431,000
- A negative adjustment to reconcile cash due to a decrease in deferred income of \$2,364,000
- A negative adjustment to reconcile cash due to the recorded gain on sale of refranchised restaurants in 2019 in the amount of \$1,795,000
- A negative adjustment to reconcile cash due to a decrease in accrued interest payable of \$982,000

Investing Activities

Net cash used in investing activities increased by \$27,562,000 in 2020 compared to 2019 primarily due to the acquisition of Johnny Rockets in 2020 for \$23,918,000 (net of cash acquired) and by an increase in advances to affiliates of \$4,383,000 over the 2019 levels.

Financing Activities

Net cash from financing activities increased by \$48,454,000 in 2020 compared to 2019. Proceeds from borrowings were \$51,272,000 higher in 2020 than in 2019 due to our \$80,000,000 whole business securitization. We also issued preferred stock in 2020, resulting in net cash proceeds of \$8,122,000. Our repayments of borrowings were \$7,569,000 higher in 2020 than in 2019.

Dividends

In connection with the acquisition of FCCG by the Company, in December 2020, we declared a special stock dividend (the "Special Dividend") payable only to holders of our Common Stock, other than FCCG, on the record date, consisting of 0.2319998077 shares of our 8.25% Series B Cumulative Preferred Stock (the "Series B Preferred Stock") for each outstanding share of Common Stock held by such stockholders. The value of fractional shares of Series B Preferred Stock was paid in cash and amounted to approximately \$29,000. The Special Dividend was paid on December 23, 2020 and resulted in the issuance of 520,145 additional shares of Series B Preferred Stock with a market value on the payment date of approximately \$8,885,000.

On February 7, 2019, our Board of Directors declared a stock dividend equal to 2.13% on its common stock, representing the number of shares equal to \$0.12 per share of common stock based on the closing price as of February 6, 2019. The stock dividend was paid on February 28, 2019 to stockholders of record as of the close of business on February 19, 2019. The Company issued 245,376 shares of common stock at a per share price of \$5.64 in satisfaction of the stock dividend. No fractional shares were issued, instead the Company paid stockholders cash totaling \$1,670 for fractional interests based on the market value of the common stock on the record date.

The declaration and payment of future dividends, as well as the amount thereof, are subject to the discretion of our Board of Directors. The amount and size of any future dividends will depend upon our future results of operations, financial condition, capital levels, cash requirements and other factors. There can be no assurance that we will declare and pay dividends in future periods.

Securitization

On March 6, 2020, we completed a whole-business securitization (the "Securitization") through the creation of a bankruptcy-remote issuing entity, FAT Brands Royalty I, LLC ("FAT Royalty") in which FAT Royalty issued notes (the "Securitization Notes") pursuant to an indenture and the supplement thereto (collectively, the "Indenture").

The Securitization Notes issued in March 2020 consist of the following (the "Series A and B Notes"):

<u>Note</u>	<u>Public Rating</u>	<u>Seniority</u>	<u>Issue Amount</u>	<u>Coupon</u>	<u>First Call Date</u>	<u>Final Legal Maturity Date</u>
A-2	BB	Senior	\$ 20,000,000	6.50%	4/27/2021	4/27/2026
B-2	B	Senior Subordinated	\$ 20,000,000	9.00%	4/27/2021	4/27/2026

Net proceeds from the issuance of the Series A and B Notes were \$37,389,000, which consists of the combined face amount of \$40,000,000, net of discounts of \$246,000 and debt offering costs of \$2,365,000. The discount and offering costs will be accreted as additional interest expense over the expected term of the Series A and B Notes.

A portion of the proceeds from the Series A and B Notes were used to repay the remaining \$26,771,000 in outstanding balance under the Loan and Security Agreement (the “Loan and Security Agreement”) with The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, “Lion”) and to pay Securitization debt offering costs. The remaining proceeds from the Securitization were available for working capital.

On September 21, 2020, FAT Royalty completed the sale of an additional \$40 million of Series 2020-2 Fixed Rate Asset-Backed Notes (the “Series M-2 Notes”), increasing our Securitization Notes to \$80 million.

The Series M-2 Notes consist of the following:

Note	Seniority	Issue Amount	Coupon	First Call Date	Final Legal Maturity Date
M-2	Subordinated	\$ 40,000,000	9.75%	4/27/2021	4/27/2026

Net proceeds from the issuance of the Series M-2 Notes were \$35,371,000, which consists of the face amount of \$40,000,000, net of discounts of \$3,200,000 and debt offering costs of \$1,429,000. The discount and offering costs will be accreted as additional interest expense over the expected term of the Series A and B Notes. We used approximately \$24,730,000 to acquire Johnny Rockets and the balance of the proceeds were available as working capital.

The Series M-2 Notes are subordinate to the Series A-2 Notes and Series B-2 Notes. All Securitization Notes issued under the Base Indenture are secured by an interest in substantially all of the assets of FAT Royalty, including the Johnny Rockets companies, contributed to FAT Royalty and are obligations only of FAT Royalty under the Base Indenture and not obligations of the Company.

While the Securitization Notes are outstanding, scheduled payments of principal and interest are required to be made on a quarterly basis, with the scheduled principal payments of \$1,000,000 per quarter on each of the Series A-2 and Series B-2 Notes and \$200,000 per quarter on the Series M-2 Notes beginning the second quarter of 2021. It is expected that the Securitization Notes will be repaid prior to the Final Legal Maturity Date, with the anticipated repayment date occurring in January 2023 for the A-2 Notes, October 2023 for the B-2 Notes and April 2026 for the Series M-2 Notes (the “Anticipated Repayment Dates”). If FAT Royalty has not repaid or refinanced the Securitization Notes prior to the applicable Anticipated Repayment Date, additional interest expense will begin to accrue and all additional proceeds will be utilized for additional amortization, as defined in the Indenture.

In connection with the Securitization, FAT Royalty and each of the Franchise Entities (as defined in the Indenture) entered into a Management Agreement with the Company, dated as of the Closing Date (the “Management Agreement”), pursuant to which we agreed to act as manager of FAT Royalty and each of the Franchise Entities. The Management Agreement provides for a management fee payable monthly by FAT Royalty to the Company in the amount of \$200,000, subject to three percent (3%) annual increases (the “Management Fee”). The primary responsibilities of the manager are to perform certain franchising, distribution, intellectual property and operational functions on behalf of the Franchise Entities pursuant to the Management Agreement.

The Securitization Notes are secured by substantially all of the assets of FAT Royalty, including the equity interests in the Franchise Entities. The restrictions placed on the FAT Royalty subsidiaries require that the Securitization principal and interest obligations have first priority, after the payment of the Management Fee and certain other FAT Royalty expenses (as defined in the Indenture), and amounts are segregated monthly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of monthly cash flow that exceeds the required monthly debt service is generally remitted to the Company. Once the required obligations are satisfied, there are no further restrictions, including payment of dividends, on the cash flows of the subsidiaries.

The Securitization Notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction.

The Securitization Notes are subject to certain financial and non-financial covenants, including a debt service coverage ratio calculation, as defined in the Indenture. In the event that certain covenants are not met, the Notes may become partially or fully due and payable on an accelerated schedule. In addition, FAT Royalty may voluntarily prepay, in part or in full, the Notes in accordance with the provisions in the Indenture. As of December 27, 2020, FAT Royalty was in compliance with these covenants.

During the twelve months following the date of the issuance of this Annual Report on Form 10-K, the Company anticipates that it may refinance the Securitization Notes and Series M-2 Notes at an amount greater than the outstanding principal indebtedness and borrowing rates that are lower than its existing rates, which could provide additional liquidity to the Company. In addition, the Company has seen significant improvement in its operating performance subsequent to December 27, 2020, as COVID-19 vaccinations have become more prevalent in the United States and federal, state and local restrictions have eased in many of the markets where our franchisees operate. Lastly, the Company may negotiate extended payment terms of certain short-term liabilities. Despite the Company's belief that it may (i) have the ability to refinance its Securitization Notes and Series M-2 Notes, (ii) continue to see operating performance improvements, and (iii) have the ability to negotiate extended payment terms of short-term liabilities, the Company cannot make any reasonable assurances about its ability to refinance or renegotiate its obligations nor can it estimate any future effects of the COVID-19 pandemic on its business, results of operations, and financial position. The accompanying financial statements do not include the effects of these uncertainties.

Capital Expenditures

As of December 27, 2020, we do not have any material commitments for capital expenditures.

Critical Accounting Policies and Estimates

Franchise Fees: The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires us to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which includes the transfer of the franchise license. The services provided by us are highly interrelated with the franchise license and are considered a single performance obligation. Franchise fee revenue from the sale of individual franchises is recognized over the term of the individual franchise agreement on a straight-line basis. Unamortized non-refundable deposits collected in relation to the sale of franchises are recorded as deferred franchise fees.

The franchise fee may be adjusted at management's discretion or in a situation involving store transfers between franchisees. Deposits are non-refundable upon acceptance of the franchise application. In the event a franchisee does not comply with their development timeline for opening franchise stores, the franchise rights may be terminated, at which point the franchise fee revenue is recognized in the amount of the non-refundable deposits.

Royalties: In addition to franchise fee revenue, we collect a royalty calculated as a percentage of net sales from our franchisees. Royalties range from 0.75% to 6% and are recognized as revenue when the related sales are made by the franchisees. Royalties collected in advance of sales are classified as deferred income until earned.

Advertising: We require advertising payments based on a percent of net sales from franchisees. We also receive, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising revenue and associated expense is recorded on the consolidated statement of operations. Assets and liabilities associated with the related advertising fees are reflected in the Company's consolidated balance sheets.

Goodwill and other intangible assets: Goodwill and other intangible assets with indefinite lives, such as trademarks, are not amortized but are reviewed for impairment annually, or more frequently if indicators arise, as was done in 2020. The Company recorded impairment charges in the amount of \$9,295,000 relating to goodwill and other intangible assets during the year ended December 27, 2020.

Assets classified as held for sale – Assets are classified as held for sale when we commit to a plan to sell the asset, the asset is available for immediate sale in its present condition and an active program to locate a buyer at a reasonable price has been initiated. The sale of these assets is generally expected to be completed within one year. The combined assets are valued at the lower of their carrying amount or fair value, net of costs to sell and included as current assets on the Company's consolidated balance sheet. Assets classified as held for sale are not depreciated. However, interest attributable to the liabilities associated with assets classified as held for sale and other expenses continue to be recorded as expenses in the Company's consolidated statement of operations.

Income taxes: We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon the ultimate settlement.

Share-based compensation: We have a stock option plan which provides for options to purchase shares of our common stock. For grants to employees and directors, we recognize an expense for the value of options granted at their fair value at the date of grant over the vesting period in which the options are earned. Cancellations or forfeitures are accounted for as they occur. Fair values are estimated using the Black-Scholes option-pricing model. For grants to non-employees for services, we revalue the options each reporting period while the services are being performed. The adjusted value of the options is recognized as an expense over the service period. See Note 15 in our consolidated financial statements for more details on our share-based compensation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU adds, modifies and removes several disclosure requirements relative to the three levels of inputs used to measure fair value in accordance with Topic 820, "Fair Value Measurement." The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

The FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40).* The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

The FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*: This standard removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. It also adds guidance in certain areas, including the recognition of franchise taxes, recognition of deferred taxes for tax goodwill, allocation of taxes to members of a consolidated group, computation of annual effective tax rates related to enacted changes in tax laws, and minor improvements related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

As of December 27, 2020, we did not have any off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15 of Part IV of this Annual Report on Form 10-K.

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

There has been no change of accountants or any disagreements with accountants on any matter of accounting principles or practices, or financial statement disclosure required to be reported under this item.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting also includes those policies and procedures that:

- (a) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

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

Under the supervision of the Audit Committee of the Board of Directors and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 27, 2020 and have identified the following material weaknesses in the Company’s internal control over financial reporting:

Segregation of duties: We are classified as a smaller reporting company and an emerging growth company. As such, we have a small accounting staff that reviews and processes all transactions within our accounting systems. Each member of the staff has access rights to the accounting system that extend beyond his / her specific job function. Accordingly, we are not able to segregate duties to the extent we could if we had more people to establish a preventative control. While we have taken steps to mitigate this risk through detective controls, these steps have not been adequately documented to deem the material weakness to be fully remediated.

Financial Close Process: As outlined above, we are a smaller reporting company and emerging growth company that has experienced rapid growth over the past two years. Combined with a small accounting staff, we have not effectively implemented or documented our financial close process in order to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements without error. While management regularly reviews the many accounting transaction cycles on an aggregated basis to ensure reasonableness, detailed review controls have not been adequately implemented and documented to establish an effective detective control to deem the material weakness to be fully remediated.

Recognizing our deficiencies and our lack of adequate documentation regarding the effectiveness around our mitigating controls, we will continue to review our compensating controls and implement additional procedures in our efforts to remediate the above-mentioned weaknesses. In addition, we intend to promptly hire and retain additional financial accounting staff and third party consultants to help remedy the weaknesses outlined above.

Because we are an Emerging Growth Company, we are not required to include an attestation report by our independent registered public accounting firm regarding the effectiveness of our internal control over financial reporting in this annual report as of December 27, 2020.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 27, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 29, 2021, the Board of Directors approved an amendment and restatement of the Company's Bylaws to remove an incorrect reference in Section 2.03(A)(1) of the Bylaws and make other conforming changes. The Amended and Restated Bylaws are filed herewith as Exhibit 3.2.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

Below is a list of the names and ages, as of February 28, 2021, of our directors and executive officers, and a description of the business experience of each of them.

Name	Age	Position
Edward H. Rensi	76	Chairman of the Board of Directors
Squire Junger	70	Director
James Neuhauser	62	Director
Andrew A. Wiederhorn	55	President and Chief Executive Officer, Director
Rebecca D. Hershinger	47	Chief Financial Officer
Thayer D. Wiederhorn	32	Chief Marketing Officer
Taylor A. Wiederhorn	32	Chief Development Officer
Gregg Nettleton	65	President and Chief Operating Officer, Casual Dining Division
Jake Berchtold	39	Chief Operating Officer, Fast Casual Division
Allen Z. Sussman	56	Executive Vice President and General Counsel
Donald J. Berchtold	75	Executive Vice President and Chief Concept Officer
Ron Roe	43	Senior Vice President of Finance

Edward H. Rensi has served on the board of directors of FAT Brands Inc. since its formation and became Chairman of the Board on October 20, 2017. Mr. Rensi is the retired president and chief executive officer of McDonald's USA. Prior to his retirement in 1997, Mr. Rensi devoted his entire professional career to McDonald's, joining the company in 1966 as a "grill man" and part-time manager trainee in Columbus, Ohio. He was promoted to restaurant manager within a year, and went on to hold nearly every position in the restaurant and field offices, including franchise service positions in Columbus, Ohio and Washington, D.C. In 1972, he was named Philadelphia district manager, and later became regional manager and regional vice president. In 1978, he transferred from the field to the company's home office in Oak Brook, Illinois, as vice president of Operations and Training, where he was responsible for personnel and product development. In 1980, he became executive vice president and chief operations officer, and was appointed senior executive vice president in 1982. Mr. Rensi was promoted to president and chief operating officer of McDonald's USA in 1984. In 1991, he was named chief executive officer. As president and chief executive officer, his responsibilities included overseeing all domestic company-owned and franchisee operations, in addition to providing direction relative to sales, profits, operations and service standards, customer satisfaction, product development, personnel, and training. Mr. Rensi was directly responsible for management of McDonald's USA, which consisted of eight geographic zones and 40 regional offices. During his 13-year term as president, McDonald's experienced phenomenal growth. U.S. sales doubled to more than \$16 billion, the number of the U.S. restaurants grew from nearly 6,600 to more than 12,000, and the number of U.S. franchisees grew from 1,600 to more than 2,700. Since his retirement, Mr. Rensi has held consulting positions. From January 2014 to July 2015, Mr. Rensi served as director and interim CEO of Famous Dave's of America, Inc. Mr. Rensi received his B.S. in Business Education from Ohio State University in Columbus, Ohio. Mr. Rensi was selected to our Board of Directors because of his long career in hospitality and restaurant franchising, and because he possesses particular knowledge and experience in strategic planning and leadership of complex organizations and hospitality businesses.

Squire Junger became a member of the board of directors of FAT Brands Inc. on October 20, 2017. Mr. Junger is a co-founder and a managing member of Insight Consulting LLC, a management consulting firm based in the Los Angeles area, providing advice in mergers and acquisitions, corporate divestitures, business integration diagnostics, real estate investment, acquisition, development and construction and litigation support services. Prior to co-founding Insight in 2003 he was a partner at Arthur Andersen LLP, which he joined in 1972. Mr. Junger co-developed and managed the west coast Transaction Advisory Services practice at Andersen, providing comprehensive merger and acquisition consulting services to both financial and strategic buyers and sellers. Mr. Junger is a certified public accountant in California and received Bachelor of Science and M.B.A. degrees from Cornell University. Mr. Junger was selected to our Board of Directors because he brings substantial expertise in financial and strategic planning, mergers and acquisitions, and leadership of complex organizations.

James Neuhauser has served on the board of directors of FAT Brands Inc. since its formation. Mr. Neuhauser is a Senior Managing Director in the Private Capital Markets Group of Stifel Nicolas & Company. Mr. Neuhauser is also the Managing Member of Turtlerock Capital, LLC, a company that finances and invests in real estate development projects. He previously worked for FBR & Co. for more than 24 years, including positions as Chief Investment Officer, Head of Investment Banking and Head of the Real Estate and Financial Services groups in Investment Banking through October 2016. He also served as Head of FBR's Commitment Committee and was a member of the firm's Executive Committee. Prior to joining FBR, Mr. Neuhauser was a Senior Vice President of Trident Financial Corporation for seven years, where he specialized in managing stock offerings for mutual to stock conversions of thrift institutions. Before joining Trident, he worked in commercial banking with the Bank of New England. Mr. Neuhauser is a CFA charter holder and a member of the Society of Financial Analysts. He received a Bachelor of Arts from Brown University and an M.B.A. from the University of Michigan. Mr. Neuhauser was selected to our Board of Directors because he brings substantial expertise in financial and strategic planning, investment banking complex financial transactions, mergers and acquisitions, and leadership of complex organizations.

Andrew A. Wiederhorn has served as a director and President and Chief Executive Officer of FAT Brands Inc. since its formation. Mr. Wiederhorn has served as the Chairman of the Board of Directors and Chief Executive Officer of Fatburger North America, Inc. since 2006 and Buffalo's Franchise Concepts, Inc. since 2011. He also served as the Chairman of the Board of Directors and Chief Executive Officer of Fog Cutter Capital Group Inc. since its formation in 1997. Mr. Wiederhorn previously founded and served as the Chairman of the Board of Directors and Chief Executive Officer of Wilshire Financial Services Group Inc. and Wilshire Credit Corporation. Mr. Wiederhorn received his B.S. degree in Business Administration from the University of Southern California in 1987, with an emphasis in Finance and Entrepreneurship. He previously served on the Board of Directors of Fabricated Metals, Inc., The Boy Scouts of America Cascade Pacific Council, The Boys and Girls Aid Society of Oregon, University of Southern California Associates, Citizens Crime Commission of Oregon, and Economic Development Council for the City of Beverly Hills Chamber of Commerce. Mr. Wiederhorn was featured as the Fatburger CEO on the CBS television program

“Undercover Boss” in 2013. Mr. Wiederhorn was selected to our Board of Directors because of his role in our founding and long career in hospitality, and because he possesses particular knowledge and experience in strategic planning and leadership of complex organizations and hospitality businesses.

Rebecca D. Hershinger has served as our Chief Financial Officer and Corporate Secretary since August 16, 2018. Ms. Hershinger previously served as the Chief Financial Officer of Genius Brands International, Inc., a publicly traded global children’s media company that creates and licenses animated entertainment content, from April 2016 to April 2018. She also served as the Chief Financial Officer of Genius from October 2014 through June 2015 after consulting with the company beginning in March 2014. In 2012, she founded CFO Advisory Services Inc., an accounting and business advisory services firm, headquartered in Park City, UT. From 2008 through 2012, Ms. Hershinger was Chief Financial Officer and Vice President, Finance & Corporate Development for SpectrumDNA, Inc., a publicly traded, but currently inactive, social media marketing and application development company that had been located in Park City, UT. Ms. Hershinger was an independent financial consultant in San Francisco between 2007 and 2008. Ms. Hershinger was employed by Metro-Goldwyn-Mayer, Inc. in Los Angeles, California from 1999 to 2005, holding various positions ultimately rising to the level of Vice President, Finance & Corporate Development. Between 1995 and 1998, Ms. Hershinger worked as an analyst for JP Morgan Chase & Co. in Los Angeles and New York. Ms. Hershinger received her Bachelor of Science in Business Administration from Georgetown University, McDonough School of Business, in Washington, D.C., and a Masters in Business Administration from The Wharton School, University of Pennsylvania. She also completed studies at the International Finance & Comparative Business Policy Program at Oxford University, Oxford England.

Gregg Nettleton has served as the President and Chief Operating Officer, Casual Dining Division since October 2017. Prior to joining our company, Mr. Nettleton served as President and Chief Executive Officer of GBS Enterprises, an international management consulting firm, since 2011. From 2004 to 2006, Mr. Nettleton served as a consultant and Board member for Black Angus Steakhouses, LLC. From 2002 to 2004, he served as Chief Marketing officer of International House of Pancakes Inc. and received the award for “Turnaround Chain of the Year” in 2003, and from 2000 to 2001, he served as Interim Chief Marketing Officer of Applebee’s International, Inc. Mr. Nettleton received his B.S. in Management Science from the State University of New York at Geneseo in Geneseo, New York and his M.B.A. in Marketing and Sales from Nova University in Ft. Lauderdale, Florida.

Jacob A. Berchtold has served as Chief Operating Officer of the Fast Casual Division of FAT Brands Inc. since February 2020. Previously, he served as Director of Operations – Fast Casual Division following his relocating from Dubai, UAE in July 2019, where he held the position of Director of Operations MENA. From September 2012 through July 2019, Mr. Berchtold oversaw all aspects of international operations His scope of work included operations, training, new store development and supply chain logistics across developing markets in Europe, the Middle East, North Africa and Asia. From September 2008 through September 2012, Mr. Berchtold was Operations Manager for Vetra Investments UAE, a franchisee of Fatburger/Buffalo’s Express. Vetra Investments developed and operated multiple restaurant brands throughout the UAE, Jordan and Lebanon. From September 2006 through September 2008, Mr. Berchtold was Operations Manager for Fatburger China, overseeing company owned locations in Hong Kong and Macau as well as franchise support across China and southeast Asia. Mr. Berchtold first joined Fatburger in June 2005 as a restaurant Manager and member of the Domestic New Store Opening Team. He attended Arizona State University.

Thayer Wiederhorn has served as the of FAT Brands Inc. since March 2017 where he oversees global branding and marketing for over 700 franchise-owned restaurants. Mr. Wiederhorn served as Vice President - Marketing of Fatburger North America Inc. and Buffalo’s Franchise Concepts Inc. From June 2012 through March 2017 and as Director of Marketing of Fatburger North America Inc. from July 2011 through June 2012. Additionally, he served as Marketing Coordinator from April 2011 through June 2011 and Brand Development Agent from October 2010 through April 2011. Mr. Wiederhorn started his career working in Fatburger restaurants and food-trucks. Mr. Wiederhorn received his B.S. degree in Business Administration, with an emphasis in Finance Business Economics, from the University of Southern California.

Taylor Wiederhorn has served as the Chief Development Officer of FAT Brands Inc. since October 2017. Previously, Mr. Wiederhorn served as Vice President - Franchise Marketing and Development for Fatburger North America from September 2011 until October 2017. Mr. Wiederhorn graduated from the USC Marshall School of Business with a Bachelors’ degree in Business Administration with a concentration in corporate Finance.

Donald J. Berchtold currently serves as our Executive Vice President and Chief Concept Officer. Prior to February 20, 2018, Mr. Berchtold served as the President and Chief Operating Officer of Fatburger North America. Mr. Berchtold has also served as the President and Chief Operating Officer of FCCG since 2006 and in various other positions at FCCG prior to 2006. From 1991 to 1999, Mr. Berchtold served as Senior Vice President of Wilshire Financial Services Group Inc. and its sister company Wilshire Credit Corporation. Prior to 1990, Mr. Berchtold was the owner-operator of his own business that included a dinner house, catering company and other food service concepts, and was active in the Restaurants of Oregon Association. Mr. Berchtold holds a BSC degree in Finance and Marketing from the University of Santa Clara.

