UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 28, 2021

OR

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

For the transition period from _______________ to ______

Commission file number 0-21423

BJ'S RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

California	**33-0485615**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7755 Center Avenue, Suite 300
Huntington Beach, California 92647

(714) 500-2400

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, No Par Value	BJRI	NASDAQ Global Select Market

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 (section 232.405 of this chapter) 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 or a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large accelerated filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
☐ Emerging growth company	

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of October 29, 2021, there were 23,303,694 shares of Common Stock of the Registrant outstanding.

BJ'S RESTAURANTS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BJ'S RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 28, 2021	December 29, 2020
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 59,815	$ 51,664
Accounts and other receivables, net	24,433	23,630
Inventories, net	11,215	10,671
Prepaid expenses and other current assets	6,389	9,325
Total current assets	101,852	95,290
Property and equipment, net	501,211	534,841
Operating lease assets	371,272	375,557
Goodwill	4,673	4,673
Deferred income taxes	19,366	6,227
Other assets, net	42,787	42,836
Total assets	$ 1,041,161	$ 1,059,424
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 40,950	$ 37,770
Accrued expenses	94,835	103,320
Current operating lease obligations	38,976	36,809
Total current liabilities	174,761	177,899
Long-term operating lease obligations	444,425	456,869
Long-term debt	71,800	116,800
Other liabilities	14,713	14,068
Total liabilities	705,699	765,636
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, no par value, 125,000 shares authorized and 23,296 and 22,318 shares issued and outstanding as of September 28, 2021 and December 29, 2020, respectively	—	—
Capital surplus	69,980	71,722
Retained earnings	265,482	222,066
Total shareholders' equity	335,462	293,788
Total liabilities and shareholders' equity	$ 1,041,161	$ 1,059,424

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Revenues	$ 282,180	$ 198,887	$ 795,770	$ 581,506
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales (1)	76,647	48,938	208,382	144,732
Labor and benefits	105,023	74,576	290,921	229,929
Occupancy and operating (1)	68,876	56,401	196,271	163,513
General and administrative	17,293	15,250	49,586	41,330
Depreciation and amortization	18,224	18,037	54,660	54,735
Restaurant opening	375	128	1,224	823
Loss on disposal and impairment of assets	2,700	177	3,225	14,502
Gain on lease transactions, net	—	(1,940)	—	(1,940)
Total costs and expenses	289,138	211,567	804,269	647,624
Loss from operations	(6,958)	(12,680)	(8,499)	(66,118)
Other (expense) income:				
Interest expense, net	(1,047)	(1,639)	(4,043)	(5,052)
Gain from legal settlements	—	2,284	—	2,284
Other income, net	446	624	748	580
Total other (expense) income	(601)	1,269	(3,295)	(2,188)
Loss before income taxes	(7,559)	(11,411)	(11,794)	(68,306)
Income tax benefit	(5,383)	(4,827)	(12,846)	(28,505)
Net (loss) income	$ (2,176)	$ (6,584)	$ 1,052	$ (39,801)
Net (loss) income per share:				
Basic	$ (0.09)	$ (0.30)	$ 0.05	$ (1.92)
Diluted	$ (0.09)	$ (0.30)	$ 0.04	$ (1.92)
Weighted average number of shares outstanding:				
Basic	23,290	22,280	23,154	20,777
Diluted	23,290	22,280	24,054	20,777

(1) There were no related party costs included in cost of sales for the thirteen weeks ended September 29, 2020 or September 28, 2021, or for the thirty-nine weeks ended September 28, 2021. Related party costs included in cost of sales are $28,070 for the thirty-nine weeks ended September 29, 2020. There were no related party costs included in occupancy and operating for the thirteen weeks ended September 29, 2020 or September 28, 2021, or for the thirty-nine weeks ended September 28, 2021. Related party costs included in occupancy and operating are $4,058 for the thirty-nine weeks ended September 29, 2020. See Note 6 for further information.