Allen Z. Sussman has agreed to serve as our General Counsel and Executive Vice President for Corporate Development, commencing March 23, 2021. Prior to such date, Mr. Sussman was a partner at the law firm of Loeb & Loeb LLP in Los Angeles, California, specializing in corporate and securities law, and served as our primary outside corporate and securities counsel. Prior to private practice, in the early 1990s Mr. Sussman served as an attorney with the Division of Enforcement of the U.S. Securities and Exchange Commission in Washington, DC. Mr. Sussman holds a B.S. degree in Industrial and Labor Relations from Cornell University and a J.D. degree from Boston University School of Law.

Ron Roe currently serves as our Senior Vice President of Finance. Prior to August 16, 2018, Mr. Roe served as our Chief Financial Officer since 2009 and served as our Vice President of Finance from 2007 to 2009. Prior to 2007, Mr. Roe was an acquisitions associate for FCCG. He began his career as an investment banking analyst with Piper Jaffray. Mr. Roe attended UC Berkeley, where he earned a Bachelor of Arts in Economics.

Family Relationships

The following family members of Andrew Wiederhorn and Donald Berchtold are employed by the Company in the capacities indicated below:

- Thayer Wiederhorn, son of Andrew Wiederhorn, serves as Chief Marketing Officer of the Company. During fiscal 2020, Thayer Wiederhorn received total cash compensation from the Company of approximately \$300,000, participated in the general welfare and benefit plans of the Company and vested in stock options to purchase 10,212 shares of the Company's common stock granted in previous years. Andrew Wiederhorn does not have a material interest in Thayer Wiederhorn's employment, nor do they share a household.
- Taylor Wiederhorn, son of Andrew Wiederhorn, serves as Chief Development Officer of the Company. During fiscal 2020, Taylor Wiederhorn received total cash compensation from the Company of approximately \$300,000, participated in the general welfare and benefit plans of the Company and vested in stock options to purchase 10,212 shares of the Company's common stock granted in previous years. Andrew Wiederhorn does not have a material interest in Taylor Wiederhorn's employment, nor do they share a household.

- Mason Wiederhorn, son of Andrew Wiederhorn, serves as Creative Director of the Company. During fiscal 2020, Mason Wiederhorn received total cash compensation from the Company of approximately \$250,000, participated in the general welfare and benefit plans of the Company and vested in stock options to purchase 10,212 shares of the Company's common stock granted in previous years. Andrew Wiederhorn does not have a material interest in Mason Wiederhorn's employment, nor do they share a household.
- Jacob Berchtold, son of Donald Berchtold, serves as COO, Fast Casual Division, of the Company. During fiscal 2020, Jacob Berchtold received total cash compensation from the Company of approximately \$250,000, participated in the general welfare and benefit plans of the Company and vested in stock options to purchase 10,212 shares of the Company's common stock granted in previous years. Donald Berchtold does not have a material interest in Jacob Berchtold's employment, nor do they share a household. Donald Berchtold is the former father-in-law of Andrew Wiederhorn.

Delinquent Section 16(a) Reports

Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to us for the year ended December 27, 2020, our directors, officers, or beneficial owners of more than 10% of our common stock timely furnished reports on all Forms 3, 4 and 5, except that (i) Squire Junger filed three late Form 4s, two with one transaction and one with two transactions; (i) Silvia Kessel filed one late Form 4s, with one transaction (iii) James Neuhauser filed three late Form 4s, two with one transaction and one with two transactions; and (iv) Andy Wiederhorn filed two late Form 4 with one with two transactions and one with four transactions.

Code of Ethics

We have adopted a written code of business ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code under the Corporate Governance section of our website at <https://ir.fatbrands.com>. In addition, we intend to post on our website all disclosures that are required by law or the NASDAQ listing standards concerning any amendments to, or waivers from, any provision of the code.

Board Committees

During 2020, our Board of Directors held four regular meetings and 32 special meetings. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings of the committees of the Board of Directors on which he serves.

The following table sets forth the three standing committees of our Board and the members of each committee as of December 27, 2020 and the number of meetings held by our Board of Directors and the committees during 2020:

Director	Board of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Edward H. Rensi	Chair	X	Chair	Chair
James Neuhauser	X	Chair	X	X
Squire Junger	X	X	X	X
Andrew A. Wiederhorn	X	-	-	-
Meetings in 2020:	36	6	1	1

To assist it in carrying out its duties, the Board of Directors has delegated certain authority to an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, the functions of which are described below.

Audit Committee

The Audit Committee is responsible for, among other matters:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing with our independent registered public accounting firm the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC;
- reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

Our Board of Directors has determined that each member of the Audit Committee meets the definition of “independent director” for purposes of serving on an audit committee under Rule 10A-3 and NASDAQ rules. In addition, our Board of Directors has determined that each of Mr. Neuhauser and Mr. Junger qualifies as an “audit committee financial expert,” as such term is defined in Item 407(d)(5) of Regulation S-K.

The Board of Directors adopted a charter for the Audit Committee on October 19, 2017. A copy of the Audit Committee charter is available in the Corporate Governance section of our website at <https://ir.fatbrands.com>. The Audit Committee reviews and reassesses the adequacy of the charter on an annual basis.

Compensation Committee

The Compensation Committee is responsible for assisting our Board of Directors in discharging its responsibilities relating to the compensation of our Chief Executive Officer, other executive officers and outside directors, as well as administering stock incentive plans. During the fiscal year ended December 27, 2020, there were no employee directors on the Compensation Committee and no Compensation Committee interlocks.

The Compensation Committee is responsible for the following, among other matters, as required from time to time:

- reviewing and recommending to our board of directors the compensation of our Chief Executive Officer and other executive officers and the outside directors;
- conducting a performance review of our Chief Executive Officer;
- administering the Company’s incentive-compensation plans and equity-based plans as in effect or as adopted from time to time by the Board of Directors;
- approving any new equity compensation plan or material change to an existing plan where stockholder approval has not been obtained;
- reviewing our compensation policies; and
- if required, preparing the report of the Compensation Committee for inclusion in our annual proxy statement.

The Board of Directors has adopted a charter for the Compensation Committee on October 19, 2017. A copy of the Compensation Committee charter is available in the Corporate Governance section of our website at <https://ir.fatbrands.com>. The Compensation Committee reviews and reassesses the adequacy of the charter on an annual basis.

The Nominating and Corporate Governance Committee is responsible for the following, among other matters, as required from time to time:

- identify qualified individuals to serve as members of the Company’s board of directors;
- review the qualifications and performance of incumbent directors;
- review and consider candidates who may be suggested by any director or executive officer or by any stockholder of the Company; and
- review considerations relating to board composition, including size of the board, term, and the criteria for membership on the board.

The Board of Directors has adopted a charter for the Nominating and Corporate Governance Committee on October 19, 2017. A copy of the Compensation Committee charter is available in the Corporate Governance section of our website at <https://ir.fatbrands.com>. The Nominating and Corporate Governance Committee reviews and reassesses the adequacy of the charter on an annual basis.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation for the years ended December 27, 2020 and December 29, 2019 awarded to, earned by, or paid to our principal executive officer, our principal financial officer, and our two other most highly compensated executive officers. We refer to the individuals included in the Summary Compensation Table as our “named executive officers.”

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Option Awards (2)	Total
Andrew A. Wiederhorn, Chief Executive Officer	2020	\$ 400,000	\$ -	\$ 5,548	\$ 405,548
	2019	\$ 400,000	\$ -	\$ 13,863	\$ 413,863
Rebecca D. Hershinger, Chief Financial Officer	2020	\$ 300,000	\$ -	\$ 5,457	\$ 305,457
	2019	\$ 256,731	\$ 21,635	\$ 12,230	\$ 290,596
Donald J. Berchtold, EVP – Chief Concept Officer	2020	\$ 400,000	\$ -	\$ 5,548	\$ 405,548
	2019	\$ 400,000	\$ -	\$ 13,863	\$ 413,863
Gregg Nettleton, President and COO, Casual Dining Division	2020	\$ 350,000	\$ -	\$ 5,548	\$ 355,548
	2019	\$ 300,000	\$ -	\$ 13,863	\$ 313,863

Explanatory Notes:

(1) Reflects the dollar amount recognized for financial statement reporting purposes for salary paid or accrued on behalf of the named executives for the fiscal years ended December 27, 2020 and December 29, 2019.

(2) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal years ended December 27, 2020 and December 29, 2019, in accordance with ASC 718 of awards pursuant to the Stock Option Plan. Assumptions used in the calculation of this amount for fiscal year ended December 27, 2020 are included in footnote 15 to the Company’s audited consolidated financial statements for the fiscal year ended December 27, 2020, included in Part IV of this Annual Report on Form 10-K.

Executive Employment Agreements

There are no written employment agreements between the Company and any of its employees.

OUTSTANDING EQUITY AWARDS AT FISCAL 2020 YEAR END

The following table summarizes the outstanding equity award holdings of our named executive officers as of December 27, 2020.

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price(\$)	Option Expiration Date
Andrew A. Wiederhorn, Chief Executive Officer	15,318	-	-	\$ 11.75	10/19/2027
Rebecca D. Hershinger, Chief Financial Officer	10,212	5,106	-	\$ 5.28	12/10/2028
Donald J. Berchtold, EVP – Chief Concept Officer	17,021	8,511	-	\$ 7.83	7/30/2028
Gregg Nettleton, President and COO, Casual Dining Division	10,212	5,106	-	\$ 5.28	12/10/2028
	15,318	-	-	\$ 11.75	10/19/2027
	10,212	5,106	-	\$ 5.28	12/10/2028

Explanatory Notes: None

Option Exercises and Stock Vested

None of the named executives acquired shares of the Company's stock through exercise of options during the year ended December 27, 2020.

DIRECTOR COMPENSATION

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the board of directors. In setting director compensation, the Company considers the significant amount of time that our directors expend in fulfilling their duties to the Company as well as the skill-level required by the Company of members of the board of directors.

Effective with our initial public offering on October 20, 2017, we paid each non-employee director serving on our Board of Directors \$40,000 in annual cash compensation, plus an annual equity award of stock options to acquire 15,000 shares of common stock, subject to adjustments for stock splits. To the extent that any non-employee director serves on one or more committees of our Board of Directors, we paid an additional \$20,000 in cash compensation annually. Beginning in August 2020, the amount of annual cash compensation payable to non-employee directors was increased retroactively to January 1, 2020, to \$80,000 and an additional \$40,000 in annual cash compensation for service on committees, plus an annual equity award of stock options to acquire 30,636 shares of common stock. The stock options issued to directors are awarded under our 2017 Omnibus Equity Incentive Plan. The non-employee director compensation policy may be amended, modified or terminated at any time by our Board of Directors or Compensation Committee.

At various times upon the quarterly payment dates of the cash component of director compensation, the Board has allowed each independent director to elect to receive his or her cash compensation in the form of common stock of the Company at market value at the time the election is made. Under such arrangement, during fiscal 2020 and 2019, the independent directors elected to acquire an aggregate of 65,965 shares of common stock in 2020 at a weighted average price per share of \$3.640, and an aggregate of 68,334 shares of common stock in 2019 at a weighted average price per share of \$5.27.

The terms of the equity award described above are set forth in the 2017 Omnibus Equity Incentive Plan (the "Plan"). The Plan is a comprehensive incentive compensation plan under which we can grant equity-based and other incentive awards to officers, employees and directors of, and consultants and advisers to, FAT Brands and its subsidiaries. The Plan provides for a maximum of 1,021,250 shares available for grant, as adjusted for the impact of the February 28, 2019 stock dividend. The Plan is administered by the Compensation Committee of the Board of Directors.

The non-employee director compensation policy (including the compensation described above) may be amended, modified or terminated by our Board of Directors at any time in its sole discretion.

The following table sets forth a summary of the compensation we paid or accrued to our non-employee directors during 2020 and 2019:

Name	Year	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards \$(1)	Total (\$)
Edward H. Rensi (2)	2020	\$ 120,000	\$ —	\$ 15,185	\$ 135,185
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827
Marc L. Holtzman (2)	2020	\$ 15,000	\$ —	\$ 4,116	\$ 19,116
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827
Squire Junger (2)	2020	\$ 120,000	\$ —	\$ 15,185	\$ 135,185
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827
Silvia Kessel (2)	2020	\$ 15,000	\$ —	\$ 3,293	\$ 18,293
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827
Jeff Lotman (2)	2020	\$ —	\$ —	\$ 988	\$ 988
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827
James Neuhauser (2)	2020	\$ 120,000	\$ —	\$ 15,185	\$ 135,185
	2019	\$ 60,000	\$ —	\$ 14,827	\$ 74,827

Explanatory Notes:

- Reflects the dollar amount of awards pursuant to the Plan recognized for financial statement reporting purposes for the fiscal years ended December 29, 2019 and December 30, 2018. Assumptions used in the calculation of this amount for fiscal year ended December 29, 2019 are included in footnote 15 to the Company's audited consolidated financial statements, included in Part IV of the Company's Annual Report on Form 10-K. During 2020, directors Rensi, Neuhauser and Junger were each granted options to purchase 30,636 shares of common stock with an aggregate grant date fair value of \$51,000. During 2019, directors Rensi, Neuhauser, Junger, Kessel, Holtzman and Lotman were each granted options to purchase 15,318 shares of common stock with an aggregate grant date fair value of \$6,000.
- Mr. Rensi has served on the Board since its formation and became the Chairman of the Board on October 20, 2017. Mr. Neuhauser has served on the Board since its formation. Mr. Junger has served on the Board since October 20, 2017. Mr. Holtzman served on the Board from October 20, 2017 until May 25, 2020, at which point 30,636 of his unvested stock options expired. Ms. Kessel served on the Board from October 20, 2017 until May 7, 2020, at which point 30,636 of her unvested stock options expired. Mr. Lotman served on the Board from October 20, 2017 until February 4, 2020, at which point 30,636 of his

unvested stock options expired.

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

PRINCIPAL STOCKHOLDERS

The following table sets forth information, as of March 12, 2021, with respect to the beneficial ownership of our common stock and our non-voting 8.25% Series B Cumulative Preferred Stock by:

- each person known by us to beneficially own more than 5% of our Common Stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC and includes voting power (if applicable) or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power (if applicable) or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares subject to options, or other rights held by such person that are currently exercisable or will become exercisable within 60 days of the effective date of the disclosure, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of all listed stockholders is c/o FAT Brands Inc., 9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212. Each of the stockholders listed below has sole voting power (if applicable) and sole investment power with respect to the shares beneficially owned by such stockholder unless noted otherwise, subject to community property laws where applicable.

As of February 28, 2021, there were 12,029,264 shares of our common stock issued and outstanding.

Name of beneficial owner	Common Stock Beneficially Owned		Series B Preferred Stock Beneficially Owned	
	Number	Percentage	Number	Percentage
Greater than 5% Stockholders				
Fog Cutter Holdings LLC	7,033,297(1)	58.4%	74,449	6.3%
ADW Capital Partner, L.P.	739,323(2)	6.1%	-	-
Gregory Fortunoff and certain persons	721,815(3)	6.0%	1,113	*
Named Executive Officers and Directors				
Andrew A. Wiederhorn	7,202,159(4)	59.1%	105,429(11)	8.9%
Rebecca D. Hershinger	27,232(5)	*	-	-
Donald J. Berchtold	228,621(6)	1.9%	-	-
Gregg Nettleton	25,620(6)	*	-	-
Squire Junger	161,972(7)	1.3%	23,333	2.0%
James Neuhauser	138,673(8)	1.1%	24,685	2.1%
Edward Rensi	64,178(9)	*	7,781	*
All directors and executive officers as a group (seven persons)	7,468,577(10)	63.2%	161,228	13.6%

- (1) Includes warrants to purchase 19,148 shares of the Company's common stock.
- (2) Based on a Schedule 13G filed on February 16, 2021 by and on behalf of each of ADW Capital Partners, L.P., ADW Capital Management, LLC and Adam D. Wyden, with an address at 1261 99th St., Bay Harbor Islands, FL 33154. ADW Capital Management, LLC is the general partner and investment manager of, and may be deemed to beneficially own securities owned by, ADW Capital Partners, L.P. Mr. Wyden is the sole manager of, and may be deemed to beneficially own securities owned by, ADW Capital Management, LLC.
- (3) Based on a Schedule 13D/A filed jointly on August 28, 2020 by Gregory Fortunoff, Scott Fortunoff, Laurie Fortunoff, Jill Gerstenblatt and Darren Gerstenblatt, with an address at 49 West 37th Street, New York, NY 10018. Each such person expressly disclaims beneficial ownership for all purposes of the shares of Common Stock and/or Series B Preferred Stock beneficially owned by each other person.
- (4) Includes shares of Common Stock and warrants held by Fog Cutter Holdings LLC. Mr. Wiederhorn shares voting and dispositive power over such shares and warrants, but disclaims beneficial ownership except to the extent of his pecuniary interest therein. Mr. Wiederhorn also beneficially holds directly 168,862 shares of Common Stock, comprised of 23,332 shares of Common Stock, options to purchase an additional 25,530 shares of Common Stock that have vested or will vest within 60 days of the effective date of the disclosure, and warrants that are exercisable for an additional 120,000 shares of Common Stock, including warrants for 100,000 shares owned by Mr. Wiederhorn's spouse, to which he disclaims beneficial ownership except to the extent of his pecuniary interest therein.
- (5) Includes options to purchase 27,232 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 13,617 shares of the Company's common stock.
- (6) Includes options to purchase 25,530 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 5,106 shares of the Company's common stock.
- (7) Includes options to purchase 30,636 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 45,954 shares of the Company's common stock. Includes warrants to purchase 25,000 shares of the Company's common stock.
- (8) Includes options to purchase 30,636 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 45,954 shares of the Company's common stock. Includes warrants to purchase 20,000 shares of the Company's common stock.
- (9) Includes options to purchase 30,636 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 45,954 shares of the Company's common stock.
- (10) Includes options to purchase 195,730 shares of the Company's common stock that have vested or will vest within 60 days of the effective date of the disclosure. Does not include unvested options to purchase an additional 166,797 shares of the Company's common stock. Includes warrants to purchase 165,000 shares of the Company's common stock, 100,000 of which are owned by Mr. Wiederhorn's spouse, to which he disclaims beneficial ownership except to the extent of his pecuniary interest therein.
- (11) Includes 20,000 shares of the Company's Series B Preferred Stock owned by Mr. Wiederhorn's spouse, to which he disclaims beneficial ownership except to the extent of his pecuniary interest therein.

* Represents beneficial ownership of less than 1% of the class.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reportable Related Person Transactions

Since December 29, 2019, the Company has engaged in certain transactions with Fog Cutter Capital Group Inc., which, prior to December 24, 2020, was the 81.5% parent of the Company. Descriptions of such transactions are included under Notes 3, 9, 12, 13, 14, 17 and 21 to the audited consolidated financial statements of the Company included under Item 15 of this Form 10-K, which information is incorporated herein by this reference. Other than such transactions, since December 29, 2019, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party:

- in which the amount involved exceeds \$120,000; and
- in which any director, executive officer, shareholder who beneficially owns 5% or more of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Director Independence

The Board has determined that each of the directors, except Mr. Wiederhorn, is independent within the meaning of the applicable rules and regulations of the SEC and the director independence standards of The NASDAQ Stock Market, Inc. (“NASDAQ”), as currently in effect. Furthermore, the Board has determined that each of the members of each of the committees of the Board is “independent” under the applicable rules and regulations of the SEC and the director independence standards of NASDAQ applicable to each such committee, as currently in effect.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Baker Tilly US, LLP, Los Angeles, California, currently serves as our independent registered public accounting firm. Squar Milner LLP, Los Angeles, California, served as our independent registered public accounting firm for the fiscal year ending December 29, 2019. The aggregate accounting fees for the years ended December 27, 2020 and December 29, 2019 are as follows (dollars in thousands):

	December 27, 2020	December 29, 2019
Audit fees	\$ 329	\$ 244
Audit related fees	\$ 45	\$ 55
Other fees	\$ -	\$ 39

Audit Committee Pre-Approval Policies and Procedures. The Audit Committee reviews the independence of our independent registered public accounting firm on an annual basis and has determined that Baker Tilly US, LLP is independent. In addition, the Audit Committee pre-approves all work and fees that are performed by our independent registered public accounting firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

FAT Brands Inc.

Audited Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 27, 2020 and December 29, 2019	F-2
Consolidated Statements of Operations for the fiscal years ended December 27, 2020 and December 29, 2019	F-3
Consolidated Statements of Changes in Stockholders' (Deficit) Equity for the fiscal years ended December 27, 2020 and December 29, 2019	F-4
Consolidated Statements of Cash Flows for the fiscal years ended December 27, 2020 and December 29, 2019	F-5
Notes to Consolidated Financial Statements	F-6

(b) Exhibits – See Exhibit Index immediately following the signature pages.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of FAT Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FAT Brands Inc. and its subsidiaries (the Company) as of December 27, 2020 and December 29, 2019, the related consolidated statements of operations, stockholders' (deficit) equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2020 and December 29, 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred losses from operations of \$15,098,000 during the year ended December 27, 2020 and as of that date, the Company has a net working capital deficiency and the Company's total liabilities exceeded its total assets by \$41,883,000. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 due to the adoption of Accounting Standards Codification 842, *Leases*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2019.

Los Angeles, California
March 29, 2021

FAT BRANDS INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

	<u>December 27, 2020</u>	<u>December 29, 2019</u>
Assets		
Current assets		
Cash	\$ 3,944	\$ 25
Restricted cash	2,867	-
Accounts receivable, net of allowance for doubtful accounts of \$739 and \$595, as of December 27, 2020 and December 29, 2019, respectively	4,208	4,144
Trade and other notes receivable, net of allowance for doubtful accounts of \$103 and \$37 as of December 27, 2020 and December 29, 2019, respectively	208	262
Assets classified as held for sale	10,831	5,128
Other current assets	2,365	929
Total current assets	<u>24,423</u>	<u>10,488</u>
Noncurrent restricted cash		
Notes receivable – noncurrent, net of allowance for doubtful accounts of \$271 and \$112, as of December 27, 2020 and December 29, 2019, respectively	1,622	1,802
Due from affiliates	-	25,967
Deferred income tax asset, net	30,551	2,032
Operating lease right of use assets	4,469	860
Goodwill	10,909	10,912
Other intangible assets, net	47,711	29,734
Other assets	1,059	755
Total assets	<u>\$ 121,144</u>	<u>\$ 82,550</u>
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 8,625	\$ 7,183
Accrued expenses and other liabilities	19,833	6,013
Deferred income, current portion	1,887	895
Accrued advertising	2,160	762
Accrued interest payable	1,847	1,268
Dividend payable on preferred shares (includes amounts due to related parties of \$0 and \$149 as of December 27, 2020 and December 29, 2019, respectively);	893	1,422
Liabilities related to assets classified as held for sale	9,892	3,325
Current portion of operating lease liability	748	241
Current portion of preferred shares, net	7,961	-
Current portion of long-term debt	19,314	24,502
Other	17	-
Total current liabilities	<u>73,177</u>	<u>45,611</u>
Deferred income – noncurrent	9,099	5,247
Acquisition purchase price payable	2,806	4,504
Preferred shares, net	-	15,327
Deferred dividend payable on preferred shares (includes amounts due to related parties of \$0 and \$99 as of December 27, 2020 and December 29, 2019, respectively)	-	628
Operating lease liability, net of current portion	4,011	639
Long-term debt, net of current portion	73,852	5,216
Other liabilities	82	-
Total liabilities	<u>163,027</u>	<u>77,172</u>
Commitments and contingencies (Note 18)		
Stockholders' (deficit) equity		
Preferred stock, \$.0001 par value; 5,000,000 shares authorized; 1,183,272 and 0 shares issued and outstanding at December 27, 2020 and December 29, 2019, respectively; liquidation preference \$25 per share	21,788	-
Common stock, \$.0001 par value; 25,000,000 shares authorized; 11,926,264 and 11,860,299 shares issued and outstanding at December 27, 2020 and December 29, 2019, respectively	(42,775)	11,414
Accumulated deficit	(20,896)	(6,036)
Total stockholders' (deficit) equity	<u>(41,883)</u>	<u>5,378</u>

Total liabilities and stockholders' (deficit) equity

\$ 121,144

\$ 82,550

The accompanying notes are an integral part of these audited consolidated financial statements.

FAT BRANDS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share data)

For the Fiscal Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Royalties	\$ 13,420	\$ 14,895
Franchise fees	1,130	3,433
Advertising fees	3,527	4,111
Other income	41	66
Total revenue	<u>18,118</u>	<u>22,505</u>
Costs and expenses		
General and administrative expense	14,876	12,257
Impairment of goodwill and other intangible assets	9,295	-
Refranchising loss	3,827	219
Advertising fees	5,218	4,111
Total costs and expenses	<u>33,216</u>	<u>16,587</u>
(Loss) income from operations	<u>(15,098)</u>	<u>5,918</u>
Other expense		
Interest expense, net of interest income of \$3,631 and \$2,128 due from affiliates during the fiscal years ended December 27, 2020 and December 29, 2019, respectively	(3,375)	(4,757)
Interest expense related to preferred shares	(1,544)	(1,773)
Change in fair value of derivative liability	887	-
Gain on contingent consideration payable adjustment	1,680	-
Loss on extinguishment of debt	(88)	-
Other income (expense), net	(1,011)	104
Total other expense, net	<u>(3,451)</u>	<u>(6,426)</u>
Loss before income tax expense (benefit)	(18,549)	(508)
Income tax expense (benefit)	<u>(3,689)</u>	<u>510</u>
Net loss	<u>\$ (14,860)</u>	<u>\$ (1,018)</u>
Basic and diluted loss per common share	<u>\$ (1.25)</u>	<u>\$ (0.09)</u>
Basic and diluted weighted average shares outstanding	<u>11,897,952</u>	<u>11,823,455</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

FAT BRANDS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
(dollars in thousands, except share data)

For the Fiscal Year Ended December 27, 2020

	Common Stock			Preferred Stock			Accumulated deficit	Total		
	Shares	Par value	Additional paid-in capital	Total Common Stock	Shares	Par value			Additional paid-in capital	Total Preferred Stock
Balance at December 29, 2019	11,860,299	\$ 1	\$ 11,413	\$ 11,414	-	\$ -	\$ -	\$ -	\$ (6,036)	\$ 5,378
Net loss	-	-	-	-	-	-	-	-	(14,860)	(14,860)
Issuance of common stock in lieu of cash director fees payable	65,965	-	240	240	-	-	-	-	-	240
Issuance of Series B preferred stock	-	-	-	-	360,000	-	6,134	6,134	-	6,134
Exchange of original Series B preferred stock for newly issued Series B preferred stock	-	-	-	-	60,677	-	1,224	1,224	-	1,224
Exchange of Series A preferred stock for newly issued Series B preferred stock	-	-	-	-	74,449	-	1,861	1,861	-	1,861
Exchange of Series A-1 preferred stock for newly issued Series B preferred stock	-	-	-	-	168,001	-	4,200	4,200	-	4,200
Series B preferred stock issued in Special Dividend	-	-	(8,914)	(8,914)	520,145	-	8,885	8,885	-	(29)
Share-based compensation	-	-	99	99	-	-	-	-	-	99
Extinguishment of derivative liability	-	-	(887)	(887)	-	-	-	-	-	(887)
Grant of warrants to purchase stock	-	-	2,259	2,259	-	-	-	-	-	2,259
Repurchase of warrants	-	-	(742)	(742)	-	-	-	-	-	(742)
Dividends declared on Series B preferred stock	-	-	-	-	-	-	(516)	(516)	-	(516)
Inclusion of accumulated deficit of FCCG entities acquired in the Merger	-	-	(46,153)	(46,153)	-	-	-	-	-	(46,153)
Correction of recorded conversion rights associated with Series A-1 preferred shares	-	-	(91)	(91)	-	-	-	-	-	(91)
Balance at December 27, 2020	<u>11,926,264</u>	<u>\$ 1</u>	<u>\$ (42,776)</u>	<u>\$ (42,775)</u>	<u>1,183,272</u>	<u>\$ -</u>	<u>\$ 21,788</u>	<u>\$ 21,788</u>	<u>\$ (20,896)</u>	<u>\$ (41,883)</u>

For the Fiscal Year Ended December 29, 2019

	Common Stock			Accumulated Deficit	Total	
	Shares	Par value	Additional paid-in capital			Total
Balance at December 30, 2018	11,546,589	\$ 1	\$ 10,756	\$ 10,757	\$ (5,018)	\$ 5,739
Net loss	-	-	-	-	(1,018)	(1,018)
Common stock dividend	245,376	-	-	-	-	-
Cash paid in lieu of fractional shares	-	-	(2)	(2)	-	(2)
Issuance of warrants to purchase common stock	-	-	21	21	-	21
Issuance of warrants to placement agents	-	-	16	16	-	16
Issuance of common stock in lieu of director fees payable	68,334	-	360	360	-	360
Share-based compensation	-	-	262	262	-	262
Balance at December 29, 2019	<u>11,860,299</u>	<u>\$ 1</u>	<u>\$ 11,413</u>	<u>\$ 11,414</u>	<u>\$ (6,036)</u>	<u>\$ 5,378</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

FAT BRANDS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(dollars in thousands)

For the Fiscal Years Ended December 27, 2020 and December 29, 2019

	2020	2019
Cash flows from operating activities		
Net loss	\$ (14,860)	\$ (1,018)
Adjustments to reconcile net loss to net cash (used in) provided by operations:		
Deferred income taxes	(4,077)	204
Depreciation and amortization	1,172	785
Impairment of goodwill and other intangible assets	9,295	
Share-based compensation	99	262
Loss on extinguishment of debt	88	-
Change in fair value of derivative liability	(887)	-
Gain on contingent consideration payable adjustment	(1,680)	-
Change in operating right of use assets	1,255	683
Net loss (gain) on disposition of franchising restaurants	55	(1,795)
Accretion of loan fees and interest	973	1,883
Accretion of preferred shares	62	65
Accretion of purchase price liability	481	557
Provision for bad debts	981	77
Change in:		
Accounts receivable	554	(723)
Trade and other notes receivable	-	83
Accrued interest receivable from affiliate	(3,631)	(1,528)
Prepaid expenses	(992)	118
Other	7	(118)
Accounts payable	(9)	3,128
Accrued expense	(1,678)	643
Accrued advertising	1,398	203
Accrued interest payable	585	(982)
Dividend payable on preferred shares	(531)	1,431
Deferred income	(144)	(2,364)
Total adjustments	3,376	2,612
Net cash (used in) provided by operating activities	(11,484)	1,594
Cash flows from investing activities		
Change in due from affiliates	(13,359)	(8,976)
Acquisition of subsidiary, net of cash acquired	(23,918)	(2,332)
Proceeds from sale of franchised restaurants	1,093	2,340
Purchases of property and equipment	(460)	(45)
Other	69	-
Net cash used in investing activities	(36,575)	(9,013)
Cash flows from financing activities		
Proceeds from borrowings and associated warrants, net of issuance costs	74,294	23,022
Repayments of borrowings	(24,295)	(16,726)
Proceeds from preferred stock offering and associated warrants, net of issuance costs	8,122	1,107
Change in operating lease liabilities	(816)	(530)
Payments made on acquisition purchase price liability	(500)	-
Redemption of preferred stock	(500)	-
Repurchase of warrants	(742)	-
Dividends paid in cash	(318)	(2)
Other	-	(80)
Net cash provided by financing activities	55,245	6,791
Net increase (decrease) in cash, cash equivalents and restricted cash	7,186	(628)
Cash, cash equivalents and restricted cash at beginning of year	25	653
Cash, cash equivalents and restricted cash at end of year	\$ 7,211	\$ 25
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 6,403	\$ 5,989
Cash paid for income taxes	\$ 167	\$ 244

Supplemental disclosure of non-cash financing and investing activities:

Director fees converted to common stock	\$	240	\$	360
Income taxes (receivable) payable included in amounts due from affiliates	\$	(158)	\$	51

The accompanying notes are an integral part of these audited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND RELATIONSHIPS

Organization and Nature of Business

FAT Brands Inc. (the “Company”) is a leading multi-brand restaurant franchising company that develops, markets, and acquires primarily quick-service, fast casual and casual dining restaurant concepts around the world. Organized in March 2017 as a wholly owned subsidiary of Fog Cutter Capital Group, Inc. (“FCCG”), we completed our initial public offering on October 20, 2017 and issued additional shares of common stock representing 20 percent of our ownership upon completion of the offering. During the fourth quarter of 2020, we completed a transaction in which FCCG merged into a wholly owned subsidiary of ours, and we became the parent company of FCCG.

The Company is a multi-brand franchisor specializing in fast casual and casual dining restaurant concepts around the world. As of December 29, 2019, the Company owns and franchises nine restaurant brands through various wholly owned subsidiaries: Fatburger, Johnny Rockets, Buffalo’s Cafe, Buffalo’s Express, Hurricane Grill & Wings, Ponderosa Steakhouses, Bonanza Steakhouses, Yalla Mediterranean and Elevation Burger. Combined, these brands have over 700 locations, including units under construction, and more than 200 under development.

Each franchising subsidiary licenses the right to use its brand name and provides franchisees with operating procedures and methods of merchandising. Upon signing a franchise agreement, the franchisor is committed to provide training, some supervision and assistance, and access to operations manuals. As needed, the franchisor will also provide advice and written materials concerning techniques of managing and operating the restaurants.

With minor exceptions, the Company’s operations are comprised exclusively of franchising a growing portfolio of restaurant brands. This growth strategy is centered on expanding the footprint of existing brands and acquiring new brands through a centralized management organization which provides substantially all executive leadership, marketing, training and accounting services. As part of these ongoing franchising efforts, the Company will, from time to time, make opportunistic acquisitions of operating restaurants in order to convert them to franchise locations. During the refranchising period, the Company may operate the restaurants and classifies the operational activities as refranchising gains or losses and the assets and associated liabilities as held-for sale.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and other countries. As a result, Company franchisees have temporarily closed some retail locations, modified store operating hours, adopted a “to-go” only operating model, or a combination of these actions. These actions have reduced consumer traffic, all resulting in a negative impact to franchisee and Company revenues. While the disruption to our business from the COVID-19 pandemic is currently expected to be temporary, there is a great deal of uncertainty around the severity and duration of the disruption. We may experience longer-term effects on our business and economic growth and changes in consumer demand in the U.S. and worldwide. The effects of COVID-19 may materially adversely affect our business, results of operations, liquidity and ability to service our existing debt, particularly if these effects continue in place for a significant amount of time.

Going Concern

The Company recognized a loss from operations of \$15,098,000 during the fiscal year ended December 27, 2020 and income from operations of \$5,918,000 for the fiscal year ended December 29, 2019. The Company recognized net losses of \$14,860,000 and \$1,018,000 during the fiscal years ended December 27, 2020 and December 29, 2019, respectively. In addition, net cash used in operations totaled \$11,484,000 for the fiscal year ended December 27, 2020 compared to net cash provided by operations for the fiscal year ended December 29, 2019 of \$1,594,000. As of December 27, 2020, the Company’s total liabilities exceeded total assets by \$41,883,000 compared to its total assets exceeding total liabilities by \$5,378,000 as of December 29, 2019. The reduction in earnings for 2020 is primarily due to reductions in revenues and the impairment of goodwill and other intangible assets due to the effects of COVID-19, coupled with higher general and administrative costs. The changes in the Company’s financial position as of December 29, 2019 compared to December 27, 2020 reflect these operating effects of COVID-19 as well as the assumption of certain liabilities related to the Merger as of December 24, 2020.

The combination of these factors raises substantial doubt about the Company's ability to continue as a going concern as assessed under the framework of FASB's Accounting Standard Codification ("ASC") 205. The ASC 205 assessment framework is a two-step process in which an entity assesses whether substantial doubt about its ability to meet its obligations during the subsequent 12 months from the assessment date is raised, and if substantial doubt is raised, whether management's plans will be effectively implemented to alleviate the factors that raise the substantial doubt. Management believes that while substantial doubt is raised based on certain factors which existed during the fiscal year ended December 27, 2020, including but not limited to the COVID-19 pandemic, its plans may be effectively implemented such that the substantial doubt may be alleviated. As such, the Company's consolidated financial statements for the year ended December 27, 2020 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Cash and cash equivalents, including restricted cash, projected cash flow from operations, and future refinancing of its debt obligations are expected to be sufficient to meet the Company's working capital requirements for the next 12 months.

During the year ended December 27, 2020, the Company completed the following transactions which added to its liquidity position:

- On March 6, 2020, the Company completed a whole-business securitization (the "Securitization") through the creation of a bankruptcy-remote issuing entity, FAT Brands Royalty I, LLC ("FAT Royalty") in which FAT Royalty issued new notes (the "Securitization Notes") pursuant to an indenture and the supplement thereto (collectively, the "Indenture"). Net proceeds from the issuance of the Securitization Notes were \$37,389,000, which consisted of the combined face amount of \$40,000,000, net of discounts and debt offering costs (See Note 10). A portion of the proceeds from the Securitization was used to repay the remaining \$26,771,000 in outstanding debt balance under the Lion Loan and Security Agreement and to pay the Securitization debt offering costs with the remaining proceeds being used for working capital.
- On July 13, 2020, the Company entered into an underwriting agreement (the "Underwriting Agreement") to issue and sell in a public offering (the "Offering") 360,000 shares of 8.25% Series B Cumulative Preferred Stock ("Series B Preferred Stock") and 1,800,000 warrants (the "2020 Series B Warrants") to purchase common stock at \$5.00 per share. The Offering closed on July 16, 2020 with net proceeds to the Company of \$8,122,000, which was net of \$878,000 in underwriting and offering costs.
- On September 21, 2020, FAT Royalty completed the sale of an additional \$40 million of Series 2020-2 Fixed Rate Asset-Backed Notes (the "Series M-2 Notes"), increasing the Company's Securitization Notes to \$80 million. Net proceeds from the issuance of the Series M-2 Notes were \$35,371,000, which consist of the face amount of \$40,000,000, net of discounts of \$3,200,000 and debt offering costs of \$1,429,000. Approximately \$24,730,000 of the proceeds from the Series M-2 Notes were used to acquire Johnny Rockets, with the remaining proceeds from the Securitizations are being used for working capital.

During the twelve months following the date of the issuance of this Annual Report on Form 10-K, the Company anticipates that it may refinance the Securitization Notes and Series M-2 Notes at an amount greater than the outstanding principal indebtedness and borrowing rates that are lower than its existing rates which could provide additional liquidity to the Company. In addition, the Company has seen significant improvement in its operating performance subsequent to December 27, 2020, as COVID-19 vaccinations have become more prevalent in the United States and federal, state and local restrictions have eased in many of the markets where its franchisees operate. Lastly, the Company may negotiate extended payment terms of certain short-term liabilities. Despite the Company's belief that it may (i) have the ability to refinance its Securitization Notes and Series M-2 Notes, (ii) continue to see operating performance improvements, and (iii) have the ability to negotiate extended payment terms of short-term liabilities, the Company cannot make any reasonable assurances about its ability to refinance or renegotiate its obligations nor can it estimate any future effects of the COVID-19 pandemic on its business, results of operations, and financial position. The accompanying financial statements do not include the effects of these uncertainties.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – The Company operates on a 52-week calendar and its fiscal year ends on the last Sunday of the calendar year. Consistent with the industry practice, the Company measures its stores’ performance based upon 7-day work weeks. Using the 52-week cycle ensures consistent weekly reporting for operations and ensures that each week has the same days, since certain days are more profitable than others. The use of this fiscal year means a 53rd week is added to the fiscal year every 5 or 6 years. In a 52-week year, all four quarters are comprised of 13 weeks. In a 53-week year, one extra week is added to the fourth quarter. Both fiscal 2020 and 2019 were 52-week years.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. The operations of Elevation Burger have been included since its acquisition on June 19, 2019 and Johnny Rockets has been included since its acquisition on September 21, 2020. Intercompany accounts have been eliminated in consolidation.

Use of estimates in the preparation of the consolidated financial statements – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the determination of fair values of intangibles for which there is no active market, the allocation of basis between assets acquired, sold or retained, valuation allowances for notes receivable and accounts receivable, and the realization of deferred tax assets. Estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement reclassification – Certain account balances from prior periods have been reclassified in these consolidated financial statements to conform to current period classifications.

Credit and Depository Risks – Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. Management reviews each of its franchisee’s financial condition prior to entry into a franchise or other agreement, as well as periodically through the term of the agreement, and believes that it has adequately provided for any exposure to potential credit losses. As of December 27, 2020, accounts receivable, net of allowance for doubtful accounts, totaled \$4,208,000, with no franchisee representing more than 10% of that amount. As of December 29, 2019, the Company had two franchisees each representing 20% of accounts receivable, net of allowance for doubtful accounts.

The Company maintains cash deposits in national financial institutions. From time to time the balances for these accounts exceed the Federal Deposit Insurance Corporation’s (“FDIC”) insured amount. Balances on interest bearing deposits at banks in the United States are insured by the FDIC up to \$250,000 per account. As of December 27, 2020, the Company had uninsured deposits in the amount of \$6,047,299. As of December 29, 2019, the Company had no accounts with uninsured balances.

Restricted Cash – The Company has restricted cash consisting of funds required to be held in trust in connection with the Company’s Securitization. The current portion of restricted cash as of December 27, 2020 consisted of \$2,867,000. Non-current restricted cash of \$400,000 as of December 27, 2020 represents interest reserves required to be set aside for the duration of the securitized debt. There were no restricted cash balances as of December 29, 2019.

Accounts receivable – Accounts receivable are recorded at the invoiced amount and are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the existing accounts receivable. The allowance is based on historical collection data and current franchisee information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 27, 2020, and December 29, 2019, accounts receivable was stated net of an allowance for doubtful accounts of \$739,000 and \$595,000, respectively.

Trade notes receivable – Trade notes receivable are created when an agreement is reached to settle a delinquent franchisee receivable account and the entire balance is not immediately paid. Generally, trade notes receivable include personal guarantees from the franchisee. The notes are made for the shortest time frame negotiable and generally carry an interest rate of 6% to 7.5%. Reserve amounts on the notes are established based on the likelihood of collection. As of December 27, 2020, there were no trade notes receivable recorded on the financial statements.

Assets classified as held for sale – Assets are classified as held for sale when the Company commits to a plan to sell the asset, the asset is available for immediate sale in its present condition and an active program to locate a buyer at a reasonable price has been initiated. The sale of these assets is generally expected to be completed within one year. The combined assets are valued at the lower of their carrying amount or fair value, net of costs to sell and included as current assets on the Company’s consolidated balance sheet. Assets classified as held for sale are not depreciated. However, interest attributable to the liabilities associated with assets classified as held for sale and other related expenses are recorded as expenses in the Company’s consolidated statement of operations.

Goodwill and other intangible assets – Intangible assets are stated at the estimated fair value at the date of acquisition and include goodwill, trademarks, and franchise agreements. Goodwill and other intangible assets with indefinite lives, such as trademarks, are not amortized but are reviewed for impairment annually or more frequently if indicators arise. All other intangible assets are amortized over their estimated weighted average useful lives, which range from nine to twenty-five years. Management assesses potential impairments to intangible assets at least annually, or when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of the acquired businesses, market conditions and other factors.

Fair Value Measurements - The Company determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in U.S. GAAP. As necessary, the Company measures its financial assets and liabilities using inputs from the following three levels of the fair value hierarchy:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3 inputs are unobservable and reflect the Company’s own assumptions.

Other than a derivative liability that existed during part of 2020 and the contingent consideration payable liabilities, the Company does not have a material amount of financial assets or liabilities that are required to be measured at fair value on a recurring basis under U.S. GAAP (See Note 12). None of the Company’s non-financial assets or non-financial liabilities are required to be measured at fair value on a recurring basis.

Income taxes – Effective October 20, 2017, the Company entered into a Tax Sharing Agreement with FCCG that provides that FCCG would, to the extent permitted by applicable law, file consolidated federal, California and Oregon (and possibly other jurisdictions where revenue is generated, at FCCG’s election) income tax returns with the Company and its subsidiaries. The Company would pay FCCG the amount that its tax liability would have been had it filed a separate return. As such, prior to the Merger, the Company accounted for income taxes as if it filed separately from FCCG. The Tax Sharing Agreement was cancelled following the Merger.

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

A two-step approach is utilized to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon the ultimate settlement.

Franchise Fees: The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which includes the transfer of the franchise license. The services provided by the Company are highly interrelated with the franchise license and are considered a single performance obligation. Franchise fee revenue from the sale of individual franchises is recognized over the term of the individual franchise agreement on a straight-line basis. Unamortized non-refundable deposits collected in relation to the sale of franchises are recorded as deferred franchise fees.

The franchise fee may be adjusted at management's discretion or in a situation involving store transfers between franchisees. Deposits are non-refundable upon acceptance of the franchise application. In the event a franchisee does not comply with their development timeline for opening franchise stores, the franchise rights may be terminated, at which point the franchise fee revenue is recognized for non-refundable deposits.

Royalties – In addition to franchise fee revenue, the Company collects a royalty calculated as a percentage of net sales from our franchisees. Royalties range from 0.75% to 6% and are recognized as revenue when the related sales are made by the franchisees. Royalties collected in advance of sales are classified as deferred income until earned.

Advertising – The Company requires advertising payments from franchisees based on a percent of net sales. The Company also receives, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising revenue and associated expense is recorded on the Company's consolidated statement of operations. Assets and liabilities associated with the related advertising fees are reflected in the Company's consolidated balance sheet.

Share-based compensation – The Company has a stock option plan which provides for options to purchase shares of the Company's common stock. Options issued under the plan may have a variety of terms as determined by the Board of Directors including the option term, the exercise price and the vesting period. Options granted to employees and directors are valued at the date of grant and recognized as an expense over the vesting period in which the options are earned. Cancellations or forfeitures are accounted for as they occur. Stock options issued to non-employees as compensation for services are accounted for based upon the estimated fair value of the stock option. The Company recognizes this expense over the period in which the services are provided. Management utilizes the Black-Scholes option-pricing model to determine the fair value of the stock options issued by the Company. See Note 15 for more details on the Company's share-based compensation.

Earnings per share – The Company reports basic earnings or loss per share in accordance with FASB ASC 260, "*Earnings Per Share*". Basic earnings per share is computed using the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed using the weighted average number of common shares outstanding plus the effect of dilutive securities during the reporting period. Any potentially dilutive securities that have an anti-dilutive impact on the per share calculation are excluded. During periods in which the Company reports a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effect of the inclusion of all potentially dilutive securities would be anti-dilutive. As of December 27, 2020, and December 29, 2019, there were no potentially dilutive securities considered in the calculation of diluted loss per common share due to losses for each period.

The Company declared a stock dividend on February 7, 2019 and issued 245,376 shares of common stock in satisfaction of the stock dividend (See Note 17). Unless otherwise noted, earnings per share and other share-based information for 2019 have been adjusted retrospectively to reflect the impact of that stock dividend.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU adds, modifies and removes several disclosure requirements relative to the three levels of inputs used to measure fair value in accordance with Topic 820, "Fair Value Measurement." The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

The FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)*. The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

The FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*: This standard removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocations and calculating income taxes in interim periods. It also adds guidance in certain areas, including the recognition of franchise taxes, recognition of deferred taxes for tax goodwill, allocation of taxes to members of a consolidated group, computation of annual effective tax rates related to enacted changes in tax laws, and minor improvements related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The Company adopted this ASU on December 30, 2019. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments*. This guidance replaces the current incurred loss impairment methodology. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates ("ASU 2019-10")*. The purpose of this amendment is to create a two-tier rollout of major updates, staggering the effective dates between larger public companies and all other entities. This granted certain classes of companies, including Smaller Reporting Companies ("SRCs"), additional time to implement major FASB standards, including ASU 2016-13. Larger public companies will have an effective date for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities are permitted to defer adoption of ASU 2016-13, and its related amendments, until the earlier of fiscal periods beginning after December 15, 2022. Under the current SEC definitions, the Company meets the definition of an SRC and is adopting the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements but does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

NOTE 3. MERGERS AND ACQUISITIONS

Merger with Fog Cutter Capital Group Inc.

On December 10, 2020, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with FCCG, Fog Cutter Acquisition, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub"), and Fog Cutter Holdings, LLC, a Delaware limited liability company ("Holdings").

Pursuant to the Merger Agreement, FCCG agreed to merge with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of the Company (the "Merger"). Upon closing of the Merger, the former stockholders of FCCG became direct stockholders of the Company holding, in the aggregate, 9,679,288 shares of the Company's common stock (the same number of shares of common stock held by FCCG immediately prior to the Merger) and will receive certain limited registration rights with respect to the shares received in the Merger. As a result of the Merger, FCCG's wholly owned subsidiaries, Homestyle Dining, LLC, Fog Cap Development LLC, Fog Cap Acceptance Inc. and BC Canyon LLC, became indirect wholly owned subsidiaries of the Company (the "Merged Entities").

Under the Merger Agreement, Holdings has agreed to indemnify the Company for breaches of FCCG’s representations and warranties, covenants and certain other matters specified in the Merger Agreement, subject to certain exceptions and qualifications. Holdings has also agreed to hold a minimum fair market value of shares of Common Stock of the Company to ensure that it has assets available to satisfy such indemnification obligations if necessary.