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	For the Thirteen Weeks Ended				
	Common Stock		Capital	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance, June 30, 2020	22,261	$ —	$ 68,218	$ 244,376	$ 312,594
Issuance of common stock and warrant, net	—	(17)	—	—	(17)
Issuance of restricted stock units	40	1,736	(1,844)	—	(108)
Repurchase, retirement and reclassification of common stock	—	(1,719)	—	1,719	—
Stock-based compensation	—	—	3,019	—	3,019
Adjustment to dividends previously accrued	—	—	—	7	7
Net loss	—	—	—	(6,584)	(6,584)
Balance, September 29, 2020	22,301	$ —	$ 69,393	$ 239,518	$ 308,911
Balance, June 29, 2021	23,267	$ —	$ 68,713	$ 266,421	$ 335,134
Issuance of restricted stock units	29	1,233	(1,233)	—	—
Reclassification of common stock	—	(1,233)	—	1,233	—
Stock-based compensation	—	—	2,500	—	2,500
Adjustment to dividends previously accrued	—	—	—	4	4
Net loss	—	—	—	(2,176)	(2,176)
Balance, September 28, 2021	23,296	$ —	$ 69,980	$ 265,482	$ 335,462

	For the Thirty-Nine Weeks Ended				
	Common Stock		Capital	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance, December 31, 2019	19,149	$ —	$ 67,062	$ 223,225	$ 290,287
Issuance of common stock and warrant, net	3,500	63,985	3,394	—	67,379
Issuance of restricted stock units	147	7,081	(7,894)	—	(813)
Repurchase, retirement and reclassification of common stock	(495)	(71,066)	—	56,052	(15,014)
Stock-based compensation	—	—	6,831	—	6,831
Adjustment to dividends previously accrued	—	—	—	42	42
Net loss	—	—	—	(39,801)	(39,801)
Balance, September 29, 2020	22,301	$ —	$ 69,393	$ 239,518	$ 308,911
Balance, December 29, 2020	22,318	$ —	$ 71,722	$ 222,066	$ 293,788
Exercise of stock options	122	6,394	(1,883)	—	4,511
Issuance of common stock, net	704	28,907	—	—	28,907
Issuance of restricted stock units	152	7,049	(7,514)	—	(465)
Reclassification of common stock	—	(42,350)	—	42,350	—
Stock-based compensation	—	—	7,655	—	7,655
Adjustment to dividends previously accrued	—	—	—	14	14
Net income	—	—	—	1,052	1,052
Balance, September 28, 2021	23,296	$ —	$ 69,980	$ 265,482	$ 335,462

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
Cash flows from operating activities:		
Net income (loss)	$ 1,052	$ (39,801)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	54,660	54,735
Non-cash lease expense	23,383	21,660
Amortization of financing costs	429	85
Deferred income taxes	(13,139)	(28,729)
Stock-based compensation expense	7,432	6,802
Loss on disposal and impairment of assets	3,225	14,502
Gain on lease transactions, net	—	(1,940)
Changes in assets and liabilities:		
Accounts and other receivables	1,297	9,729
Inventories, net	(172)	606
Prepaid expenses and other current assets	2,750	4,197
Other assets, net	(1,359)	(3,006)
Accounts payable	5,976	19,343
Accrued expenses	(7,595)	(12,210)
Operating lease obligations	(32,342)	(10,759)
Other liabilities	645	1,008
Net cash provided by operating activities	46,242	36,222
Cash flows from investing activities:		
Purchases of property and equipment	(25,166)	(31,985)
Proceeds from sale of assets	21	3,810
Net cash used in investing activities	(25,145)	(28,175)
Cash flows from financing activities:		
Borrowings on line of credit	913,000	892,300
Payments on line of credit	(958,000)	(908,500)
Payments of debt issuance costs	(315)	(735)
Proceeds from issuance of common stock, net	28,907	67,379
Taxes paid on vested stock units under employee plans	(938)	(813)
Proceeds from exercise of stock options	4,511	—
Cash dividends accrued under stock compensation plans	(111)	(134)
Repurchases of common stock	—	(15,014)
Net cash (used in) provided by financing activities	(12,946)	34,483
Net increase in cash and cash equivalents	8,151	42,530
Cash and cash equivalents, beginning of period	51,664	22,394
Cash and cash equivalents, end of period	$ 59,815	$ 64,924

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 386	$ 1,311
Cash paid for interest, net of capitalized interest	$ 3,207	$ 4,643
Cash paid for operating lease obligations	$ 53,743	$ 42,511
Supplemental disclosure of non-cash operating, investing and financing activities:		
Operating lease assets obtained in exchange for operating lease obligations	$ 19,965	$ 17,488
Tenant improvement allowance receivable	$ 2,100	$ 1,496
Property and equipment acquired and included in accounts payable	$ 1,844	$ 2,695
Stock-based compensation capitalized	$ 223	$ 29

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ's Restaurants, Inc. (referred to herein as the "Company," "we," "us" and "our") and our wholly owned subsidiaries. The consolidated financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of our financial condition, results of operations, shareholders' equity and cash flows for the period. Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to the U.S. Securities and Exchange Commission ("SEC") rules.