In connection with the Merger, the Company declared a special stock dividend (the “Special Dividend”) payable only to holders of our Common Stock, other than FCCG, on the record date consisting of 0.2319998077 shares of the Company’s 8.25% Series B Cumulative Preferred Stock (liquidation preference \$25.00 per share) (the “Series B Preferred Stock”) for each outstanding share of Common Stock held by such stockholders, with the value of any fractional shares of Series B Preferred Stock to be paid in cash. FCCG did not receive any portion of the Special Dividend, which had a record date of December 21, 2020 and payment date of December 23, 2020. The Special Dividend was expressly conditioned upon the satisfaction or valid waiver of the conditions to closing of the Merger set forth in the Merger Agreement. The Special Dividend was intended to reflect consideration for the potential financial impact of the Merger on the common stockholders other than FCCG, including the assumption of certain debts and obligations of FCCG by the Company by virtue of the Merger.

The Company undertook the Merger primarily to simplify its corporate structure and eliminate limitations that restrict the Company’s ability to issue additional Common Stock for acquisitions and capital raising. FCCG holds a substantial amount of net operating loss carryforwards (“NOLs”), which could only be made available to the Company as long as FCCG owned at least 80% of FAT Brands. With the Merger, the NOLs will be held directly by the Company, which will then have greater flexibility in managing its capital structure. In addition, after the Merger the Company will no longer be required to compensate FCCG for utilizing its NOLs under the existing Tax Sharing Agreement between the Company and FCCG.

The Board of Directors of the Company established a Special Committee of the Board (the “Special Committee”) comprised solely of independent directors to review and evaluate the transaction with FCCG, the terms of the transaction and other alternatives available to the Company. The Special Committee was advised by independent legal counsel and by independent financial advisors. These financial advisors advised the Special Committee that the Special Dividend to be received by the holders of Common Stock, other than FCCG, in connection with the Merger is fair to such stockholders from a financial point of view, based upon and subject to the assumptions and limitations set forth in such financial advisor’s written fairness opinion to the Special Committee.

The Merger is treated under ASC 805-50-30-6 which indicates that when there is a transfer of assets or exchange of shares between entities under common control, the receiving entity shall recognize those assets and liabilities at their net carrying amounts at the date of transfer. As such, on the date of the Merger, all of the transferred assets and assumed liabilities of FCCG and the Merged Entities are recorded on the Company’s books at their book value. The financial statements are presented on a prospective basis from the date of transfer as there has not been a change in the reporting entity.

The Merger resulted in the following assets and liabilities being included in the consolidated financial statements of the Company as of the Merger date. Due to the previous relationship between the parties, these amounts were carried over at FCCG’s book value (in thousands):

Prepaid assets	\$	33
Deferred tax assets		21,605
Other assets		100
Accounts payable		(926)
Accrued expense		(6,846)
Current portion of debt		(12,486)
Litigation reserve		(3,980)
Due to affiliates		(43,653)
Total net identifiable liabilities (net deficit)	\$	(46,153)

A net loss of \$67,000 attributed to FCCG from the date of the Merger is included in the accompanying consolidated statements of operations for the fiscal year ended December 27, 2020. There were no revenues attributed to FCCG during the ownership period.

Proforma Information

The table below presents the proforma revenue and net loss of the Company for the fiscal years ended December 27, 2020 and December 29, 2019, assuming the Merger had occurred on December 31, 2018 (the beginning of the Company's 2019 fiscal year), pursuant to ASC 805-10-50 (in thousands). This proforma information does not purport to represent what the actual results of operations of the Company would have been had the Merger occurred on that date, nor does it purport to predict the results of operations for future periods.

	Fiscal Year Ended	
	December 27, 2020	December 29, 2019
Revenues	\$ 18,118	\$ 22,505
Net loss	\$ (14,626)	\$ (7,872)

The proforma information above reflects the combination of the Company's results as disclosed in the accompanying consolidated statements of operations for the fiscal years ended December 27, 2020 and December 29, 2019, together with the audited results of FCCG for the fiscal year ended December 29, 2019 and the unaudited results of FCCG for the portion of fiscal 2020 prior to the Merger, with the following adjustments:

- Certain inactive subsidiaries of FCCG were not included in the Merger (the "Excluded Entities"). Proforma adjustments have been made to eliminate the operating results of the Excluded Entities so that the information above reflects only the entities included in the Merger.
- FCCG historically made loan advances to Andrew A. Wiederhorn, its CEO and significant stockholder (the "Stockholder Loan"). Prior to the Merger, the Stockholder Loan was cancelled, and the balance recorded as a loss on forgiveness of loan to stockholder. Had the Merger been completed as of the assumed proforma date of December 31, 2018 (the beginning of the Company's 2019 fiscal year), the Stockholder Loan would have been cancelled prior to that date and there would have been no further advances made. As a result, the proforma information above eliminates the loss on forgiveness of loan to stockholder and the related interest income recorded by FCCG in its historical financial statements.
- A proforma adjustment has been made during the 2020 fiscal year to eliminate intercompany dividend income earned by FCCG on preferred stock issued by FAT.

Acquisition of Johnny Rockets

On September 21, 2020, the Company completed the acquisition of Johnny Rockets Holding Co., a Delaware corporation ("Johnny Rockets") for a cash purchase price of approximately \$24.7 million. The transaction was funded with proceeds from an increase in the Company's securitization facility (See Note 11). Fees and expenses related to the Johnny Rockets acquisition totaled approximately \$604,000, consisting primarily of professional fees, all of which are classified as other expenses in the accompanying consolidated statement of operations. These fees and expenses were funded through cash on hand and proceeds from borrowings.

Immediately following the closing of the acquisition of Johnny Rockets, the Company contributed the franchising subsidiaries of Johnny Rockets to FAT Royalty I, LLC pursuant to a Contribution Agreement. (See Note 11).

The preliminary assessment of the fair value of the net assets and liabilities acquired by the Company through the acquisition of Johnny Rockets was estimated at \$24,730,000. This preliminary assessment of fair value of the net assets and liabilities as well as the final purchase price were estimated at closing and are subject to change. The preliminary allocation of the consideration to the preliminary valuation of net tangible and intangible assets acquired is presented in the table below (in thousands):

Cash	\$	812
Accounts receivable		1,452
Assets held for sale		10,765
Goodwill		1,461
Other intangible assets		26,900
Deferred tax assets		2,836
Other assets		438
Accounts payable		(1,113)
Accrued expenses		(3,740)
Deferred franchise fees		(4,988)
Operating lease liability		(10,028)
Other liabilities		(65)
Total net identifiable assets	<u>\$</u>	<u>24,730</u>

Revenues of \$2,393,000 and net income of \$202,000 attributed to Johnny Rockets from the date of acquisition are included in the accompanying consolidated statements of operations for the fiscal year ended December 27, 2020.

Proforma Information

The table below presents the proforma revenue and net (loss) income of the Company for the fiscal years ended December 27, 2020 and December 29, 2019, assuming the acquisition of Johnny Rockets had occurred on December 31, 2018 (the beginning of the Company's 2019 fiscal year), pursuant to ASC 805-10-50 (in thousands). This proforma information does not purport to represent what the actual results of operations of the Company would have been had the acquisition of Johnny Rockets occurred on this date nor does it purport to predict the results of operations for future periods.

	Fiscal Year Ended	
	December 27, 2020	December 29, 2019
Revenues	\$ 23,863	\$ 38,216
Net (loss) income	\$ (15,260)	\$ 4,971

The proforma information above reflects the combination of the Company's results as disclosed in the accompanying consolidated statements of operations for the fiscal years ended December 27, 2020 and December 29, 2019, together with the audited results of Johnny Rockets for the fiscal year ended December 29, 2019 and the unaudited results of Johnny Rockets for the portion of fiscal 2020 prior to the acquisition, with the following adjustments:

- Revenue – The unaudited proforma revenues and net (loss) income present franchise fee revenue and advertising revenue in accordance with ASC 606 in a manner consistent with the Company's application thereof. As a non-public company, Johnny Rockets had not yet been required to adopt ASC 606.
- Overhead allocations from the former parent company have been adjusted to the estimated amount the Company would have allocated for the years ended December 27, 2020 and December 29, 2019.
- Former parent company management fees have been eliminated from the proforma.
- Amortization of intangible assets has been adjusted to reflect the preliminary fair value at the assumed acquisition date.
- Depreciation on assets treated as held for sale by the Company has been eliminated.
- The proforma adjustments also include advertising expenses in accordance with ASC 606.
- The proforma interest expense has been adjusted to exclude actual Johnny Rockets interest expense incurred prior to the acquisition. All interest-bearing liabilities were paid off at closing.
- The proforma interest expense has been adjusted to include proforma interest expense that would have been incurred relating to the acquisition financing obtained by the Company.
- Non-recurring, non-operating gains and losses have been eliminated from the proforma statements.

Acquisition of Elevation Burger

On June 19, 2019, the Company completed the acquisition of EB Franchises, LLC, a Virginia limited liability company, and its related companies (collectively, “Elevation Burger”) for a purchase price of up to \$10,050,000. Elevation Burger is the franchisor of Elevation Burger restaurants, with 44 locations in the U.S. and internationally at the time of the acquisition.

The purchase price consists of \$50,000 in cash, a contingent warrant to purchase 46,875 shares of the Company’s common stock at an exercise price of \$8.00 per share (the “Elevation Warrant”), and the issuance to the Seller of a convertible subordinated promissory note (the “Elevation Note”) with a principal amount of \$7,509,816, bearing interest at 6.0% per year and maturing in July 2026. The Elevation Warrant is only exercisable in the event that the Company merges with FCCG. The Seller Note is convertible under certain circumstances into shares of the Company’s common stock at \$12.00 per share. In connection with the purchase, the Company also loaned \$2,300,000 in cash to the Seller under a subordinated promissory note (the “Elevation Buyer Note”) bearing interest at 6.0% per year and maturing in August 2026. The balance owing to the Company under the Elevation Buyer Note may be used by the Company to offset amounts owing to the Seller under the Elevation Note under certain circumstances. In addition, the Seller will be entitled to receive earn-out payments of up to \$2,500,000 if Elevation Burger realizes royalty fee revenue in excess of certain amounts. As of the date of the acquisition, the fair market value of this contingent consideration totaled \$531,000. As of December 27, 2020, and December 29, 2019, the contingent purchase price payable totaled \$728,000 and \$633,000, respectively, which includes the accretion of interest expense at an effective interest rate of 18%.

The assessment of the fair value of the net assets and liabilities acquired by the Company for the acquisition of Elevation Burger was \$7,193,000. The allocation of the consideration to the valuation of net tangible and intangible assets acquired is presented in the table below (in thousands):

Cash	\$	10
Goodwill		521
Other intangible assets		7,140
Other assets		558
Current liabilities		(91)
Deferred franchise fees		(758)
Other liabilities		(187)
Total net identifiable assets	\$	<u>7,193</u>

Descriptions of the Company’s assessment of impairment of the goodwill and other intangible assets acquired in this acquisition related to COVID-19 are in Note 6.

NOTE 4. REFRANCHISING

As part of its ongoing franchising efforts, the Company may, from time to time, make opportunistic acquisitions of operating restaurants in order to convert them to franchise locations or acquire existing franchise locations to resell to another franchisee across all of its brands.

During the first quarter of 2019, the Company met all of the criteria requiring that certain assets used in the operation of certain restaurants be classified as held for sale. As a result, the following assets have been classified as held for sale on the accompanying audited consolidated balance sheet as of December 27, 2020 and December 29, 2019 (in thousands):

	<u>December 27, 2020</u>	<u>December 29, 2019</u>
Property, plant and equipment	\$ 1,352	\$ 1,912
Operating lease right of use assets	9,479	3,216
Total	<u>\$ 10,831</u>	<u>\$ 5,128</u>

Operating lease liabilities related to the assets classified as held for sale in the amount of \$9,892,000 and \$3,325,000, have been classified as current liabilities on the accompanying audited consolidated balance sheet as of December 27, 2020 and December 29, 2019, respectively.

During the year ended December 27, 2020, operating restaurants incurred restaurant costs and expenses, net of revenue of \$2,364,000. In addition, the sale or closure of restaurants resulted in losses of \$1,463,000 during the fiscal year ended December 27, 2020. During the year ended December 29, 2019, operating restaurants incurred restaurant costs and expenses, net of revenue of \$2,014,000. In addition, the sale and refranchising of restaurants resulted in the gains of \$1,795,000 during the fiscal year ended December 29, 2019.

The following table highlights the results of the Company's refranchising program during 2020 and 2019 (in thousands):

	Fiscal year ended December 27, 2020	Fiscal year ended December 29, 2019
Restaurant costs and expenses, net of revenue	\$ (2,364)	\$ (2,014)
(Loss) gains on store sales or closures	(1,463)	1,795
Refranchising loss	\$ (3,827)	\$ (219)

NOTE 5. NOTES RECEIVABLE

Notes receivable consist of trade notes receivable and the Elevation Buyer Note.

Trade notes receivable are created when a settlement is reached relating to a delinquent franchisee account and the entire balance is not immediately paid. Trade notes receivable generally include personal guarantees from the franchisee. The notes are made for the shortest time frame negotiable and will generally carry an interest rate of 6% to 7.5%. Reserve amounts, on the notes, are established based on the likelihood of collection. As of December 27, 2020, all trade notes receivable were fully reserved. As of December 29, 2019, trade notes receivable totaled \$250,000, which was net of reserves of \$123,000.

The Elevation Buyer Note was funded in connection with the purchase of Elevation Burger (See Note 3). The Company loaned \$2,300,000 in cash to the Seller under a subordinated promissory note bearing interest at 6.0% per year and maturing in August 2026. This Note is subordinated in right of payment to all indebtedness of the Seller arising under any agreement or instrument to which the Seller or any of its affiliates is a party that evidences indebtedness for borrowed money that is senior in right of payment to the Elevation Buyer Note, whether existing on the effective date of the Elevation Buyer Note or arising thereafter. The balance owing to the Company under the Elevation Buyer Note may be used by the Company to offset amounts owing to the Seller under the Elevation Note under certain circumstances. As part of the total consideration for the Elevation acquisition, the Elevation Buyer Note was recorded at a carrying value of \$1,903,000, which was net of a discount of \$397,000. As of December 27, 2020 and December 29, 2019, the balance of the Elevation Note was \$1,830,000 and \$1,814,000, respectively, which were net of discounts of \$267,000 and \$352,000, respectively. During the fiscal year ended December 27, 2020 and December 29, 2019, the Company recognized \$211,000 and \$114,000 in interest income on the Elevation Buyer Note, respectively.

NOTE 6. GOODWILL

Goodwill consists of the following (in thousands):

	December 27, 2020	December 29, 2019
Goodwill:		
Fatburger	\$ 529	\$ 529
Buffalo's	5,365	5,365
Hurricane	2,772	2,772
Ponderosa	-	1,462
Yalla	261	263
Elevation Burger	521	521
Johnny Rockets	1,461	-
Total goodwill	\$ 10,909	\$ 10,912

The COVID related downturn in operations prompted the Company to review the carrying value of its goodwill regularly throughout the year. These analyses resulted in the recognition of impairment of these assets in the amount of \$1,464,000 for the year ended December 27, 2020. There were no impairment charges during the 2019 fiscal year.

NOTE 7. OTHER INTANGIBLE ASSETS

Other intangible assets consist of trademarks and franchise agreements that were classified as identifiable intangible assets at the time of the brands' acquisition by the Company or by FCCG prior to FCCG's contribution of the brands to the Company at the time of the initial public offering (in thousands):

	December 27, 2020	December 29, 2019
Trademarks:		
Fatburger	\$ 2,135	\$ 2,135
Buffalo's	27	27
Hurricane	6,840	6,840
Ponderosa	300	7,230
Yalla	776	1,530
Elevation Burger	4,690	4,690
Johnny Rockets	20,300	-
Total trademarks	35,068	22,452
Franchise agreements:		
Hurricane – cost	4,180	4,180
Hurricane – accumulated amortization	(804)	(482)
Ponderosa – cost	1,477	1,640
Ponderosa – accumulated amortization	(337)	(243)
Elevation Burger – cost	2,450	2,450
Elevation Burger – accumulated amortization	(761)	(263)
Johnny Rockets – cost	6,600	-
Johnny Rockets – accumulated amortization	(162)	-
Total franchise agreements	12,643	7,282
Total Other Intangible Assets	\$ 47,711	\$ 29,734

The COVID related downturn in operations prompted the Company to review its intangible assets regularly throughout the year. These analyses resulted in the recognition of impairment of trademarks in the amount of \$7,684,000 and impairment of franchise agreements in the amount of \$147,000 for the year ended December 27, 2020. There were no impairment charges during the 2019 fiscal year.

The expected future amortization of the Company's capitalized franchise agreements is as follows (in thousands):

Fiscal year:	
2021	\$ 1,526
2022	1,526
2023	1,526
2024	1,220
2025	1,027
Thereafter	5,818
Total	\$ 12,643

NOTE 8. DEFERRED INCOME

Deferred income is as follows (in thousands):

	<u>December 27, 2020</u>	<u>December 29, 2019</u>
Deferred franchise fees	\$ 10,003	\$ 5,417
Deferred royalties	291	422
Deferred vendor incentives	692	303
Total	<u>\$ 10,986</u>	<u>\$ 6,142</u>

NOTE 9. INCOME TAXES

Effective October 20, 2017, the Company entered into a Tax Sharing Agreement with FCCG that provides that FCCG would, to the extent permitted by applicable law, file consolidated federal, California and Oregon (and possibly other jurisdictions where revenue is generated, at FCCG's election) income tax returns with the Company and its subsidiaries. Under the Tax Sharing Agreement, the Company would pay FCCG the amount that its current tax liability would have been had it filed a separate return. An inter-company receivable due from FCCG and its affiliates was applied first to reduce excess income tax payment obligations to FCCG under the Tax Sharing Agreement. The Tax Sharing Agreement was terminated following the Merger with FCCG during the fourth quarter of 2020.

Deferred taxes reflect the net effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for calculating taxes payable. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	<u>December 27, 2020</u>	<u>December 29, 2019</u>
Deferred tax assets (liabilities)		
Net federal and state operating loss carryforwards	\$ 24,463	\$ 830
Deferred revenue	2,681	1,353
Intangibles	(5,820)	(614)
Deferred state income tax	(240)	(27)
Reserves and accruals	2,185	208
Interest expense carryforward	4,858	-
Tax credits	466	244
Share-based compensation	228	192
Interest expense	1,631	-
Fixed assets	504	(137)
Operating lease right of use assets	(1,271)	(960)
Operating lease liabilities	1,269	991
Valuation allowance	(513)	(49)
Other	110	1
Total	<u>\$ 30,551</u>	<u>\$ 2,032</u>

The increase in the total deferred tax assets during 2020 was primarily the result of the Merger with FCCG and the acquisition of Johnny Rockets. The merger with FCCG resulted in an initial increase of deferred tax assets of \$21,605,000, which consisted primarily of net operating loss carryforwards. The consolidation of Johnny Rockets initially increased deferred tax assets by \$2,836,000, which was primarily comprised of net operating loss carryforwards, net of deferred tax liabilities related to goodwill and other intangible assets.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized. As of December 27, 2020 and December 29, 2019, the Company recorded a valuation allowance against its deferred tax assets in the amount of \$513,000 and \$49,000, respectively, as it determined that these amounts would not likely be realized.

The Company had federal net operating loss carryforwards ("NOLs") of approximately \$98.1 million and \$2.8 million as of December 27, 2020 and December 29, 2019, respectively. The Company's State NOLs were approximately \$58.7 million and \$3.7 million as of December 27, 2020 and December 29, 2019, respectively. The NOLs began to expire in 2021. The Company also had certain federal tax credits totaling approximately \$466,000 and \$244,000 as of December 27, 2020 and December 29, 2019, respectively. The credits will begin to expire in 2028.

Under Section 382 and 383 of the Internal Revenue Code, if an ownership change occurs with respect to a "loss corporation", as defined, there are annual limitations on the amount of the NOLs and certain other deductions and credits which are available to the Company. The portion of the NOLs and other tax benefits accumulated by Johnny Rockets prior to the Acquisition are subject to this annual limitation.

Components of the income tax (benefit) expense are as follows (in thousands):

	Fiscal Year Ended December 27, 2020	Fiscal Year Ended December 29, 2019
Current		
Federal	\$ (118)	\$ 29
State	40	34
Foreign	466	244
	<u>388</u>	<u>307</u>
Deferred		
Federal	(3,199)	291
State	(878)	(88)
	<u>(4,077)</u>	<u>203</u>
Total income tax (benefit) expense	<u>\$ (3,689)</u>	<u>\$ 510</u>

Income tax provision related to continuing operations differ from the amounts computed by applying the statutory income tax rate to pretax income as follows (in thousands):

	Fiscal Year Ended December 27, 2020	Fiscal Year Ended December 29, 2019
Tax benefit at statutory rate	\$ (3,895)	\$ (107)
State and local income taxes	(661)	(43)
Foreign taxes	466	244
Tax credits	(222)	(24)
Dividends on preferred stock	138	372
Meals and entertainment	(16)	42
Goodwill impairment	417	-
Other	84	26
Total income tax (benefit) expense	<u>\$ (3,689)</u>	<u>\$ 510</u>

As of December 27, 2020, the Company's subsidiaries' annual tax filings for the prior three years are open for audit by Federal and for the prior four years for state tax agencies. The Company is the beneficiary of indemnification agreements from the prior owners of the subsidiaries for tax liabilities related to periods prior to its ownership of the subsidiaries. Management evaluated the Company's overall tax positions and has determined that no provision for uncertain income tax positions is necessary as of December 27, 2020.

NOTE 10. LEASES

As of December 27, 2020, the Company has recorded fifteen operating leases for corporate offices and for certain restaurant properties that are in the process of being refranchised. The leases have remaining terms ranging from 3 months to 18 years. The Company recognized lease expense of \$1,950,000 and \$1,441,000 for the fiscal years ended December 27, 2020 and December 29, 2019, respectively. The weighted average remaining lease term of the operating leases as of December 27, 2020 was 7.6 years.

Operating lease right of use assets and operating lease liabilities relating to the operating leases are as follows (in thousands):

	December 27, 2020	December 29, 2019
Right of use assets	\$ 13,948	\$ 4,076
Lease liabilities	\$ 14,651	\$ 4,206

The operating lease right of use assets and operating lease liabilities include obligations relating to the optional term extensions available on the five restaurant leases based on management’s intention to exercise the options. The weighted average discount rate used to calculate the carrying value of the right of use assets and lease liabilities was 9.4% which is based on the Company’s incremental borrowing rate at the time the lease is acquired.

The contractual future maturities of the Company’s operating lease liabilities as of December 27, 2020, including anticipated lease extensions, are as follows (in thousands):

Fiscal year:	
2021	\$ 3,009
2022	3,182
2023	3,275
2024	3,137
2025	2,791
Thereafter	4,854
Total lease payments	<u>20,248</u>
Less imputed interest	5,597
Total	<u>\$ 14,651</u>

Supplemental cash flow information for the fiscal year ended December 27, 2020 related to leases is as follows (in thousands):

Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows from operating leases	\$ 1,202
Operating lease right of use assets obtained in exchange for new lease obligations:	
Operating lease liabilities	\$ 14,500

NOTE 11. DEBT

Securitization

On March 6, 2020, the Company completed a whole-business securitization (the “Securitization”) through the creation of a bankruptcy-remote issuing entity, FAT Brands Royalty I, LLC (“FAT Royalty”), in which FAT Royalty issued notes (the “Securitization Notes”) pursuant to an indenture and the supplement thereto, each dated March 6, 2020 (collectively, the “Indenture”).

The Securitization Notes issued in March 2020 consist of the following (the “Series A and B Notes”):

Note	Public Rating	Seniority	Issue Amount	Coupon	First Call Date	Final Legal Maturity Date
A-2	BB	Senior	\$ 20,000,000	6.50%	4/27/2021	4/27/2026
B-2	B	Senior Subordinated	\$ 20,000,000	9.00%	4/27/2021	4/27/2026

Net proceeds from the issuance of the Series A and B Notes were \$37,389,000, which consists of the combined face amount of \$40,000,000, net of discounts of \$246,000 and debt offering costs of \$2,365,000. The discount and offering costs will be accreted as additional interest expense over the expected term of the Series A and B Notes.

A portion of the proceeds from the Series A and B Notes were used to repay the remaining \$26,771,000 in outstanding balance under the Loan and Security Agreement (the “Loan and Security Agreement”) with The Lion Fund, L.P. and The Lion Fund II, L.P. (collectively, “Lion”) and to pay Securitization debt offering costs. The remaining proceeds from the Securitization were available for working capital.

On September 21, 2020, FAT Royalty completed the sale of an additional \$40 million of Series 2020-2 Fixed Rate Asset-Backed Notes (the “Series M-2 Notes”), increasing the Company’s Securitization Notes to \$80 million.