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates. Our operating results for the thirty-nine weeks ended September 28, 2021 may not be indicative of operating results for the entire year.

A description of our accounting policies and other financial information is included in our audited consolidated financial statements filed with the SEC on Form 10-K for the fiscal year ended December 29, 2020. The disclosures included in our accompanying interim consolidated financial statements and footnotes should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K and our other reports filed from time to time with the Securities and Exchange Commission.

COVID-19 Pandemic Update

The COVID-19 pandemic has adversely affected, and is expected to continue to adversely affect, our operations and financial results for the foreseeable future. Currently, national, state and local jurisdictions have removed their capacity restrictions on businesses and therefore our restaurants are serving customers in our dining rooms without social distancing requirements. However, it is possible additional outbreaks could require us to reduce our capacity, implement social distancing, or further suspend our in-restaurant dining operations. In addition, our restaurant performance could be adversely affected if we are required by law to have customers present evidence of vaccination or negative tests. There is also no guarantee that state and local jurisdictions that ease restrictions will not later reverse or roll-back the restrictions, as many have done in the past. Additionally, our restaurant operations have been and could continue to be disrupted by employee staffing issues because of illness, exclusion, fear of contracting COVID-19 or caring for family members due to COVID-19, legal requirements for employee vaccinations or COVID testing, lack of labor supply, competitive labor pressures, or for other reasons. Furthermore, we remain in regular contact with our major suppliers and while to date we have not experienced significant disruptions in our supply chain due to COVID-19, we could see significant future disruptions should the impacts of COVID-19 continue. For more information regarding the risks to our business relating to the COVID-19 pandemic, see "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2020.

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, Income Taxes (Topic 740). The amendments in this update are intended to simplify the accounting for income taxes by removing certain exceptions in the existing guidance and simplify areas such as franchise taxes, recognition of deferred taxes for goodwill, separate entity financial statements, and interim recognition of enactment of tax laws or tax rate changes. We adopted ASU 2019-12 on December 30, 2020, the first day of fiscal 2021. The adoption of this standard did not have a material impact on our consolidated financial statements or related disclosures.

2. REVENUE RECOGNITION

Our revenues are comprised of food and beverage sales from our restaurants. Revenues from restaurant sales are recognized when payment is tendered. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected from the credit card processor. We sell gift cards which do not have an expiration date and we do not deduct non-usage fees from outstanding gift card balances. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Based on historical redemption rates, a portion of our gift card sales are not expected to be redeemed and will be recognized as gift card "breakage" over time. Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern, unless there is a legal obligation to remit the unredeemed gift cards to government authorities. The estimated gift card breakage is based on when the likelihood of redemption becomes remote, which has typically been 24 months after the original gift card issuance date.

Our "BJ's Premier Rewards Plus" customer loyalty program enables participants to earn points for qualifying purchases that can be redeemed for food and beverages in the future. We allocate the transaction price between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points, less expected expirations, until such points are redeemed.

The liability related to our gift card and loyalty program, included in "Accrued expenses" on our Consolidated Balance Sheets is as follows (in thousands):

	September 28, 2021	December 29, 2020
Gift card liability	$ 13,359	$ 17,274
Deferred loyalty revenue	$ 4,231	$ 6,121

Revenue recognized for the redemption of gift cards and loyalty rewards deferred at the beginning of each respective fiscal year is as follows (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Revenue recognized from gift card liability	$ 1,305	$ 1,097	$ 8,049	$ 9,786
Revenue recognized from customer loyalty program	$ 1,014	$ 2,965	$ 7,940	$ 8,254

3. LEASES

We determine if a contract contains a lease at inception. Our material operating leases consist of restaurant locations and office space. U.S. GAAP requires that our leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date, and the lease term used in the evaluation includes the non-cancellable period for which we have the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option would result in an economic penalty. All of our restaurant leases and office space are classified as operating leases. We do not have any finance leases.

Lease costs included in "Occupancy & operating" on the Consolidated Statements of Operations consisted of the following (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Lease cost	$ 14,615	$ 13,820	$ 43,202	$ 41,461
Variable lease cost	544	93	1,146	68
Total lease costs	$ 15,159	$ 13,913	$ 44,348	$ 41,529

In response to the impact of the COVID-19 pandemic on our operations, from April 1, 2020 to June 30, 2020, we suspended the payment of rent and did not make lease payments under our existing lease agreements for the majority of our leases. During the suspension of payments, we continued to recognize expenses and liabilities for lease obligations and corresponding lease assets on the balance sheet in accordance with ASU 2016-02, Leases (Topic 842).