The Series M-2 Notes consist of the following:

Note	Seniority	Issue Amount	Coupon	First Call Date	Final Legal Maturity Date
M-2	Subordinated	\$ 40,000,000	9.75%	4/27/2021	4/27/2026

Net proceeds from the issuance of the Series M-2 Notes were \$35,371,000, which consists of the face amount of \$40,000,000, net of discounts of \$3,200,000 and debt offering costs of \$1,429,000. The discount and offering costs will be accreted as additional interest expense over the expected term of the Series M-2 Notes.

The Series M-2 Notes are subordinate to the Series A-2 Notes and Series B-2 Notes. All Securitization Notes issued under the Base Indenture are secured by an interest in substantially all of the assets of FAT Royalty, including the Johnny Rockets companies, that have been contributed to FAT Royalty and are obligations only of FAT Royalty under the Base Indenture and not obligations of the Company.

While the Securitization Notes are outstanding, scheduled payments of principal and interest are required to be made on a quarterly basis, with the scheduled principal payments of \$1,000,000 per quarter on each of the Series A-2 and Series B-2 Notes and \$200,000 per quarter on the Series M-2 Notes beginning the second quarter of 2021. The Company anticipates that the Securitization Notes will be repaid prior to the Final Legal Maturity Date, with the anticipated repayment date occurring in January 2023 for the A-2 Notes, October 2023 for the B-2 Notes and April 2026 for the Series M-2 Notes (the “Anticipated Repayment Dates”). If FAT Royalty has not repaid or refinanced the Securitization Notes prior to the applicable Anticipated Repayment Date as defined in the Indenture, additional interest expense will begin to accrue and all additional proceeds will be utilized for additional principal amortization, as defined in the Indenture.

If FAT Royalty has not repaid or refinanced the Class A-2 Notes prior to January 2023, additional interest will accrue thereon in an amount equal to the greater of (i) 5.00% per annum and (ii) a per annum interest rate equal to the amount, if any, by which the sum of the following exceeds the original interest rate on the Class A-2 Notes: (x) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the Class A-2 anticipated repayment date of the United States Treasury security having a term closest to 5 years plus (y) 5.0%, plus (z) 5.77%.

If FAT Royalty has not repaid or refinanced the Class B-2 Notes prior to October 2023, additional interest will accrue thereon in an amount equal to the greater of (i) 5.00% per annum and (ii) a per annum interest rate equal to the amount, if any, by which the sum of the following exceeds the original interest rate on the Class B-2 Notes: (x) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the Class B-2 anticipated repayment date of the United States Treasury security having a term closest to 5 years plus (y) 5.0%, plus (z) 8.27%.

If FAT Royalty has not repaid or refinanced the Class M-2 Notes prior to April 2026, additional interest will accrue thereon in an amount equal to the greater of (i) 5.00% per annum and (ii) a per annum interest rate equal to the amount, if any, by which the sum of the following exceeds the original interest rate on the Class M-2 Notes: (x) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the Class M-2 anticipated repayment date of the United States Treasury security having a term closest to 5 years plus (y) 5.0%, plus (z) 9.48%.

In connection with the Securitization, FAT Royalty and each of the Franchise Entities (as defined in the Indenture) entered into a Management Agreement with the Company, dated as of the Closing Date (the “Management Agreement”), pursuant to which the Company agreed to act as manager of FAT Royalty and each of the Franchise Entities. The Management Agreement provides for a management fee payable monthly by FAT Royalty to the Company in the amount of \$200,000, subject to three percent (3%) annual increases (the “Management Fee”). The primary responsibilities of the manager are to perform certain franchising, distribution, intellectual property and operational functions on behalf of the Franchise Entities pursuant to the Management Agreement.

The Securitization Notes are secured by substantially all of the assets of FAT Royalty, including the equity interests in the Franchise Entities. The restrictions placed on the Company’s subsidiaries require that FAT Royalty’s principal and interest obligations have first priority, after the payment of the Management Fee and certain other FAT Royalty expenses (as defined in the Indenture), and amounts are segregated monthly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of monthly cash flow that exceeds the required monthly debt service is generally remitted to the Company. Once the required obligations are satisfied, there are no further restrictions, including payment of dividends, on the cash flows of the subsidiaries.

The Securitization Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any jurisdiction.

The Securitization Notes are subject to certain financial and non-financial covenants, including a debt service coverage ratio calculation, as defined in the Indenture. If certain covenants are not met, the Notes may become partially or fully due and payable on an accelerated schedule. In addition, FAT Royalty may voluntarily prepay, in part or in full, the Notes in accordance with the provisions in the Indenture. As of December 27, 2020, FAT Royalty was in compliance with these covenants.

As of December 27, 2020, the recorded balance of the Securitization Notes was \$73,369,000, which is net of debt offering costs of \$3,374,000 and original issue discount of \$3,257,000. The Company recognized interest expense on the Securitization Notes of \$4,205,000 for the fiscal year ended December 27, 2020, which includes \$385,000 for amortization of debt offering costs and \$188,000 for amortization of the original issue discount. The average effective interest rate of the Securitization Notes, including such amortizations, was 10.3% for the fiscal year ended December 27, 2020.

Loan and Security Agreement

On January 29, 2019, the Company as borrower, and its subsidiaries and affiliates as guarantors, entered into the Loan and Security Agreement with Lion. Pursuant to the Loan and Security Agreement, the Company borrowed \$20.0 million from Lion, and utilized the proceeds to repay the existing \$16.0 million term loan from FB Lending, LLC plus accrued interest and fees, and provide additional general working capital to the Company.

The term loan under the Loan and Security Agreement was due to mature on June 30, 2020. Interest on the term loan accrued at an annual fixed rate of 20.0% and was payable quarterly. In connection with the Loan and Security Agreement, the Company issued to Lion a warrant to purchase up to 1,167,404 shares of the Company's common stock at \$0.01 per share (the "Lion Warrant"), exercisable only if the amounts outstanding under the Loan and Security Agreement were not repaid in full by June 30, 2020, as extended. If the Loan and Security Agreement was repaid in full prior to June 30, 2020, the Lion Warrant would be terminated in its entirety.

As security for its obligations under the Loan Agreement, the Company granted a lien on substantially all of its assets to Lion. In addition, certain of the Company's subsidiaries and affiliates entered into a Guaranty (the "Guaranty") in favor of Lion, pursuant to which they guaranteed the obligations of the Company under the Loan and Security Agreement and granted as security for their guaranty obligations a lien on substantially all of their assets.

The Loan and Security Agreement was subsequently amended several times which allowed the Company to increase its borrowing by \$3,500,000 in connection with the acquisition of Elevation Burger; extended the exercise date of the Lion Warrant to June 30, 2020; extended the due date for certain quarterly payments and imposed associated extension and other loan fees.

On March 6, 2020, the Company repaid the Lion Loan and Security Agreement in full by making a total payment of approximately \$26,771,000. This consisted of \$24,000,000 in principle, approximately \$2,120,000 in accrued interest and \$651,000 in penalties and fees. As a result of the repayment, the Lion Warrant was cancelled in its entirety.

The Company recognized interest expense on the Loan and Security Agreement of \$1,783,000 for the year ended December 27, 2020, which includes \$212,000 for amortization of all unaccrued debt offering costs at the time of the repayment and \$650,000 in penalties and fees. The Company recognized interest expense on the Loan and Security Agreement of \$4,881,000 for the fiscal year ended December 29, 2019, which includes \$227,000 for amortization of debt offering costs and a \$500,000 loan extension fee.

Elevation Note

On June 19, 2019, the Company completed the acquisition of Elevation Burger. A portion of the purchase price included the issuance to the Seller of a convertible subordinated promissory note (the "Elevation Note") with a principal amount of \$7,510,000, bearing interest at 6.0% per year and maturing in July 2026. The Elevation Note is convertible under certain circumstances into shares of the Company's common stock at \$12.00 per share. In connection with the valuation of the acquisition of Elevation Burger, the Elevation Note was recorded on the financial statements of the Company at \$6,185,000, which is net of a loan discount of \$1,295,000 and debt offering costs of \$30,000.

As of December 27, 2020, the carrying value of the Elevation Note was \$5,919,000 which is net of the loan discount of \$872,000 and debt offering costs of \$56,000. The Company recognized interest expense relating to the Elevation Note during the fiscal year ended December 27, 2020 in the amount of \$689,000, which included amortization of the loan discount of \$277,000 and amortization of \$10,000 in debt offering costs. The Company recognized interest expense relating to the Elevation Note during the year ended December 29, 2019 in the amount of \$383,000, which included amortization of the loan discount of \$146,000 and amortization of \$5,000 in debt offering costs. The effective interest rate for the Elevation Note during the year ended December 27, 2020 was 11.7%.

The Elevation Note is a general unsecured obligation of Company and is subordinated in right of payment to all indebtedness of the Company arising under any agreement or instrument to which Company or any of its Affiliates is a party that evidences indebtedness for borrowed money that is senior in right of payment.

Paycheck Protection Program Loans

During the fiscal year ended December 27, 2020, the Company received loan proceeds in the amount of approximately \$1,532,000 under the Paycheck Protection Program (the “PPP Loans”) and Economic Injury Disaster Loan Program (the “EIDL Loans”). The Paycheck Protection Program, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

At inception, the PPP Loans and EIDL Loans related to FAT Brands Inc. as well as five restaurant locations that were part of the Company’s refranchising program. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loans, there can be no assurance that the Company will be eligible for forgiveness of the loans, in whole or in part. Any unforgiven portion of the PPP Loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. As of December 27, 2020, the balance remaining on the PPP Loans and EIDL Loans was \$1,183,000 related to FAT Brands Inc. as the five restaurant locations were closed or refranchised during the second and third quarters of 2020 (Note 4). The Company is currently in the process of applying for forgiveness of the PPP Loans and the EIDL Loans.

Assumed Debt from Merger

The following debt of FCCG was assumed by Fog Cutter Acquisition LLC, a subsidiary of the Company, as part of the Merger (in thousands):

	<u>December 27, 2020</u>
Note payable to a private lender. The note bears interest at a fixed rate of 12% and is unsecured. Interest is due monthly in arrears. The note matures on May 21, 2021.	\$ 1,977
Note payable to a private lender. The note bears interest at a fixed rate of 12% and is unsecured. Interest is due monthly in arrears. The note matures on May 21, 2021.	2,871
Note payable to a private lender. The note bears interest at a fixed rate of 15%. The note matures May 21, 2021.	17
Note payable to a private lender. The note bears interest at a fixed rate of 12%. Interest is due monthly in arrears. The note matures May 21, 2021.	762
Consideration payable to former FCCG shareholders issued in redemption of fractional shares of FCCG’s stock. The consideration is unsecured and non-interest bearing and is due and payable on May 21, 2021.	<u>6,864</u>
Total	<u>\$ 12,491</u>

NOTE 12. PREFERRED STOCK

Series B Cumulative Preferred Stock

On July 13, 2020, the Company entered into an underwriting agreement (the “Underwriting Agreement”) to issue and sell in a public offering (the “Offering”) 360,000 shares of 8.25% Series B Cumulative Preferred Stock (“Series B Preferred Stock”) and 1,800,000 warrants, plus 99,000 additional warrants pursuant to the underwriter’s overallotment option (the “2020 Series B Offering Warrants”), to purchase common stock at \$5.00 per share. In the Underwriting Agreement, the Company agreed to pay the underwriters an underwriting discount of 8.0% of the gross proceeds received by the Company in the Offering and issue five-year warrants exercisable for 1% of the number of Series B Preferred Stock shares and the number of 2020 Series B Offering Warrants sold in the Offering.

In connection with the Offering, on July 15, 2020 the Company filed an Amended and Restated Certificate of Designation of Rights and Preferences of Series B Cumulative Preferred Stock with the Secretary of State of Delaware, designating a total of 850,000 shares of Series B Preferred Stock (the “Certificate of Designation”), and on July 16, 2020 entered into a Warrant Agency Agreement with VStock Transfer, LLC, to act as the Warrant Agent for the Series B Offering Warrants (the “Warrant Agency Agreement”).

The Certificate of Designation amends and restates the terms of the Series B Cumulative Preferred Stock issued in October 2019 (the “Original Series B Preferred”). At the time of the Offering, there were 57,140 shares of the Original Series B Preferred outstanding, together with warrants to purchase 34,284 shares of the Company’s common stock at an exercise price of \$8.50 per share (the “Series B Warrants”).

The Offering closed on July 16, 2020 with net proceeds to the Company of \$8,122,000, which was net of \$878,000 in underwriting and offering costs.

Holders of Series B Cumulative Preferred Stock shall be entitled to receive, when, as and if declared by the FAT Board or a duly authorized committee thereof, in its sole discretion, out of funds of the Company legally available for the payment of distributions, cumulative preferential cash dividends at a rate per annum equal to the 8.25% multiplied by \$25.00 per share stated liquidation preference of the Series B Preferred Stock. The dividends shall accrue without interest and accumulate, whether or not earned or declared, on each issued and outstanding share of the Series B Preferred Stock from (and including) the original date of issuance of such share and shall be payable monthly in arrears on a date selected by the Company each calendar month that is no later than twenty (20) days following the end of each calendar month.

If the Company fails to pay dividends on the Series B Preferred Stock in full for any twelve accumulated, accrued and unpaid dividend periods, the dividend rate shall increase to 10% until the Company has paid all accumulated accrued and unpaid dividends on the Series B Preferred Stock in full and has paid accrued dividends during the two most recently completed dividend periods in full, at which time the 8.25% dividend rate shall be reinstated.

The Company may redeem the Series B Preferred Stock, in whole or in part, at the option of the Company, for cash, at the following redemption price per share, plus any unpaid dividends:

- (i) After July 16, 2020 and on or prior to July 16, 2021: \$27.50 per share.
- (ii) After July 16, 2021 and on or prior to July 16, 2022: \$27.00 per share.
- (iii) After July 16, 2022 and on or prior to July 16, 2023: \$26.50 per share.
- (iv) After July 16, 2023 and on or prior to July 16, 2024: \$26.00 per share.
- (v) After July 16, 2024 and on or prior to July 16, 2025: \$25.50 per share.
- (vi) After July 16, 2025: \$25.00 per share.

As a result of the amended and restated terms of the Series B Cumulative Preferred Stock, the Company classified the Series B Preferred Stock as equity as of July 15, 2020.

Concurrent with the Offering, the holders of the outstanding 57,140 shares of Original Series B Preferred became subject to the new terms of the Certificate of Designation. At the time of the amendment and restatement of the Certificate of Designation, the adjusted basis of the Original Series B Preferred on the Company's books was \$1,112,000, net of unamortized debt discounts and debt offering costs. As a result of the amendment and restatement of the Certificate of Designation, the recorded value of the new Series B Stock was \$1,136,000 with \$292,000 allocated to the 2020 Series B Offering Warrants, resulting in an aggregate loss on the exchange of \$296,000. The original holders were also issued 3,537 shares of new Series B Preferred Shares in payment of \$88,000 accrued and outstanding dividends relating to the Original Series B Preferred at a price of \$25 per share.

The Company entered into an agreement to exchange 15,000 shares of Series A Fixed Rate Cumulative Preferred Stock owned by FCCG for 60,000 shares of Series B Preferred Stock valued at \$1,500,000, pursuant to a Settlement, Redemption and Release Agreement. At the time of the exchange, the adjusted basis of the Series A Preferred on the Company's books was \$1,489,000, net of unamortized debt discounts and debt offering costs, and the Company recognized a loss on the exchange in the amount of \$11,000. The Company also agreed to issue 14,449 shares of Series B Preferred Stock valued at \$361,224 as consideration for accrued dividends due to FCCG.

The Company entered into an agreement to exchange all of the outstanding shares of Series A-1 Fixed Rate Cumulative Preferred Stock for 168,001 shares of Series B Preferred Stock valued at \$4,200,000, pursuant to a Settlement, Redemption and Release Agreement with the holders of such shares. At the time of the exchange, the adjusted basis of the Series A Preferred on the Company's books was \$4,421,000, net of unamortized debt discounts and debt offering costs, and the Company recognized a gain on the exchange in the amount of \$221,000.

In connection with the acquisition of FCCG by the Company, in December 2020 the Company declared a special stock dividend (the "Special Dividend") payable only to holders of our Common Stock, other than FCCG, on the record date, consisting of 0.2319998077 shares of Series B Cumulative Preferred Stock for each outstanding share of Common Stock held by such stockholders. The value of fractional shares of Series B Preferred Stock was paid in cash dividends totaling approximately \$29,000. The Special Dividend was paid on December 23, 2020 and resulted in the issuance of 520,145 additional shares of Series B Preferred Stock with a market value on the payment date of approximately \$8,885,000.

As of December 27, 2020, the Series B Preferred Stock consisted of 1,183,272 shares outstanding with a balance of \$21,788,000. The Company declared preferred dividends to the holders of the Series B Preferred Stock totaling \$517,000 during the fiscal year ended December 27, 2020.

Series A Fixed Rate Cumulative Preferred Stock

On June 8, 2018, the Company filed a Certificate of Designation of Rights and Preferences of Series A Fixed Rate Cumulative Preferred Stock ("Series A Preferred Stock") with the Secretary of State of the State of Delaware (the "Certificate of Designation"), designating a total of 100,000 shares of Series A Preferred Stock.

The Company issued 100,000 shares of Series A Preferred stock in the following two transactions:

- (i) On June 7, 2018, the Company entered into a Subscription Agreement for the issuance and sale (the "Series A Offering") of 800 units (the "Units"), with each Unit consisting of (i) 100 shares of the Company's newly designated Series A Fixed Rate Cumulative Preferred Stock (the "Series A Preferred Stock") and (ii) warrants (the "Series A Warrants") to purchase 127 shares of the Company's common stock at \$7.83 per share. The sales price of each Unit was \$10,000, resulting in gross proceeds to the Company from the initial closing of \$8,000,000 and the issuance of 80,000 shares of Series A Preferred Stock and Series A Warrants to purchase 102,125 shares of common stock (the "Subscription Warrants").
- (ii) On June 27, 2018, the Company entered into a Note Exchange Agreement, as amended, under which it agreed with FCCG to exchange all but \$950,000 of the remaining balance of the Company's outstanding Promissory Note issued to the FCCG on October 20, 2017, in the original principal amount of \$30,000,000 (the "Note"). At the time, the Note had an estimated outstanding balance of principal plus accrued interest of \$10,222,000 (the "Note Balance"). On June 27, 2018, \$9,272,053 of the Note Balance was exchanged for shares of capital stock of the Company and warrants in the following amounts (the "Exchange Shares"):
 - \$2,000,000 of the Note Balance was exchanged for 200 Units consisting of 20,000 shares of Series A Fixed Rate Cumulative Preferred Stock of the Company at \$100 per share and Series A Warrants to purchase 25,530 of the Company's common stock at an exercise price of \$7.83 per share (the "Exchange Warrants"); and

- \$7,272,053 of the Note Balance was exchanged for 1,010,420 shares of common stock of the Company, representing an exchange price of \$7.20 per share, which was the closing trading price of the common stock on June 26, 2018.

On July 13, 2020, the Company entered into the following transactions pertaining to the outstanding Series A Preferred Stock:

1. The Company entered into an agreement to redeem 80,000 outstanding shares of the Series A Preferred Stock, plus accrued dividends thereon, held by Trojan Investments, LLC pursuant to a Stock Redemption Agreement that provides for the redemption at face value of a portion of such shares for cash from the proceeds of the Offering and the balance to be redeemed in \$2 million tranches every six months, with the final payment due by December 31, 2021.
2. The Company redeemed 5,000 outstanding shares of Series A Preferred Stock, plus accrued dividends thereon, held by Ridgewood Select Value Fund LP and its affiliate at face value for cash from the proceeds of the Offering.
3. The Company exchanged 15,000 outstanding shares of Series A Preferred Stock, plus accrued dividends thereon, held by FCCG at face value for shares of Series B Preferred Stock valued at \$25.00 per share.

The Company classifies the Series A Preferred Stock as debt.

As of December 27, 2020, there were 80,000 shares of Series A Preferred Stock outstanding, with a balance of \$7,961,000 which is net of debt offering costs of \$5,000.

The Company recognized interest expense on the Series A Preferred Stock of \$1,367,000 for the fiscal year ended December 27, 2020, which includes accretion expense of \$42,000 as well as \$6,000 for the amortization of debt offering costs. For the 2019 fiscal year, the Company recognized interest expense on the Series A Preferred Stock of \$1,415,000, which includes accretion expense of \$22,000 and \$3,000 for the amortization of debt offering costs. The year-to-date effective interest rate for the Series A Preferred Stock for 2020 was 15.0%.

Derivative Liability Relating to the Conversion Feature of the Series A Preferred Stock

Holders of Series A Preferred Stock had the option to cause the Company to redeem all or any portion of their shares of Series A Preferred Stock beginning any time after the two-year anniversary of the initial issuance date for an amount equal to \$100.00 per share plus any accrued and unpaid dividends, which could be settled in cash or common stock of the Company, at the option of the holder (the "Conversion Option"). If a holder elected to receive common stock, the shares would be issued based on the 20-day volume weighted average price of the common stock immediately preceding the date of the holder's redemption notice.

On June 8, 2020, the Conversion Option became exercisable. As of that date, the Company calculated the estimated fair value of the Conversion Option to be \$2,403,000 and recorded a derivative liability in that amount, together with an offsetting reduction in Additional Paid-In Capital.

On July 13, 2020, the Company entered into agreements with each of the holders of the Series A Preferred Stock regarding the redemption of their shares. Holders of 85,000 of the outstanding shares agreed to a full redemption in periodic cash payments. FCCG, the holder of the remaining 15,000 outstanding shares, agreed to redeem its Series A Preferred Stock in exchange for newly issued Series B Preferred Stock of the Company. As a result of these agreements, the Conversion Option was terminated for all holders as of July 13, 2020. Immediately prior to the termination, the fair value of the Conversion Option was determined to be \$1,516,000 and resulted in the recognition of \$887,000 in income from the decrease in the value of the derivative liability. With the termination of the Conversion Option, the \$1,516,000 remaining balance in derivative liability was written off with an offsetting credit to Additional Paid-in Capital.

Series A-1 Fixed Rate Cumulative Preferred Stock

On July 3, 2018, the Company filed a Certificate of Designation of Rights and Preferences of Series A-1 Fixed Rate Cumulative Preferred Stock (the “Series A-1 Certificate of Designation”) with the Secretary of State of the State of Delaware, designating a total of 200,000 shares of Series A-1 Fixed Rate Cumulative Preferred Stock (the “Series A-1 Preferred Stock”). The Company issued 45,000 shares of Series A-1 Preferred Stock. The Company classified the Series A-1 Preferred Stock as long-term debt because it contained an obligation to issue a variable number of common shares for a fixed monetary amount.

On July 13, 2020, the Company entered into a Settlement, Redemption and Release Agreement (the “Series A-1 Agreement”) with the holders of the Series A-1 Preferred Stock, to exchange all outstanding shares of Series A-1 Preferred Stock for shares of newly issued Series B Preferred. The Series A-1 Agreement also included a negotiated \$300,000 reduction in the redemption value of the Series A-1 Preferred Stock. The Company recognized a \$221,000 gain as a result of the reduction during the year ended December 27, 2020.

Prior to the exchange, the Company recognized interest expense on the Series A-1 Preferred Stock of \$87,000 for the year ended December 27, 2020, which included a net reduction in the debt discount of \$15,000, as well as \$3,000 in amortization of debt offering costs. The Company recognized interest expense on the Series A-1 Preferred Stock of \$309,000 for the fiscal year ended December 29, 2019, which included recognized accretion expense of \$32,000 and \$7,000 for the amortization of debt offering costs.

NOTE 13. RELATED PARTY TRANSACTIONS

Due from Affiliates

On April 24, 2020, the Company entered into an Intercompany Revolving Credit Agreement with FCCG (“Intercompany Agreement”). The Company had previously extended credit to FCCG pursuant to a certain Intercompany Promissory Note (the “Original Note”), dated October 20, 2017, with an initial principal balance of \$11,906,000. Subsequent to the issuance of the Original Note, the Company and certain of its direct or indirect subsidiaries made additional intercompany advances. Pursuant to the Intercompany Agreement, the revolving credit facility was subject to an interest at a rate of 10% per annum, had a five-year term with no prepayment penalties, and had a maximum capacity of \$35,000,000. All additional borrowings under the Intercompany Agreement were subject to the approval of the Board of Directors, in advance, on a quarterly basis and were subject to other conditions as set forth by the Company. The initial balance under the Intercompany Agreement totaled \$21,067,000 including the balance of the Original Note, borrowings subsequent to the Original Note, accrued and unpaid interest income, and other adjustments through December 29, 2019. Effective with the Merger with FCCG, the Intercompany Agreement was terminated and intercompany balances are eliminated in consolidation.

Effective July 5, 2018, the Company made a preferred capital investment in Homestyle Dining LLC, a Delaware limited liability corporation (“HSD”) in the amount of \$4.0 million (the “Preferred Interest”). FCCG owns all of the common interests in HSD. The holder of the Preferred Interest was entitled to a 15% priority return on the outstanding balance of the investment (the “Preferred Return”). Any available cash flows from HSD on a quarterly basis were to be distributed to pay the accrued Preferred Return and repay the Preferred Interest until fully retired. On or before the five-year anniversary of the investment, the Preferred Interest were to be fully repaid, together with all previously accrued but unpaid Preferred Return. FCCG unconditionally guaranteed repayment of the Preferred Interest in the event HSD failed to do so. Effective with the Merger with FCCG, the Preferred Interest was terminated and intercompany balances are eliminated in consolidation.

During the year ended December 27, 2020, the Company recorded a receivable from FCCG in the amount of \$158,000 under the Tax Sharing Agreement, which was added to the intercompany receivable. During the fiscal year ended December 29, 2019, the Company recorded a payable to FCCG in the amount of \$51,000 under the Tax Sharing Agreement, which was offset against the intercompany receivable. The Tax Sharing Agreement was terminated following the Merger. (See Note 9).

NOTE 14. SHAREHOLDERS' EQUITY

As of December 27, 2020 and December 29, 2019, the total number of authorized shares of common stock was 25,000,000, and there were 11,926,264 and 11,860,299 shares of common stock outstanding, respectively.

Below are the changes to the Company's common stock during the fiscal year ended December 27, 2020:

- On February 11, 2020, the non-employee members of the board of directors elected to receive their compensation in shares of the Company's common stock in lieu of cash. As such, the Company issued a total of 16,360 shares of common stock at a value of \$4.585 per share to the non-employee members of the board of directors as consideration for accrued directors' fees.
- On May 12, 2020, the non-employee members of the board of directors elected to receive their compensation in shares of the Company's common stock in lieu of cash. As such, the Company issued a total of 13,677 shares of common stock at a value of \$3.29 per share to the non-employee members of the board of directors as consideration for accrued directors' fees.
- On August 4, 2020, certain non-employee members of the board of directors elected to receive their compensation in shares of the Company's common stock in lieu of cash. As such, the Company issued a total of 35,928 shares of common stock at a value of \$3.34 per share to these non-employee members of the board of directors as consideration for accrued directors' fees.

NOTE 15. SHARE-BASED COMPENSATION

Effective September 30, 2017, the Company adopted the 2017 Omnibus Equity Incentive Plan (the "Plan"). The Plan is a comprehensive incentive compensation plan under which the Company can grant equity-based and other incentive awards to officers, employees and directors of, and consultants and advisers to, FAT Brands Inc. and its subsidiaries. The Plan provides a maximum of 1,021,250 shares available for grant.

All of the stock options issued by the Company to date have included a vesting period of three years, with one-third of each grant vesting annually. The Company's stock option activity for fiscal year ended December 27, 2020 can be summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Stock options outstanding at December 29, 2019	722,481	\$ 8.45	7.5
Grants	91,908	\$ 5.90	9.8
Forfeited	(158,284)	\$ 7.98	7.7
Expired	-	\$ -	-
Stock options outstanding at December 27, 2020	656,105	\$ 8.21	7.8
Stock options exercisable at December 27, 2020	453,566	\$ 9.34	7.3

The range of assumptions used in the Black-Scholes valuation model to record the stock-based compensation are as follows:

	Including Non-Employee Options
Expected dividend yield	0% - 10.43%
Expected volatility	30.23% - 31.73%
Risk-free interest rate	0.32% - 2.85%
Expected term (in years)	5.50 - 5.75

The Company recognized share-based compensation expense in the amount of \$99,000 and \$262,000 during the fiscal years ended December 27, 2020 and December 29, 2019, respectively. As of December 27, 2020, there remains \$152,000 of share-based compensation expense relating to non-vested grants, which will be recognized over the remaining vesting period, subject to future forfeitures.

NOTE 16. WARRANTS

Warrant Repurchases

On July 30, 2020, the Company entered into an agreement (the “Lender Warrant Purchase Agreement”) to reacquire for \$249,500, warrants that had been issued on July 3, 2018 and which granted the right to purchase 509,604 shares of the Company’s common stock at an exercise price of \$7.20 per share (the “Lender Warrant”). The Lender Warrant was issued as part of the former \$16 million credit facility with FB Lending, LLC, which was repaid on January 29, 2019. The Lender Warrant was valued at \$592,000 at the date of grant and may have been exercised at any time beginning on the issue date and ending on July 3, 2023.

On August 11, 2020, the Company purchased a portion of the outstanding Placement Agent Warrants for \$12,626. The reacquired Placement Agent Warrants were issued on July 3, 2018 and granted the right to purchase 25,787 shares of the Company’s common stock at an exercise price of \$7.20 per share. As of December 27, 2020, there were remaining outstanding Placement Agent Warrants granting rights to purchase 40,904 shares of the Company’s common stock at an exercise price of \$7.20 per share.

Between August 19, 2020 and December 7, 2020, the Company engaged in several open market purchases of the 2020 Series B Offering Warrants. For payment of total consideration of \$479,789, the Company acquired warrants which had been issued on July 16, 2020 and which granted the right to purchase a total of 284,290 shares of the Company’s common stock at an exercise price of \$5.00 per share. As a result of these transactions, the remaining outstanding 2020 Series B Offering Warrants grant rights to purchase 1,899,910 shares of the Company’s common stock, beginning on the earlier of one year from the date of issuance or the consummation of a consolidation, merger or other similar business combination transaction involving the Company and FCCG.

Warrant Exchange

In connection with the July 13, 2020 Offering of 8.25% Series B Cumulative Preferred Stock, the Company entered into agreements with certain holders of the Original Series B Preferred to exchange the 34,224 outstanding Series B Warrants for 285,200 new Series B Offering Warrants valued at \$292,000, pursuant to Warrant Exchange Agreements, in consideration of their consent to amend and restate the terms of the Series B Cumulative Preferred Stock. As a result of the warrant exchange the Company recognized a loss of \$271,000. (See Note 12)

The original Series B Warrants had been issued between October 3, 2019 and December 29, 2019, in connection with the sale of Original Series B Preferred and granted the right to purchase 34,284 shares of the Company’s common stock at an exercise price of \$8.50 per share, exercisable for a period of five years from October 3, 2019.

Outstanding Warrants

As of December 27, 2020, the Company had the following outstanding warrants to purchase shares of its common stock:

- Warrants issued on October 20, 2017 to purchase 81,700 shares of the Company’s common stock granted to the selling agent in the Company’s Initial Public Offering (the “Common Stock Warrants”). The Common Stock Warrants are exercisable commencing April 20, 2018 through October 20, 2022. The exercise price for the Common Stock Warrants is \$14.69 per share, and the Common Stock Warrants were valued at \$124,000 at the date of grant. The Common Stock Warrants provide that upon exercise, the Company may elect to redeem the Common Stock Warrants in cash by paying the difference between the applicable exercise price and the then-current fair market value of the common stock.

- Warrants issued on June 7, 2018 to purchase 102,125 shares of the Company’s common stock at an exercise price of \$7.83 per share (the “Subscription Warrants”). The Subscription Warrants were issued as part of the Subscription Agreement (see Note 12). The Subscription Warrants were valued at \$87,000 at the date of grant. The Subscription Warrants may be exercised at any time or times beginning on the issue date and ending on the five-year anniversary of the issue date.
- Warrants issued on June 27, 2018 to purchase 25,530 shares of the Company’s common stock at an exercise price of \$7.83 per share (the “Exchange Warrants”). The Exchange Warrants were issued as part of the Exchange (See Note 12). The Exchange Warrants were valued at \$25,000 at the date of grant. The Exchange Warrants may be exercised at any time or times beginning on the issue date and ending on the five-year anniversary of the issue date.
- Warrants issued on July 3, 2018 to purchase 57,439 shares of the Company’s common stock at an exercise price of \$7.83 per share (the “Hurricane Warrants”). The Hurricane Warrants were issued as part of the acquisition of Hurricane. The Hurricane Warrants were valued at \$58,000 at the date of grant. The Hurricane Warrants may be exercised at any time or times beginning on the issue date and ending on the five-year anniversary of the issue date.
- Warrants issued on July 3, 2018 to purchase 40,904 shares of the Company’s common stock at an exercise price of \$7.20 per share (the “Placement Agent Warrants”). The Placement Agent Warrants were issued to the placement agents of the \$16 million credit facility with FB Lending, LLC (See Note 11). The remaining Placement Agent Warrants had been valued at \$48,000 at the date of grant. The Placement Agent Warrants may be exercised at any time or times beginning on the issue date and ending on the five-year anniversary of the issue date.
- Warrants issued on June 19, 2019, in connection with the acquisition of Elevation Burger (See Note 3), to purchase 46,875 shares of the Company’s common stock at an exercise price of \$8.00 per share (the “Elevation Warrant”), exercisable for a period of five years, but only in the event of a merger of the Company and FCCG, commencing on the second business day following the potential merger and ending on the five year anniversary thereafter. The Elevation Warrants were not valued at the date of grant due to the contingency relating to their exercise.
- Warrants issued between October 3, 2019 and December 29, 2019, in connection with the sale of Series B Units, to purchase 60 shares of the Company’s common stock at an exercise price of \$8.50 per share (the “Series B Warrants”), exercisable for a period of five years from October 3, 2019. These warrants have not yet been presented by the holders for exchange with 2020 Series B Offering Warrants (See Note 12).
- Warrants issued on July 16, 2020, in connection with Series B Preferred Stock Offering (See Note 12), to purchase 1,899,910 shares of the Company’s common stock at an exercise price of \$5.00 per share (the “2020 Series B Offering Warrants”), exercisable beginning on the earlier of one year from the date of issuance or the consummation of a consolidation, merger or other similar business combination transaction involving the Company (or any of its subsidiaries) and FCCG, and will expire on July 16, 2025. The Series B Offering Warrants were valued at \$1,926,000 at the date of grant.
- Warrants issued on July 16, 2020, to purchase 2020 Series B Offering Warrants, which would grant the holder the right to purchase 18,990 shares of the Company’s common stock at an exercise price of \$5.00 per share (the “2020 Series B Offering Warrants”), exercisable beginning on the earlier of one year from the date of issuance or the consummation of a consolidation, merger or other similar business combination transaction involving the Company (or any of its subsidiaries) and its parent company, FCCG, and will expire on July 16, 2025. The exercise price to purchase the 2020 Series B Offering Warrant is \$0.01 per underlying share of common stock. These warrants were valued at \$64,000 at the date of grant.

The Company's warrant activity for the fiscal year ended December 27, 2020 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 29, 2019	2,091,652	\$ 3.57	3.4
Grants	2,203,190	\$ 4.96	4.5
Forfeited	(2,021,309)	\$ 2.71	3.6
Warrants outstanding at December 27, 2020	2,273,533	\$ 5.68	4.3
Warrants exercisable at December 27, 2020	2,273,533	\$ 5.68	4.3

The range of assumptions used to establish the value of the warrants using the Black-Scholes valuation model are as follows:

	Warrants
Expected dividend yield	4.00% - 6.63%
Expected volatility	30.23% - 31.73%
Risk-free interest rate	0.99% - 1.91%
Expected term (in years)	3.80 - 5.00

In addition to the warrants to purchase common stock described above, the Company has also granted the following warrants on other securities to the underwriters in connection with the Series B Preferred Stock Offering (See Note 12):

- Warrants issued on July 16, 2020, to purchase 3,600 shares of the Company's Series B Preferred Stock at an exercise price of \$24.95 per share, exercisable beginning on the earlier of one year from the date of issuance or the consummation of a consolidation, merger or other similar business combination transaction involving the Company (or any of its subsidiaries) and its parent company, FCCG, and will expire on July 16, 2025. The Series B Offering Warrants were valued at \$2,000 at the date of grant.

NOTE 17. DIVIDENDS ON COMMON STOCK

In connection with the acquisition of FCCG by the Company, in December 2020, the Company declared a special stock dividend (the "Special Dividend") payable only to holders of our Common Stock, other than FCCG, on the record date, consisting of 0.2319998077 shares of the Company's Series B Preferred Stock for each outstanding share of Common Stock held by such stockholders. The value of fractional shares of Series B Preferred Stock was paid in cash and totaled approximately \$29,000. The Special Dividend was paid on December 23, 2020 and resulted in the issuance of 520,145 additional shares of Series B Preferred Stock with a market value on the payment date of approximately \$8,885,000.

The Company declared a stock dividend on February 7, 2019 equal to 2.13% on its common stock, representing the number of shares equal to \$0.12 per share of common stock based on the closing price as of February 6, 2019. The stock dividend was paid on February 28, 2019 to stockholders of record as of the close of business on February 19, 2019. The Company issued 245,376 shares of common stock at a per share price of \$5.64 in satisfaction of the stock dividend. No fractional shares were issued, instead the Company paid stockholders cash-in-lieu of shares.

NOTE 18. COMMITMENTS AND CONTINGENCIES

Litigation

Eric Rojany, et al. v. FAT Brands Inc., et al., Superior Court of California for the County of Los Angeles, Case No. BC708539, and Daniel Alden, et al. v. FAT Brands Inc., et al., Superior Court of California for the County of Los Angeles, Case No. BC716017.

On June 7, 2018, FAT Brands, Inc., Andrew Wiederhorn, Ron Roe, James Neuhauser, Edward H. Rensi, Marc L. Holtzman, Squire Junger, Silvia Kessel, Jeff Lotman, Fog Cutter Capital Group Inc., and Tripoint Global Equities, LLC (collectively, the “Original Defendants”) were named as defendants in a putative securities class action lawsuit entitled *Rojany v. FAT Brands, Inc.*, Case No. BC708539 (the “*Rojany* Case”), in the Superior Court of the State of California, County of Los Angeles. Since the time that the case was initially filed, plaintiffs Alden, Hazelton-Harrington and Marin, voluntarily dismissed their claims without prejudice, leaving only plaintiff Rojany as the putative class representative plaintiff (“Plaintiff”). On January 29, 2020, Plaintiff filed a Motion for Class Certification. On October 8, 2020, the Court denied Plaintiff’s Motion for Class Certification. On January 6, 2021, the parties executed a Settlement Agreement and Mutual Release pursuant to which plaintiff agreed to dismiss his individual claims against defendants with prejudice in exchange for a payment by or on behalf of defendants of \$50,000. On January 27, 2021, plaintiff filed a request for dismissal of this action, with prejudice, in its entirety.

Adam Vignola, et al. v. FAT Brands Inc., et al., United States District Court for the Central District of California, Case No. 2:18-cv-07469.

On August 24, 2018, the Original Defendants were named as defendants in a putative securities class action lawsuit entitled *Vignola v. FAT Brands, Inc.*, Case No. 2:18-cv-07469-PSG-PLA, in the United States District Court for the Central District of California. The allegations and claims for relief asserted in *Vignola* are substantively identical to those asserted in the *Rojany* Case. On December 17, 2019, the Court granted Defendants’ Motion to Dismiss the Second Amended Class Action Complaint in Part, Without Leave to Amend. On December 27, 2019, Lead Plaintiffs filed a Motion for Class Certification. By order entered March 16, 2020, the Court denied Lead Plaintiffs’ Motion for Class Certification. On September 25, 2020, the parties executed a Settlement Agreement and Mutual Release pursuant to which lead plaintiffs agreed to dismiss their individual claims against defendants with prejudice in exchange for a payment by or on behalf of defendants of \$75,000. On October 13, 2020, the Court ordered the stipulated dismissal of this action, with prejudice, in its entirety.

Stratford Holding LLC v. Foot Locker Retail Inc. (U.S. District Court for the Western District of Oklahoma, Case No. 5:12-cv-00772-HE)

In 2012 and 2013, two property owners in Oklahoma City, Oklahoma sued numerous parties, including Foot Locker Retail Inc. and our subsidiary Fog Cutter Capital Group Inc. (now known as Fog Cutter Acquisition, LLC), for alleged environmental contamination on their properties, stemming from dry cleaning operations on one of the properties. The property owners seek damages in the range of \$12 million to \$22 million. From 2002 to 2008, a former Fog Cutter subsidiary managed a lease portfolio, which included the subject property. Fog Cutter denies any liability, although it did not timely respond to one of the property owners' complaints and several of the defendants' cross-complaints and thus is in default. The parties are currently conducting discovery, and the matter is scheduled for trial for November 2021. The Company is unable to predict the ultimate outcome of this matter, however, reserves have been recorded on the balance sheet relating to this litigation. There can be no assurance that the defendants will be successful in defending against these actions.

SBN FCCG LLC v FCCGI (Los Angeles Superior Court, Case No. BS172606)

SBN FCCG LLC ("SBN") filed a complaint against Fog Cutter Capital Group, Inc. ("FCCG") in New York state court for an indemnification claim (the "NY case") stemming from an earlier lawsuit in Georgia regarding a certain lease portfolio formerly managed by a former FCCG subsidiary. In February 2018, SBN obtained a final judgment in the NY case for a total of \$651,290, which included \$225,030 in interest dating back to March 2012. SBN then obtained a sister state judgment in Los Angeles Superior Court, Case No. BS172606 (the "California case"), which included the \$651,290 judgment from the NY case, plus additional statutory interest and fees, for a total judgment of \$656,543. In May 2018, SBN filed a cost memo, requesting an additional \$12,411 in interest to be added to the judgment in the California case, for a total of \$668,954. In May 2019, the parties agreed to settle the matter for \$580,000, which required the immediate payment of \$100,000, and the balance to be paid in August 2019. FCCG wired \$100,000 to SBN in May 2019, but has not yet paid the remaining balance of \$480,000. The parties have not entered into a formal settlement agreement, and they have not yet discussed the terms for the payment of the remaining balance.

The Company is involved in other claims and legal proceedings from time-to-time that arise in the ordinary course of business, including those involving the Company's franchisees. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on its business, financial condition, results of operations, liquidity or capital resources. As of December 27, 2020, the Company had accrued an aggregate of \$5.68 million for the specific matters mentioned above and claims and legal proceedings involving franchisees as of that date.

Operating Leases

The Company leases corporate headquarters located in Beverly Hills, California comprising 6,137 square feet of space, pursuant to a lease that expires on September 29, 2025, as well as an additional 2,915 square feet of space pursuant to a lease amendment that expires on February 29, 2024. The Company leases 1,775 square feet of space in Plano, Texas for pursuant to a lease that expires on March 31, 2021.

When the Company acquired Johnny Rockets, it assumed control of nine restaurant locations which are now being marketed as part of our refranchising efforts. Each location is subject to a real estate lease.

The Company believes that all existing facilities are in good operating condition and adequate to meet current and foreseeable needs. Additional information related to the Company's operating leases are disclosed in Note 10.

NOTE 19. GEOGRAPHIC INFORMATION AND MAJOR FRANCHISEES

Revenues by geographic area are as follows (in thousands):

	Fiscal Year Ended December 27, 2020	Fiscal Year Ended December 29, 2019
United States	\$ 14,146	\$ 18,624
Other countries	3,972	3,881
Total revenues	\$ 18,118	\$ 22,505

Revenues are shown based on the geographic location of our licensee restaurants. All our assets are located in the United States.

During the fiscal years ended December 27, 2020 and December 29, 2019, no individual franchisee accounted for more than 10% of the Company's revenues.

NOTE 20. OPERATING SEGMENTS

With minor exceptions, the Company's operations are comprised exclusively of franchising a growing portfolio of restaurant brands. The Company's growth strategy is centered on expanding the footprint of existing brands and acquiring new brands through a centralized management organization which provides substantially all executive leadership, marketing, training and accounting services. While each brand could be considered an individual business segment, the nature of the Company's business is consistent across our portfolio. Consequently, while management assesses the progress of its operations by brand, these operations may be aggregated into one reportable segment in the Company's financial statements.

As part of its ongoing franchising efforts, the Company will, from time to time, make opportunistic acquisitions of operating restaurants in order to convert them to franchise locations. During the refranchising period, the Company may operate the restaurants.

The chief operating decision maker ("CODM") is the Chief Executive Officer. The CODM reviews financial performance and allocates resources at an overall level on a recurring basis. Therefore, management has determined that the Company has one reportable segment.

NOTE 21. SUBSEQUENT EVENTS

Pursuant to FASB ASC 855, Management has evaluated all events and transactions that occurred from December 27, 2020 through the date of issuance of these audited consolidated financial statements. During this period, the Company did not have any significant subsequent events.

FAT BRANDS INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

FOR THE FISCAL YEAR ENDED DECEMBER 27, 2020

	Dollars in thousands			
	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions/ Recoveries	Balance at End of Period
Allowance for:				
Trade notes and accounts receivable	\$ 744	\$ 981	\$ (612)	\$ 1,113

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

FAT BRANDS INC.

By: /s/ Andrew A. Wiederhorn

Andrew A. Wiederhorn
Chief Executive Officer

The undersigned directors and officers of FAT Brands Inc. do hereby constitute and appoint Andrew A. Wiederhorn and Rebecca D. Hershinger, and each of them, with full power of substitution and resubstitution, as their true and lawful attorneys and agents, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorney and agent, may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto, and we do hereby ratify and confirm all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated.

<u>DATE</u>	<u>NAME AND TITLE</u>
March 29, 2021	<u>/s/ Andrew A. Wiederhorn</u> Andrew A. Wiederhorn Chief Executive Officer and Director (Principal Executive Officer)
March 29, 2021	<u>/s/ Rebecca D. Hershinger</u> Rebecca D. Hershinger Chief Financial Officer (Principal Financial and Accounting Officer)
March 29, 2021	<u>/s/ Edward Rensi</u> Edward Rensi, Chairman of the Board
March 29, 2021	<u>/s/ Squire Junger</u> Squire Junger, Director
March 29, 2021	<u>/s/ James Neuhauser</u> James Neuhauser, Director

EXHIBIT INDEX

Exhibit Number	Description	Incorporated By Reference to			Filed Herewith
		Form	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Company, effective October 19, 2017.	10-Q	3.1	12/04/2017	
3.2	Amended and Restated Bylaws of the Company, effective as of March 29, 2021				X
3.3	Certificate of Designation of Rights and Preferences of Series A Fixed Rate Cumulative Preferred Stock	8-K	3.1	06/13/2018	
3.4	Certificate of Designation of Rights and Preferences of Series A-1 Fixed Rate Cumulative Preferred Stock	8-K	3.1	07/10/2018	
3.5	Certificate of Amendment of Certificate of Designation of Series A Fixed Rate Cumulative Preferred Stock	8-K	3.1	02/28/2019	
3.6	Certificate of Amendment of Certificate of Designation of Series A-1 Fixed Rate Cumulative Preferred Stock	8-K	3.2	02/28/2019	
3.7	Amended and Restated Certificate of Designation of Rights and Preferences of Series B Cumulative Preferred Stock, filed on July 15, 2020	8-K	3.1	07/16/2020	
4.1	Warrant to Purchase Common Stock, dated October 20, 2017, issued to Tripoint Global Equities, LLC.	10-Q	4.1	12/04/2017	
4.2	Warrant to Purchase Common Stock, dated June 7, 2018, issued to Trojan Investments, LLC	10-Q	4.1	08/15/2018	
4.3	Warrant to Purchase Common Stock, dated June 27, 2018, issued to Fog Cutter Capital Group, Inc.	10-Q	4.2	08/15/2018	
4.4	Form of Warrants to Purchase Common Stock, dated July 3, 2018, issued to sellers of Hurricane AMT, LLC	8-K	4.1	07/10/2018	
4.5	Warrant to Purchase Common Stock, dated July 3, 2018, issued to FB Lending, LLC	8-K	4.2	07/10/2018	
4.6	Warrant Agency Agreement, dated October 3, 2019 (including form of Warrant Certificate)	8-K	10.2	10/09/2019	
4.7	Warrant Agency Agreement, dated July 16, 2020, between the Company and VStock Transfer, LLC, to act as the Warrant Agent (including the form of Warrant Certificate)	8-K	10.1	07/16/2020	
4.8	Base Indenture, dated March 6, 2020, by and between FAT Brands Royalty I, LLC, and UMB Bank, N.A., as trustee and securities intermediary.	8-K	4.1	03/12/2020	
4.9	Series 2020-1 Supplement to Base Indenture, dated March 6, 2020, by and between FAT Brands Royalty I, LLC, and UMB Bank, N.A., as trustee.	8-K	4.2	03/12/2020	
4.10	Series 2020-2 Supplement to Base Indenture, dated September 21, 2020, by and between FAT Brands Royalty I, LLC, and UMB Bank, N.A., as trustee	8-K	4.2	09/25/2020	
4.11	Supplement Number One to Base Indenture, dated September 21, 2020, by and among FAT Brands Royalty I, LLC, and UMB Bank, N.A., as trustee	8-K	4.3	09/25/2020	
4.12	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934				X

10.1	Form of Indemnification Agreement, dated October 20, 2017, between the Company and each director and executive officer.	1-A	6.3	09/06/2017	
10.2*	2017 Omnibus Equity Incentive Plan	1-A	6.1	09/27/2017	
10.3	Management Agreement, dated March 6, 2020, by and among FAT Brands Inc., FAT Brands Royalty I, LLC, each of the Franchise Entities, and the Trustee.	8-K	10.2	03/12/2020	
10.4	Intercompany Revolving Credit Agreement, dated April 24, 2020, by and between FAT Brands Inc. and Fog Cutter Capital Group, Inc.	10-K	10.11	04/28/2020	
10.5	Amended and Restated Office Lease, dated November 18, 2019, by and among Duesenberg Investment Company, LLC, Fatburger North America, Inc., Fog Cutter Capital Group Inc., and Fatburger Corporation	10-K	10.12	04/28/2020	
10.6	Stock Redemption Agreement, dated July 13, 2020, by and between FAT Brands Inc. and Trojan Investments LLC	10-Q	10.2	11/12/2020	
21.1	Significant Subsidiaries				X
23.1	Consent of Independent Registered Public Accounting Firm				X
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document				X (Furnished)
101.SCH	XBRL Taxonomy Extension Schema Document				X (Furnished)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X (Furnished)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X (Furnished)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X (Furnished)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X (Furnished)

- Indicates management contract or compensatory plan or arrangement.