We negotiated restructuring of lease payments and rent concessions for the majority of our leases. The negotiated concessions primarily take the form of rent deferrals (full or partial) or abatements. In accordance with the relief issued in April 2020 by the FASB titled ASC Topic 842 and ASC Topic 840, Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic, we did not recognize contractual rent concessions as a lease contract modification when the total payments required by the modified contract were substantially the same or less than the total payments required by the original contract. Lease concessions that provided a substantial increase in the rights of the lessor or our obligations under the lease were accounted for as lease modifications in accordance with ASC Topic 842.

4. LONG-TERM DEBT

Line of Credit

On January 15, 2021, we entered into Amendment No. 2 and Waiver to Third Amended and Restated Credit Agreement ("Credit Facility") with Bank of America, N.A. ("BofA") and JPMorgan Chase Bank, N.A., to reduce our line of credit (the "Line of Credit") by $20 million to $215 million, change certain pricing, and modify applicable covenants and/or reset select covenant levels. Our Credit Facility matures on November 18, 2022, and provides us with revolving loan commitments totaling $215 million, of which $50 million may be used for the issuance of letters of credit. Availability under the Credit Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. As of September 28, 2021, there were borrowings of $71.8 million and letters of credit totaling approximately $18.8 million outstanding under the Credit Facility. Available borrowings under the Credit Facility were $124.4 million as of September 28, 2021.

Borrowings under the Line of Credit bear interest at an annual rate equal to either (a) LIBOR plus a percentage not to exceed 3.00% (with a floor on LIBOR of 1.00%), or (b) a percentage not to exceed 2.00% above a Base Rate equal to the highest of (i) the Federal Funds Rate plus 1/2 of 1.00%, (ii) BofA's Prime Rate, or (iii) one-month LIBOR plus 1.00%, in either case depending on the level of lease and debt obligations of the Company as compared to EBITDAR (lease adjusted leverage ratio). The weighted average interest rate during the thirty-nine weeks ended September 28, 2021 was approximately 4.0%.

The Credit Facility is secured by the Company's assets and contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio and a maximum lease adjusted leverage ratio, which was required to be tested after the completion of the third quarter of 2021. Additionally, we must maintain a minimum liquidity balance through December 2021. Lastly, we are subject to certain limits on capital expenditures for fiscal 2021 and 2022, with relief from these limits if we satisfy certain fixed charge and lease adjusted leverage ratios. At September 28, 2021, we were in compliance with these covenants.

Pursuant to the Line of Credit, we are required to pay certain customary fees and expenses associated with maintenance and use of the Line of Credit, including letter of credit issuance fees, unused commitment fees and interest on the Line of Credit, which are payable monthly. Interest expense and commitment fees under the Credit Facility for the thirty-nine weeks ended September 28, 2021 and September 29, 2020 were approximately $4.0 million and $5.1 million, respectively. We also capitalized approximately $0.7 million and $0.8 million of interest expense related to new restaurant construction during each of the thirty-nine weeks ended September 28, 2021 and September 29, 2020.

5. NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Potentially dilutive shares are excluded from the computation of diluted net (loss) per share since they have an anti-dilutive effect, yet potentially dilutive shares are included in the computation of diluted net income per share. The number of diluted shares reflect the potential dilution that could occur if holders of in-the-money options and warrants exercised their right to convert these instruments into common stock and the restrictions on restricted stock units ("RSUs") lapse. Additionally, performance-based RSUs are considered contingent shares; therefore, at each reporting date we determine the probable number of shares that will vest and we include these contingently issuable shares in our diluted share calculation unless they are antidilutive. Once these performance-based RSUs vest, they are included in our basic net (loss) income per share calculation.