**BYLAWS OF
FAT BRANDS INC.**

(Effective March 29, 2021)

**ARTICLE I
OFFICES**

SECTION 1.01 Registered Office. The registered office and registered agent of FAT Brands Inc. (the “Corporation”) shall be as set forth in the Amended and Restated Certificate of Incorporation (as defined below). The Corporation may also have offices in such other places in the United States or elsewhere (and may change the Corporation’s registered agent) as the Board of Directors of the Corporation (the “Board of Directors”) may, from time to time, determine or as the business of the Corporation may require as determined by any officer of the Corporation.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

SECTION 2.01 Annual Meetings. Annual meetings of stockholders may be held at such place, if any, either within or without the State of Delaware, and at such time and date as the Board of Directors shall determine and state in the notice of meeting. The Board of Directors may, in its sole discretion, determine that meetings of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as described in Section 2.11 of these Bylaws in accordance with Section 211(a)(2) of the General Corporation Law of the State of Delaware (the “DGCL”). The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

SECTION 2.02 Special Meetings. Special meetings of the stockholders may only be called in the manner provided in the Corporation’s amended and restated certificate of incorporation as then in effect (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “Amended and Restated Certificate of Incorporation”) and may be held at such place, if any, either within or without the State of Delaware and at such time and date as the Board of Directors or the Chairman of the Board of Directors shall determine and state in the notice of meeting. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board of Directors or the Chairman of the Board of Directors.

SECTION 2.03 Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation’s notice of meeting (or any supplement thereto) delivered pursuant to Section 2.04 of Article II of these Bylaws, (b) by or at the direction of the Board of Directors or any authorized committee thereof or (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who, subject to paragraph (C)(4) of this Section 2.03, complied with the notice procedures set forth in paragraphs (A)(2) and (A)(3) of this Section 2.03 and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation (the “Secretary”).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 2.03, the stockholder must have given timely notice thereof in writing to the Secretary, and, in the case of business other than nominations of persons for election to the Board of Directors, such other business must constitute a proper matter for stockholder action. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year’s annual meeting (which date shall, for purposes of the Corporation’s first annual meeting of stockholders are first publicly traded, be deemed to have occurred on June 15, 2017); *provided, however*, that in the event that the date of the annual meeting is advanced by more than thirty (30) days, or delayed by more than seventy (70) days, from the anniversary date of the previous year’s meeting, or if no annual meeting was held in the preceding year, notice by the stockholder to be timely must be so delivered not earlier than one hundred and twenty (120) days prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting and the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. Public announcement of an adjournment or postponement of an annual meeting shall not commence a new time period (or extend any time period) for the giving of a stockholder’s notice. Notwithstanding anything in this Section 2.03(A)(2) to the contrary, if the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred (100) calendar days prior to the first anniversary of the prior year’s annual meeting of stockholders, then a stockholder’s notice required by this Section shall be considered timely, but only with respect to nominees for any new positions created by such increase, if it is received by the Secretary not later than the close of business on the tenth (10th) calendar day following the day on which such public announcement is first made by the Corporation.

(3) Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation that are owned, directly or indirectly, beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of the stock of the Corporation at the time of the giving of the notice, will be entitled to vote at such meeting and will appear in person or by proxy at the meeting to propose such business or nomination, (iv) a representation whether the stockholder or the beneficial owner, if any, will be or is part of a group that will (x) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise solicit proxies or votes from stockholders in support of such proposal or nomination, (v) a certification regarding whether such stockholder and beneficial owner, if any, have complied with all applicable federal, state and other legal requirements in connection with the stockholder's and/or beneficial owner's acquisition of shares of capital stock or other securities of the Corporation and/or the stockholder's and/or beneficial owner's acts or omissions as a stockholder of the Corporation and (vi) any other information relating to such stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder; (d) a description of any agreement, arrangement or understanding with respect to the nomination or proposal and/or the voting of shares of any class or series of stock of the Corporation between or among the stockholder giving the notice, the beneficial owner, if any, on whose behalf the nomination or proposal is made, any of their respective affiliates or associates and/or any others acting in concert with any of the foregoing (collectively, "proponent persons"); and (e) a description of any agreement, arrangement or understanding (including any contract to purchase or sell, the acquisition or grant of any option, right or warrant to purchase or sell or any swap or other instrument) to which any proponent person is a party, the intent or effect of which may be (i) to transfer to or from any proponent person, in whole or in part, any of the economic consequences of ownership of any security of the Corporation, (ii) to increase or decrease the voting power of any proponent person with respect to shares of any class or series of stock of the Corporation and/or (iii) to provide any proponent person, directly or indirectly, with the opportunity to profit or share in any profit derived from, or to otherwise benefit economically from, any increase or decrease in the value of any security of the Corporation. A stockholder providing notice of a proposed nomination for election to the Board of Directors or other business proposed to be brought before a meeting (whether given pursuant to this paragraph (A)(3) or paragraph (B) of this Section 2.03) shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct (x) as of the record date for determining the stockholders entitled to notice of the meeting and (y) as of the date that is fifteen (15) days prior to the meeting or any adjournment or postponement thereof, *provided* that if the record date for determining the stockholders entitled to vote at the meeting is less than fifteen (15) days prior to the meeting or any adjournment or postponement thereof, the information shall be supplemented and updated as of such later date. Any such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the Corporation not later than five (5) days after the record date for determining the stockholders entitled to notice of the meeting (in the case of any update and supplement required to be made as of the record date for determining the stockholders entitled to notice of the meeting), not later than ten (10) days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update or supplement required to be made as of fifteen (15) days prior to the meeting or adjournment or postponement thereof) and not later than five (5) days after the record date for determining the stockholders entitled to vote at the meeting, but no later than the date prior to the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of a date less than fifteen (15) days prior to the date of the meeting or any adjournment or postponement thereof). The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation and to determine the independence of such director under the Exchange Act and rules and regulations thereunder and applicable stock exchange rules.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting by or at the direction of the Board of Directors or any committee thereof by any stockholder of the Corporation who is entitled to vote at the meeting, who (subject to paragraph (C)(4) of this Section 2.03) complies with the notice procedures set forth in this Section 2.03 and who is a stockholder of record at the time such notice is delivered to the Secretary. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting if the stockholder's notice as required by paragraph (A)(2) of this Section 2.03 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting and the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) General.

(1) Except as provided in paragraph (C)(4) of this Section 2.03, only such persons who are nominated in accordance with the procedures set forth in this Section 2.03 shall be eligible to serve as directors and only such business shall be conducted at an annual or special meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section. Except as otherwise provided by law, the Amended and Restated Certificate of Incorporation or these Bylaws, the chairman of the meeting shall, in addition to making any other determination that may be appropriate for the conduct of the meeting, have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall be disregarded. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include the following: (i) the establishment of an agenda or order of business for the meeting, (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants and on stockholder approvals. Notwithstanding the foregoing provisions of this Section 2.03, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.03, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meeting of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(2) Whenever used in these Bylaws, “public announcement” shall mean disclosure (a) in a press release released by the Corporation, *provided* that such press release is released by the Corporation following its customary procedures, is reported by the Dow Jones News Service, Bloomberg, Associated Press or comparable national news service or is generally available on internet news sites or (b) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 2.03, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.03; *provided, however*, that, to the fullest extent permitted by law, any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to these Bylaws (including paragraphs (A)(1)(c) and (B) hereof), and compliance with paragraphs (A)(1)(c) and (B) of this Section 2.03 shall be the exclusive means for a stockholder to make nominations or submit other business. Nothing in these Bylaws shall be deemed to affect any rights of the holders of any class or series of stock having a preference over the common stock of the Corporation as to dividends or upon liquidation to elect directors under specified circumstances.

SECTION 2.04 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a timely notice in writing or by electronic transmission, in the manner provided in Section 232 of the DGCL, of the meeting, which shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purposes for which the meeting is called, shall be mailed to or transmitted electronically by the Secretary to each stockholder of record entitled to vote thereat as of the record date for determining the stockholders entitled to notice of the meeting. Unless otherwise provided by law, the Amended and Restated Certificate of Incorporation or these Bylaws, the notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

SECTION 2.05 Quorum. Unless otherwise required by law, the Amended and Restated Certificate of Incorporation or the rules of any stock exchange upon which the Corporation’s securities are listed, the holders of record of a majority of the voting power of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders. Notwithstanding the foregoing, where a separate vote by a class or series or classes or series is required, a majority in voting power of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on that matter. Once a quorum is present to organize a meeting, it shall not be broken by the subsequent withdrawal of any stockholders.

SECTION 2.06 Voting. Except as otherwise provided by or pursuant to the provisions of the Amended and Restated Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder that has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy in any manner provided by applicable law, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or a new proxy bearing a later date. Unless required by the Amended and Restated Certificate of Incorporation or applicable law, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, if there be such proxy. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the voting power of the shares of stock present in person or represented by proxy and entitled to vote on the subject matter shall decide any question brought before such meeting, unless the question is one upon which, by express provision of applicable law, of the rules or regulations of any stock exchange applicable to the Corporation, of any regulation applicable to the Corporation or its securities, of the Amended and Restated Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Notwithstanding the foregoing sentence and subject to the Amended and Restated Certificate of Incorporation, all elections of directors shall be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

SECTION 2.07 Chairman of Meetings. The Chairman of the Board of Directors, if one is elected, or, in his or her absence or disability, a person designated by the Board of Directors shall be the chairman of the meeting and, as such, preside at all meetings of the stockholders.

SECTION 2.08 Secretary of Meetings. The Secretary shall act as secretary at all meetings of the stockholders. In the absence or disability of the Secretary, the chairman of the meeting shall appoint a person to act as secretary at such meetings.

SECTION 2.09 Consent of Stockholders in Lieu of Meeting. Any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote only to the extent permitted by and in the manner provided in the Amended and Restated Certificate of Incorporation and in accordance with applicable law.

SECTION 2.10 Adjournment. At any meeting of stockholders of the Corporation, if less than a quorum be present, the chairman of the meeting or stockholders holding a majority in voting power of the shares of stock of the Corporation, present in person or by proxy and entitled to vote thereat, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present. Any business may be transacted at the adjourned meeting that might have been transacted at the meeting originally noticed. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for the determination of stockholders entitled to vote at the adjourned meeting and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date so fixed for notice of such adjourned meeting.

SECTION 2.11 Remote Communication. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication:

(a) participate in a meeting of stockholders; and

(b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication,

provided that

(i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder;

(ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and

(iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

SECTION 2.12 Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (a) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (b) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (e) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III BOARD OF DIRECTORS

SECTION 3.01 Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by the DGCL or the Amended and Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

SECTION 3.02 Number and Term; Chairman. The number of directors shall be fixed in the manner provided in the Amended and Restated Certificate of Incorporation. The term of each director shall be as set forth in the Amended and Restated Certificate of Incorporation. Directors need not be stockholders. The Board of Directors shall elect a Chairman of the Board of Directors, who shall have the powers and perform such duties as provided in these Bylaws and as the Board of Directors may from time to time prescribe. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors at which he or she is present. If the Chairman of the Board of Directors is not present at a meeting of the Board of Directors, a majority of the directors present at such meeting shall elect one (1) of their members to preside.

SECTION 3.03 Resignations. Any director may resign at any time upon notice given in writing or by electronic transmission to the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer of the Corporation or the Secretary. The resignation shall take effect at the time specified therein, and if no time is specified, at the time of its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise expressly provided in the resignation.

SECTION 3.04 Removal. Directors of the Corporation may be removed in the manner provided in the Amended and Restated Certificate of Incorporation and applicable law.

SECTION 3.05 Vacancies and Newly Created Directorships. Except as otherwise provided by applicable law, vacancies occurring in any directorship (whether by death, resignation, retirement, disqualification, removal or other cause) and newly created directorships resulting from any increase in the number of directors shall be filled in accordance with the Amended and Restated Certificate of Incorporation. Any director elected to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

SECTION 3.06 Meetings. Regular meetings of the Board of Directors may be held at such places and times as shall be determined from time to time by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or as provided by the Amended and Restated Certificate of Incorporation and shall be called by the Chief Executive Officer or the Secretary if directed by the Board of Directors, and shall be at such places and times as they or he or she shall fix. Notice need not be given of regular meetings of the Board of Directors. At least twenty four (24) hours before each special meeting of the Board of Directors, either written notice, notice by electronic transmission or oral notice (either in person or by telephone) of the time, date and place of the meeting shall be given to each director. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

SECTION 3.07 Quorum, Voting and Adjournment. Subject to the requirements of the Amended and Restated Certificate of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the Amended and Restated Certificate of Incorporation or these Bylaws, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of such adjourned meeting need not be given if the time and place of such adjourned meeting are announced at the meeting so adjourned.

SECTION 3.08 Committees; Committee Rules. The Board of Directors may designate from time to time one or more committees, including an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each such committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee to replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving or adopting, or recommending to the stockholders for approval or (b) adopting, amending or repealing any Bylaw of the Corporation. All committees of the Board of Directors shall keep minutes of their meetings and shall report their proceedings to the Board of Directors when requested or required by the Board of Directors. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present at a meeting of the committee at which a quorum is present. Unless otherwise provided in such a resolution, and subject to the Amended and Restated Certificate of Incorporation, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

SECTION 3.09 Action Without a Meeting. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or any committee thereof, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed in the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form or shall be in electronic form if the minutes are maintained in electronic form.

SECTION 3.10 Remote Meeting. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting by means of conference telephone or other communications equipment in which all persons participating in the meeting can hear each other. Participation in a meeting by means of conference telephone or other communications equipment shall constitute presence in person at such meeting.

SECTION 3.11 Compensation. The Board of Directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

SECTION 3.12 Reliance on Books and Records. A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

ARTICLE IV OFFICERS

SECTION 4.01 Number. The officers of the Corporation shall include a Chief Executive Officer (who shall also be President for the purpose of the DGCL, unless otherwise determined by the Board of Directors), a Chief Financial Officer, a Chief Legal Officer or General Counsel and a Secretary, each of whom shall be elected by the Board of Directors and who shall hold office for such terms as shall be determined by the Board of Directors and until their successors are elected and qualify or until their earlier resignation or removal. In addition, the Board of Directors may elect one or more Vice Presidents, including one or more Executive Vice Presidents, Senior Vice Presidents, a Treasurer and one or more Assistant Treasurers and one or more Assistant Secretaries, who shall hold their office for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. Any number of offices may be held by the same person.

SECTION 4.02 Other Officers and Agents. The Board of Directors may appoint such other officers and agents as it deems advisable, who shall hold their office for such terms and shall exercise and perform such powers and duties as shall be determined from time to time by the Board of Directors. The Board of Directors may appoint one or more officers called a Vice Chairman, each of whom does not need to be a member of the Board of Directors.

SECTION 4.03 Chief Executive Officer. The Chief Executive Officer shall have general executive charge, management and control of the properties and operations of the Corporation in the ordinary course of its business, with all such powers with respect to such properties and operations as may be reasonably incident to such responsibilities.

SECTION 4.04 President/Vice Presidents. The President, each Vice President, if any are elected (of whom one or more may be designated an Executive Vice President or Senior Vice President), shall have such powers and shall perform such duties as shall be assigned to him or her by the Chief Executive Officer or the Board of Directors.

SECTION 4.05 Chief Financial Officer. The Chief Financial Officer shall have such powers and shall perform such duties as shall be assigned to him or her by the Chief Executive Officer or the Board of Directors.

SECTION 4.06 Chief Legal Officer/General Counsel. The Chief Legal Officer or General Counsel shall have such powers and shall perform such duties as shall be assigned to him or her by the Chief Executive Officer or the Board of Directors.

SECTION 4.07 Treasurer. The Treasurer shall have custody of the corporate funds, securities, evidences of indebtedness and other valuables of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. He or she shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or its designees selected for such purposes. The Treasurer shall disburse the funds of the Corporation, taking proper vouchers therefor. He or she shall render to the Chief Executive Officer and the Board of Directors, upon their request, a report of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his or her duties in such amount and with such surety as the Board of Directors shall prescribe.

In addition, the Treasurer shall have such further powers and perform such other duties incident to the office of Treasurer as from time to time are assigned to him or her by the Chief Executive Officer or the Board of Directors.

SECTION 4.08 Secretary. The Secretary shall: (a) cause minutes of all meetings of the stockholders and directors to be recorded and kept properly; (b) cause all notices required by these Bylaws or otherwise to be given properly; (c) see that the minute books, stock books and other nonfinancial books, records and papers of the Corporation are kept properly; and (d) cause all reports, statements, returns, certificates and other documents to be prepared and filed when and as required. The Secretary shall have such further powers and perform such other duties as prescribed from time to time by the Chief Executive Officer or the Board of Directors.

SECTION 4.09 Assistant Treasurers and Assistant Secretaries. Each Assistant Treasurer and each Assistant Secretary, if any are elected, shall be vested with all the powers and shall perform all the duties of the Treasurer and Secretary, respectively, in the absence or disability of such officer, unless or until the Chief Executive Officer or the Board of Directors shall otherwise determine. In addition, Assistant Treasurers and Assistant Secretaries shall have such powers and shall perform such duties as shall be assigned to them by the Chief Executive Officer or the Board of Directors.

SECTION 4.10 Corporate Funds and Checks. The funds of the Corporation shall be kept in such depositories as shall from time to time be prescribed by the Board of Directors or its designees selected for such purposes. All checks or other orders for the payment of money shall be signed by the Chief Executive Officer, a Vice President, the Treasurer or the Secretary or such other person or agent as may from time to time be authorized and with such countersignature, if any, as may be required by the Board of Directors.

SECTION 4.11 Contracts and Other Documents. The Chief Executive Officer, the Secretary and such other officer or officers as may from time to time be authorized by the Chief Executive Officer, the Board of Directors or any other committee given specific authority by the Board of Directors during the intervals between the meetings of the Board of Directors to authorize such action, shall each have the power to sign and execute on behalf of the Corporation deeds, conveyances, contracts and any and all other documents requiring execution by the Corporation.

SECTION 4.12 Ownership of Securities of Another Entity. Unless otherwise directed by the Board of Directors, the Chief Executive Officer, a Vice President, the Treasurer or the Secretary, or such other officer or agent as shall be authorized by the Board of Directors, shall have the power and authority, on behalf of the Corporation, to attend and to vote at any meeting of securityholders of any entity in which the Corporation holds securities or equity interests and may exercise, on behalf of the Corporation, any and all of the rights and powers incident to the ownership of such securities or equity interests at any such meeting, including the authority to execute and deliver proxies and consents on behalf of the Corporation.

SECTION 4.13 Delegation of Duties. In the absence, disability or refusal of any officer to exercise and perform his or her duties, the Board of Directors may delegate to another officer such powers or duties.

SECTION 4.14 Resignation and Removal. Any officer of the Corporation may be removed from office for or without cause at any time by the Board of Directors. Any officer may resign at any time in the same manner prescribed under Section 3.03.

SECTION 4.15 Vacancies. The Board of Directors shall have the power to fill vacancies occurring in any office.

ARTICLE V STOCK

SECTION 5.01 Shares With Certificates. The shares of stock of the Corporation shall be represented by certificates, *provided* that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock in the Corporation represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by, (a) the Chairman of the Board of Directors, any Vice Chairman of the Board of Directors, the President or a Vice President and (b) the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, certifying the number and class of shares of stock of the Corporation owned by such holder. Any or all of the signatures on the certificate may be a facsimile. The Board of Directors shall have the power to appoint one or more transfer agents and/or registrars for the transfer or registration of certificates of stock of any class and may require stock certificates to be countersigned or registered by one or more of such transfer agents and/or registrars.

SECTION 5.02 Shares Without Certificates. If the Board of Directors chooses to issue shares of stock without certificates, the Corporation, if required by the DGCL, shall, within a reasonable time after the issue or transfer of shares without certificates, send the stockholder a written statement of the information required by the DGCL. The Corporation may adopt a system of issuance, recordation and transfer of its shares of stock by electronic or other means not involving the issuance of certificates, *provided* the use of such system by the Corporation is permitted in accordance with applicable law.

SECTION 5.03 Transfer of Shares. Shares of stock of the Corporation shall be transferable upon its books by the holders thereof, in person or by their duly authorized attorneys or legal representatives, upon surrender to the Corporation by delivery thereof (to the extent evidenced by a physical stock certificate) to the person in charge of the stock and transfer books and ledgers. Certificates representing such shares, if any, shall be cancelled and new certificates, if the shares are to be certificated, shall thereupon be issued. Shares of capital stock of the Corporation that are not represented by a certificate shall be transferred in accordance with applicable law. A record shall be made of each transfer. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented, both the transferor and transferee request the Corporation to do so. The Board of Directors shall have power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 5.04 Lost, Stolen, Destroyed or Mutilated Certificates. A new certificate of stock or uncertificated shares may be issued in the place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed, and the Corporation may, in its discretion, require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to give the Corporation a bond, in such sum as the Corporation may direct, in order to indemnify the Corporation against any claims that may be made against it in connection therewith. A new certificate or uncertificated shares of stock may be issued in the place of any certificate previously issued by the Corporation that has become mutilated upon the surrender by such owner of such mutilated certificate and, if required by the Corporation, the posting of a bond by such owner in an amount sufficient to indemnify the Corporation against any claim that may be made against it in connection therewith.

SECTION 5.05 List of Stockholders Entitled To Vote. The officer who has charge of the stock ledger shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (*provided, however,* that if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten (10) days prior to the meeting (a) on a reasonably accessible electronic network, *provided* that the information required to gain access to such list is provided with the notice of meeting, or (b) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 5.05 or to vote in person or by proxy at any meeting of stockholders.

SECTION 5.06 Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) Unless otherwise restricted by the Amended and Restated Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

SECTION 5.07 Registered Stockholders. Prior to the surrender to the Corporation of the certificate or certificates for a share or shares of stock or notification to the Corporation of the transfer of uncertificated shares with a request to record the transfer of such share or shares, the Corporation may treat the registered owner of such share or shares as the person entitled to receive dividends, to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner of such share or shares. To the fullest extent permitted by law, the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

**ARTICLE VI
NOTICE AND WAIVER OF NOTICE**

SECTION 6.01 Notice. If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

SECTION 6.02 Waiver of Notice. A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting (in person or by remote communication) shall constitute waiver of notice except attendance for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

**ARTICLE VII
INDEMNIFICATION**

SECTION 7.01 Indemnification of Directors and Officers. Each current or former director or officer of the Corporation (hereinafter an "indemnitee") who was or is a party, is threatened to be made a party to, or is otherwise involved in, as a witness or otherwise, any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative and whether formal or informal, including any and all appeals, by reason of the fact that he or she is or was a director or an officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, fiduciary, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted by indemnitee in any such capacity or in any other capacity while serving as a director, officer, employee or agent (hereinafter an "indemnifiable proceeding"), shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the DGCL permitted the Corporation to provide prior to such amendment), from and against all loss and liability suffered and expenses (including attorneys' fees, costs and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of indemnitee in connection with such action, suit or proceeding, including any appeals; *provided, however*, that, except as provided in Section 7.03 with respect to proceedings to enforce rights to indemnification or advancement of expenses or with respect to any compulsory counterclaim brought by such indemnitee, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors; *provided, further*, that the Corporation shall not be obligated under this Section 7.01: (a) to indemnify indemnitee under these Bylaws for any amounts paid in settlement of any indemnifiable proceeding unless the Corporation consents to such settlement, which consent shall not be unreasonably withheld, delayed or conditioned, or (b) to indemnify indemnitee for any disgorgement of profits made from the purchase or sale by indemnitee of securities of the Corporation under Section 16(b) of the Exchange Act.

In addition, subject to Section 7.04, the Corporation shall not be liable under this Article VII to make any payment of amounts otherwise indemnifiable hereunder (including, without limitation, judgments, fines and amounts paid in settlement) if and to the extent that the indemnitee has otherwise actually received such payment under this Article VII or any insurance policy, contract, agreement or otherwise.

SECTION 7.02 Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 7.01, an indemnitee shall also have the right, to the fullest extent permitted by the DGCL, to be paid by the Corporation the expenses (including attorney's fees, costs and expenses) incurred by the indemnitee in appearing at, participating in or defending, or otherwise arising out of or related to, any indemnifiable proceeding in advance of its final disposition or in connection with a proceeding brought to establish or enforce a right to indemnification or advancement of expenses under this Article VII pursuant to Section 7.03 (hereinafter an "advancement of expenses"); *provided, however*, that,

(a) if the DGCL so requires or in the case of an advance made in a proceeding brought to establish or enforce a right to indemnification or advancement, an advancement of expenses shall be made solely upon delivery to the Corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay any amounts so advanced (without interest) if and to the extent that it is determined by final judicial decision from which there is no further right to appeal (hereinafter a “final adjudication”) that such indemnitee is not entitled to be indemnified or entitled to advancement of expenses under Sections 7.01 and 7.02 or otherwise;

(b) the Corporation’s obligation to make an advancement of expenses pursuant to this Section 7.02 shall be subject to the limitations on indemnification provided in Section 7.01, except that the Corporation shall advance expenses to defend an indemnifiable proceeding alleging a claim under Section 16(b) of the Exchange Act; and

(c) with respect to any indemnifiable proceeding for which the indemnitee requests advancement of expenses under this Section 7.02, the Corporation shall be entitled to assume the defense of such action, suit or proceeding, with counsel reasonably acceptable to indemnitee, upon the delivery to indemnitee of written notice of its election to do so.

SECTION 7.03 Right of Indemnitee to Bring Suit. If a claim for indemnification or advancement of expenses is not paid in full within ninety (90) days after receipt by the Corporation of a request therefor, the indemnitee shall be entitled to an adjudication in any court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses, as applicable. To the fullest extent permitted by law, if successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense (including attorneys’ fees, costs and expenses) of prosecuting or defending such suit. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or the Corporation’s stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or the Corporation’s stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Further, the Corporation shall be entitled to recover advanced expenses upon a final adjudication that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

SECTION 7.04 Indemnification Not Exclusive.

(a) The provisions for indemnification to or the advancement of expenses and costs to any indemnitee under this Article VII, or the entitlement of any indemnitee to indemnification or advancement of expenses and costs under this Article VII, shall not limit or restrict in any way the power of the Corporation to indemnify or advance expenses and costs to such indemnitee in any other way permitted by law or be deemed exclusive of, or invalidate, any right to which any indemnitee seeking indemnification or advancement of expenses and costs may be entitled under any law, the Corporation’s certificate of incorporation, other agreements or arrangements, vote of stockholders or disinterested directors or otherwise, both as to action in such indemnitee’s capacity as an officer, director, employee or agent of the Corporation and as to action in any other capacity.

(b) Given that certain jointly indemnifiable claims (as defined below) may arise due to the service of the indemnitee as a director and/or officer of the Corporation at the request of the indemnitee-related entities (as defined below), the Corporation shall be fully and primarily responsible for payments to the indemnitee in respect of indemnification or advancement of expenses in connection with any such jointly indemnifiable claims, pursuant to and in accordance with the terms of this Article VII, irrespective of any right of recovery the indemnitee may have from the indemnitee-related entities. Under no circumstance shall the Corporation be entitled to any right of subrogation or contribution by the indemnitee-related entities, and no right of advancement or recovery the indemnitee may have from the indemnitee-related entities shall reduce or otherwise alter the rights of the indemnitee or the obligations of the Corporation hereunder. In the event that any of the indemnitee-related entities shall make any payment to the indemnitee in respect of indemnification or advancement of expenses with respect to any jointly indemnifiable claim, the indemnitee-related entity making such payment shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitee against the Corporation, and the indemnitee shall execute all papers reasonably required and shall do all things that may be reasonably necessary to secure such rights, including the execution of such documents as may be necessary to enable the indemnitee-related entities effectively to bring suit to enforce such rights. Each of the indemnitee-related entities shall be third-party beneficiaries with respect to this Section 7.04(b) and entitled to enforce this Section 7.04(b).

For purposes of this Section 7.04(b), the following terms shall have the following meanings:

(1) The term “indemnitor-related entities” means any corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise (other than the Corporation or any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise for which the indemnitor has agreed, on behalf of the Corporation or at the Corporation’s request, to serve as a director, officer, employee or agent and which service is covered by the indemnity described herein) from whom an indemnitor may be entitled to indemnification or advancement of expenses with respect to which, in whole or in part, the Corporation may also have an indemnification or advancement obligation (other than as a result of obligations under an insurance policy).

(2) The term “jointly indemnifiable claims” shall be broadly construed and shall include, without limitation, any action, suit or proceeding for which the indemnitor shall be entitled to indemnification or advancement of expenses from both the Corporation and any indemnitor-related entity pursuant to the DGCL, any agreement and any certificate of incorporation, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or comparable organizational documents of the Corporation or the indemnitor-related entities, as applicable.

SECTION 7.05 Nature of Rights. The rights conferred upon indemnitors in this Article VII shall be contract rights and such rights shall continue as to an indemnitor who has ceased to be a director or officer and shall inure to the benefit of the indemnitor’s heirs, executors and administrators. Any amendment, alteration or repeal of this Article VII that adversely affects any right of an indemnitor or its successors shall be prospective only and shall not limit, eliminate or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal. In addition, the rights conferred upon indemnitors in this Article VII shall extend to any broader indemnification rights permitted by any amendment to the DGCL.

SECTION 7.06 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL. Subject to Section 7.04, in the event of any payment by the Corporation under this Article VII, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitor with respect to any insurance policy or any other indemnity agreement covering the indemnitor. The indemnitor shall execute all papers required and take all reasonable action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Corporation shall pay or reimburse all expenses actually and reasonably incurred by the indemnitor in connection with such subrogation.

SECTION 7.07 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation, and may, to the extent authorized from time to time by the Board of Directors, enter agreements with any director, officer, employee, or agent of the Corporation that grant rights to indemnification and to the advancement of expenses in excess of those granted in the provisions of this Article VII.

**ARTICLE VIII
MISCELLANEOUS**

SECTION 8.01 Electronic Transmission. For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

SECTION 8.02 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

SECTION 8.03 Fiscal Year. The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors. Unless otherwise fixed by the Board of Directors, the fiscal year of the Corporation shall consist of the twelve (12) month period ending on the last Sunday in December.

SECTION 8.04 Construction; Section Headings. For purposes of these Bylaws, unless the context otherwise requires, (i) references to “Articles” and “Sections” refer to articles and sections of these Bylaws and (ii) the term “include” or “includes” means includes, without limitation, and “including” means including, without limitation. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 8.05 Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Amended and Restated Certificate of Incorporation, the DGCL or any other applicable law, such provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

**ARTICLE IX
AMENDMENTS**

SECTION 9.01 Amendments. The Board of Directors is authorized to make, alter, amend, repeal and rescind, in whole or in part, these Bylaws without the assent or vote of the stockholders in any manner not inconsistent with the laws of the State of Delaware or the Amended and Restated Certificate of Incorporation. Notwithstanding any other provisions of these Bylaws or any provision of law that might otherwise permit a lesser vote of the stockholders, in addition to any vote of the holders of any class or series of capital stock of the Corporation required by the Amended and Restated Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock (as defined in the Amended and Restated Certificate of Incorporation)), these Bylaws or applicable law, the affirmative vote of the holders of at least seventy-five percent (75%) in voting power of all the then outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to make, alter, amend, repeal or rescind, in whole or in part, any provision of these Bylaws (including this Section 9.01) or to adopt any provision inconsistent herewith.

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**DESCRIPTION OF SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

As of March 29, 2021, FAT Brands Inc. (“we”, “us”, “our” or the “Company”) registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), its common stock, par value \$0.0001 per share (“Common Stock”), Series B Cumulative Preferred Stock, par value \$0.0001 per share (“Series B Preferred Stock”), and Warrants to purchase Common Stock issued on July 16, 2020 (“Warrants”).

The following description of our Common Stock, Series B Preferred Stock and Warrants is a summary and does not purport to be complete. The description is subject to and qualified in its entirety by reference to our (i) Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”), (ii) Certificates of Designation that designate various series of preferred stock, including the Amended and Restated Certificate of Designation establishing the Series B Preferred Stock, (iii) Warrant Agency Agreement establishing the terms of the Warrants, and (iv) Amended and Restated Bylaws (the “Bylaws”), each of which is filed or incorporated by reference as exhibits to our Annual Report on Form 10-K of which this Exhibit 4.12 is a part.

Description of Common Stock

Voting Rights. Holders of our Common Stock are entitled to cast one vote per share. Holders of our Common Stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all stockholders present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the Certificate of Incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares entitled to vote, voting together as a single class.

Dividend Rights. Holders of Common Stock share ratably (based on the number of shares of Common Stock held) if and when any dividend is declared by the board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Liquidation Rights. On our liquidation, dissolution or winding up, each holder of Common Stock will be entitled to a pro rata distribution of any assets available for distribution to common stockholders.

Other Matters. No shares of Common Stock are subject to redemption or have preemptive rights to purchase additional shares of Common Stock. Holders of shares of our Common Stock do not have subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the Common Stock.

Authorized Shares. Our Certificate of Incorporation authorizes the issuance of up to 25,000,000 shares of Common Stock, and up to 5,000,000 shares of preferred stock, par value \$0.0001 per share.

Listing. The Common Stock is listed for trading on The NASDAQ Stock Market LLC (“NASDAQ”).

Transfer Agent. VStock Transfer, LLC acts as the transfer agent and registrar of our Common Stock.

Description of Series B Cumulative Preferred Stock

Authorization. We have authorized a total of 850,000 shares of Series B Preferred Stock.

Dividends. Holders of the Series B Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors, cumulative cash dividends payable monthly in an amount per share of Series B Preferred Stock equal to \$2.0625 per share each year, which is equivalent to 8.25% per annum of the \$25.00 liquidation preference per share. Dividends on the Series B Preferred Stock are payable monthly in arrears, beginning with the month ending July 31, 2020. To the extent declared by our Board of Directors, dividends are payable not later than twenty (20) days after the end of each calendar month. Dividends on the Series B Preferred Stock accumulate whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared by our Board of Directors.

If the Company fails to make a cash dividend payment with respect to twelve (12) or more consecutive or non-consecutive monthly dividends, the dividend rate on the Series B Preferred Stock will increase to \$2.50 per share each year, which is equivalent to 10% of the \$25.00 liquidation preference per share.

Right to Elect Two Directors Upon Nonpayment. If the Company fails to make a cash dividend payment with respect to eighteen (18) or more consecutive or non-consecutive monthly dividends (a “**Dividend Nonpayment**”), the holders of the Series B Preferred Stock, voting as a separate class, are entitled to vote for the election of two additional directors to serve on our Board of Directors until all dividends that are owed have been paid. Under these provisions, the authorized number of directors on our Board of Directors shall, at the next annual meeting of stockholders or at a special meeting of stockholders as provided below, automatically be increased by two and holders of shares of Series B Preferred Stock, voting together as a single class, shall be entitled, at our next annual meeting of stockholders or at a special meeting of stockholders, to vote for the election of a total of two additional members of the Board of Directors (the “**Preferred Stock Directors**”); *provided* that the election of any such Preferred Stock Directors will not cause the Company to violate the corporate governance requirements of NASDAQ (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires listed or quoted companies to have a majority of independent directors; and *provided* further that such Preferred Stock Directors may not be subject to any “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a “**Disqualifying Event**”), except for a Disqualifying Event covered by Rule 506(d)(2) or (d)(3). In the event of a Dividend Nonpayment, the holders of at least 25% of the shares of Series B Preferred Stock may request that a special meeting of stockholders be called to elect such Preferred Stock Directors; *provided*, however, to the extent permitted by our bylaws, if the next annual or a special meeting of stockholders is scheduled to be held within 90 days of the receipt of such request, the election of such Preferred Stock Directors shall be included in the agenda for, and shall be held at, such scheduled annual or special meeting of stockholders. The Preferred Stock Directors shall stand for reelection annually, at each subsequent annual meeting of the stockholders, so long as the holders continue to have such voting rights. At any meeting at which the holders are entitled to elect Preferred Stock Directors, the holders of record of at least one-third of the then outstanding shares of Series B Preferred Stock, present in person or represented by proxy, shall constitute a quorum and the vote of the holders of record of a majority of such shares of Series B Preferred Stock so present or represented by proxy at any such meeting at which there shall be a quorum shall be sufficient to elect the Preferred Stock Directors. If and when all accumulated and unpaid dividends on Series B Preferred Stock have been paid in full (a “**Nonpayment Remedy**”), the holders shall immediately and, without any further action by us, be divested of the voting rights described in this section, subject to the reversion of such rights in the event of each subsequent Dividend Nonpayment. If such voting rights for the holders shall have terminated, the term of office of each Preferred Stock Director so elected shall terminate at such time and the authorized number of directors on the Board of Directors shall automatically decrease by two. Any Preferred Stock Director may be removed at any time, with or without cause, by the holders of a majority in voting power of the outstanding shares of Series B Preferred Stock then outstanding when they have the voting rights described in this section. In the event that a Dividend Nonpayment shall have occurred and there shall not have been a Nonpayment Remedy, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Dividend Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, except in the event that such vacancy is created as a result of such Preferred Stock Director being removed or if no Preferred Stock Director remains in office, such vacancy may be filled by a vote of the holders of a majority in voting power of the outstanding shares of Series B Preferred Stock then outstanding when they have the voting rights described above; *provided* that the election of any such Preferred Stock Directors to fill such vacancy will not cause the Company to violate the corporate governance requirements of NASDAQ (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires listed or quoted companies to have a majority of independent directors. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote.

Voting Rights. In addition to the voting rights discussed above, so long as any shares of Series B Preferred Stock are outstanding and remain unredeemed, the Company may not, without the vote or consent of the holders of a majority of the Series B Preferred Stock: (i) engage in a merger, consolidation or share exchange that materially and adversely affects the rights, preferences or voting power of the Series B Preferred Stock, unless shares of Series B Preferred Stock are converted into or exchanged for (A) cash equal to or greater than the applicable redemption price per share or (B) preferred shares of the surviving entity having rights, preferences and privileges that are materially the same as those of the Series B Preferred Stock; (ii) amend our Certificate of Incorporation or the Amended and Restated Certificate of Designation establishing the Series B Preferred Stock to materially and adversely affect the rights, preferences or voting power of Series B Preferred Stock; or (iii) declare or pay any junior dividends or repurchase any junior securities during any time that all dividends on the Series B Preferred Stock have not been paid in full in cash.

Call Feature. We may, at our option, redeem the Series B Preferred Stock, in whole or in part, by paying \$25.00 per share, plus any accrued and unpaid dividends to the date of redemption and a redemption premium. The redemption premium will initially be set at 10% of the \$25.00 liquidation preference per share, and will decrease by two percentage points per year on each anniversary of the initial issuance date until it terminates on the five-year anniversary of the initial issuance date (July 16, 2025).

Liquidation Preference of Series B Preferred Stock. If we liquidate, dissolve or wind up, or undergo a “change of control” (as defined below), holders of the Series B Preferred Stock will have the right to receive \$25.00 per share, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared) to and including the date of payment, before any payments are made to the holders of our Common Stock or to the holders of equity securities the terms of which provide that such equity securities will rank junior to the Series B Preferred Stock. The rights of holders of Series B Preferred Stock to receive their liquidation preference also are subject to the proportionate rights of our Series A Fixed Rate Cumulative Preferred Stock and any other class or series of our capital stock ranking in parity with the Series B Preferred Stock as to liquidation. For purposes of these provisions, a “change of control” shall mean: (i) any sale, lease, or transfer, exclusive license or other dispositions (or series of sales, leases, transfers, exclusive licenses or other dispositions) of all or substantially all of the assets of the Company and its subsidiaries; (ii) any sale, transfer or issuance (or series of sales, transfers or issuances) of capital stock by the Company or the holders of Common Stock (or other voting stock of the Company) that results in the inability of the beneficial holders of Common Stock (or other voting stock of the Company) immediately prior to such sale, transfer or issuance to designate or elect a majority of the Board of Directors (or its equivalent) of the Company; or (iii) any merger, consolidation, recapitalization or reorganization of the Company with or into another Person (whether or not the Company is the surviving corporation) that results in the inability of the beneficial holders of Common Stock (or other voting stock of the Company) immediately prior to such merger, consolidation, recapitalization or reorganization to designate or elect a majority of the Board of Directors (or its equivalent) of the resulting entity or its parent company; *provided*, that a “change of control” shall not include a change in the beneficial or record holders of Common Stock or voting rights in the Company resulting or arising from one or more transactions by which the owners of any entity that is a stockholder of the Company directly receive or are issued Common Stock of the Company in lieu of their ownership in such entity, whether upon dissolution, liquidation or reorganization of such entity, or by merger, acquisition or other business combination transaction involving such entity and the Company or any of its subsidiaries.

Ranking. The Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, ranks:

- senior to our Common Stock and any other class of equity securities the terms of which provide that such equity securities will rank junior to the Series B Preferred Stock;
- junior to our Series A Preferred Stock and any equity securities the terms of which provide that such equity securities will rank senior to the Series B Preferred Stock, and to all of our existing and future debt, including, prior to conversion of such debt, any debt convertible into our equity securities; and
- on a parity with our Series A-1 Preferred Stock and any other equity securities the terms of which provide that such equity securities will rank without preference or priority over the other.

Exchange Listing. The Series B Preferred Stock is listed for trading on NASDAQ under the symbol “FATBP.”

Information Rights. During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of our Series B Preferred Stock are outstanding, we will (i) transmit by mail to all holders of the Series B Preferred Stock, copies of the annual reports and quarterly reports that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to those sections (other than any exhibits that would have been required) and (ii) promptly upon written request, make available copies of such reports to any prospective holder of Series B Preferred Stock. We will mail the reports to the holders of Series B Preferred Stock within 15 days after the respective dates by which we would have been required to file the reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Transfer and Dividend Paying Agent. VStock Transfer, LLC acts as the transfer and dividend payment agent and registrar in respect of the Series B Preferred Stock.

Description of Warrants

Form. The Warrants were issued under a Warrant Agency Agreement between the Company and VStock Transfer, LLC, as warrant agent (the “Warrant Agent”). The material terms and provisions of the Warrants are summarized below, but the following description is subject to, and qualified in its entirety by, the Warrant Agency Agreement and form of Warrant.

Exercisability. The Warrants are currently exercisable and may be exercised at any time up to five (5) years from the date of original issuance, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice accompanied by payment in full for the number of shares of Common Stock purchased upon such exercise (except in the case of a cashless exercise as discussed below). No fractional shares of Common Stock will be issued in connection with the exercise of a Warrant. In lieu of fractional shares, we will, at our option, either (i) pay the holder an amount in cash equal to the fractional amount multiplied by the market value of a share of Common Stock or (ii) round up to the next whole share. The holder will not have the right to exercise any portion of the Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% or 9.99% of the number of shares of our Common Stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants.

Cashless Exercise. If, at any time during the term of the Warrants, the issuance of shares of our Common Stock upon exercise of the Warrants is not covered by an effective registration statement, the holder is permitted to effect a cashless exercise of the Warrants (in whole or in part) by having the holder deliver to us a duly executed exercise notice, canceling a portion of the Warrant in payment of the purchase price payable in respect of the number of shares of our Common Stock purchased upon such exercise.

Failure to Timely Deliver Shares. If we fail to deliver to the investor a certificate representing shares issuable upon exercise of a Warrant by the third trading day after the exercise date as required by the Warrant, and if the investor purchases the shares of our Common Stock after that third trading day to deliver in satisfaction of a sale by the investor of the underlying Warrant shares that the investor anticipated receiving from us, then, within three trading days of receipt of the investor’s request, we, at the investor’s option, will either (i) pay cash to the investor in an amount equal to the investor’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock purchased less the exercise price (as described below), or the buy-in price, at which point our obligation to deliver the Warrant (and to issue the underlying Common Stock) will terminate, (ii) reinstate the portion of the Warrant and equivalent number of Warrant shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or (iii) promptly honor our obligation to deliver to the investor a certificate or certificates representing the underlying Common Stock and pay cash to the investor in an amount equal to the excess (if any) of the buy-in price over the product of (A) the number of shares of Common Stock, times (B) the per share closing price of our Common Stock on the date of the event giving rise to our obligation to deliver the certificate.

Exercise Price. Each Warrant represents the right to purchase one share of Common Stock at an exercise price of \$5.00 per share, subject to adjustment as described below. The exercise price is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our Common Stock, and upon any distributions of assets, including cash, stock or other property to our stockholders, in each case occurring after the date of issuance of the Warrants.

Exchange Listing. The Warrants are listed for trading on NASDAQ under the symbol “FATBW.” The shares of Common Stock underlying the Warrants are listed for trading on NASDAQ under the symbol “FAT.”

Rights as a Stockholder. Except as otherwise provided in the Warrants or by virtue of such holder’s ownership of shares of our Common Stock, the holder of a Warrant does not have the rights or privileges of a holder of our Common Stock, including any voting rights, until the holder exercises the Warrant.

Governing Law and Jurisdiction. The Warrant Agency Agreement provides that the validity, interpretation, and performance of the Warrants and the Warrant Agency Agreement will be governed by the laws of the State of New York, without giving effect to conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. In addition, the Warrant Agency Agreement provides that any action, proceeding or claim against the Company arising out of or relating to the Warrants or the Warrant Agency Agreement must be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York. However, we do not intend that the foregoing provisions would apply to actions arising under the Securities Act of 1933, as amended, or the Exchange Act.

Warrant Agent. VStock Transfer, LLC acts as our Warrant Agent and transfer agent for the Warrants.

Significant Subsidiaries

Name of Subsidiary

Fatburger North America, Inc.
Buffalo's Franchise Concepts, Inc.
Ponderosa Franchising Company
Bonanza Restaurant Company
Ponderosa International Development, Inc.
Puerto Rico Ponderosa, Inc.
Hurricane AMT, LLC
Yalla Mediterranean Franchising Company, LLC
Yalla Acquisition, LLC
EB Franchises, LLC
FAT Brands Royalty I, LLC
Johnny Rockets Holding Co
Johnny Rockets Licensing, LLC
Johnny Rockets Licensing Canada, LLC
Johnny Rockets Licensing, LLC
Fog Cutter Acquisition, LLC
Fog Cutter Capital Group Inc.
Homestyle Dining, LLC
Fog Cap Development LLC
Fog Cap Acceptance Inc.
BC Canyon LLC
FAT Virtual Restaurants, LLC
Fat Brands Management LLC

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report on Form 10-K of FAT Brands Inc. and in the Registration Statements of FAT Brands Inc. on Form S-8 (File No. 333-239031) and Form S-1 (File No. 333-239032) of our report dated March 29, 2021 relating to the consolidated financial statements of FAT Brands Inc. as of December 27, 2020 and December 29, 2019, and for the years then ended.

Our report contains a going concern paragraph regarding the limited liquidity resources of FAT Brands Inc. and also a paragraph relating to the adoption of new method of accounting for leases as of December 31, 2018.

/s/ Baker Tilly US, LLP
Los Angeles, CA
March 29, 2021

CERTIFICATION

I, Andrew A. Wiederhorn, Chief Executive Officer of FAT Brands Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of FAT Brands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

/s/ Andrew A. Wiederhorn

Andrew A. Wiederhorn
Chief Executive Officer

CERTIFICATION

I, Rebecca D. Hershinger, Chief Financial Officer of FAT Brands Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of FAT Brands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

/s/ Rebecca D. Hershinger

Rebecca D. Hershinger
Chief Financial Officer

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in their capacity as an officer of FAT Brands Inc., that, to their knowledge, the Annual Report of FAT Brands Inc. on Form 10-K for the period ended December 27, 2020 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the company.

March 29, 2021

By /s/ Andrew A. Wiederhorn

Andrew A. Wiederhorn
President and Chief Executive Officer
(Principal Executive Officer)

March 29, 2021

By /s/ Rebecca D. Hershinger

Rebecca D. Hershinger
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to FAT Brands Inc. and will be retained by FAT Brands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