The following table presents a reconciliation of basic and diluted net (loss) income per share, including the number of dilutive equity awards that were included in the dilutive net (loss) income per share computation (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Numerator:				
Net (loss) income	$ (2,176)	$ (6,584)	$ 1,052	$ (39,801)
Denominator:				
Weighted-average shares outstanding – basic	23,290	22,280	23,154	20,777
Dilutive effect of equity awards	—	—	900	—
Weighted-average shares outstanding – diluted	23,290	22,280	24,054	20,777
Net (loss) income per share:				
Basic	$ (0.09)	$ (0.30)	$ 0.05	$ (1.92)
Diluted	$ (0.09)	$ (0.30)	$ 0.04	$ (1.92)

For the thirteen weeks ended September 28, 2021 and September 29, 2020, there were approximately 0.5 million and 1.1 million shares of equity awards, respectively, that were excluded from the calculation of diluted net loss per share because they are anti-dilutive. For the thirty-nine weeks ended September 28, 2021 and September 29, 2020, there were approximately 0.2 million and 1.1 million shares of equity awards, respectively, that were excluded from the calculation of diluted net income (loss) per share because they are anti-dilutive.

6. RELATED PARTY

James Dal Pozzo, the Chairman of the Board of the Jacmar Companies ("Jacmar"), is a member of our Board of Directors. Jacmar, through its affiliation with Distribution Market Advantage ("DMA"), a consortium of large, regional food distributors located throughout the United States, was our largest distributor of food, beverage, paper products and supplies from 2006 through June 30, 2020, when our contract with DMA expired. Effective June 1, 2020, after conducting an extensive request for proposal process and evaluation, we entered into an agreement with US Foods, replacing DMA. The new agreement expires in July 2023.

Through June 30, 2020, Jacmar serviced our restaurants in California and Nevada, while other DMA distributors serviced our restaurants in all other states. Under the terms of our agreement with DMA, Jacmar was required to sell products to us at the same prices as the other DMA distributors. Jacmar did not provide us with any produce, liquor, wine or beer products, all of which were provided by other third-party vendors and included in "Cost of sales" on the Consolidated Statements of Operations. Effective July 1, 2020, with the expiration of our DMA agreement, Jacmar is no longer considered a related party.

The cost of food, beverage, paper products and supplies provided by Jacmar included within restaurant operating costs consisted of the following (in thousands):

	For the Thirteen Weeks Ended				For the Thirty-Nine Weeks Ended			
	September 28, 2021		September 29, 2020		September 28, 2021		September 29, 2020	
Cost of sales:								
Third-party suppliers	$ 76,647	100.0%	$ 48,938	100.0%	$ 208,382	100.0%	$ 116,662	80.6%
Jacmar	—	—	—	—	—	—	28,070	19.4
Total cost of sales	$ 76,647	100.0%	$ 48,938	100.0%	$ 208,382	100.0%	$ 144,732	100.0%
Occupancy and operating:								
Third-party suppliers	$ 68,876	100.0%	$ 56,401	100.0%	$ 196,271	100.0%	$ 159,455	97.5%
Jacmar	—	—	—	—	—	—	4,058	2.5
Total occupancy and operating	$ 68,876	100.0%	$ 56,401	100.0%	$ 196,271	100.0%	$ 163,513	100.0%

7. STOCK-BASED COMPENSATION

Our current shareholder approved stock-based compensation plan is the BJ's Restaurants, Inc. Equity Incentive Plan, (as amended from time to time, "the Plan"). Under the Plan, we may issue shares of our common stock to employees, officers, directors and consultants. We have granted incentive stock options, non-qualified stock options, restricted stock and performance and time-based restricted stock units. Stock options are charged against the Plan share reserve on the basis of one share for each share granted. Grants of restricted stock, RSUs, performance shares and performance units, if any, are currently charged against the Plan share reserve on the basis of 1.5 shares for each share granted. The Plan also contains other limits on the terms of incentive grants such as limits on the number that can be granted to an employee during any fiscal year. All options granted under the Plan expire within 10 years of their date of grant.

Under the Plan, we issue time-based and performance-based RSUs and non-qualified stock options to vice presidents and above on an annual basis, as well as new hires who are given the option between receiving their full grant as a time-based RSU or split evenly between non-qualified stock options and time-based RSUs. We issue time-based RSUs to other select support employees, and we issue time-based RSUs to non-employee members of our Board of Directors. We also issue RSUs, and previously issued non-qualified stock options, in connection with the BJ's Gold Standard Stock Ownership Program (the "GSSOP"). The GSSOP is a long-term equity incentive program for our restaurant general managers, executive kitchen managers, directors of operations and directors of kitchen operations. GSSOP grants are dependent on the length of each participant's service with us and position. All GSSOP participants are required to remain in good standing during their vesting period.

The Plan permits our Board of Directors to set the vesting terms and exercise period for awards at its discretion. Stock options and time-based RSUs vest ratably over one, three or five years for non-GSSOP participants and either cliff vest at five or three years or cliff vest at 33% on the third anniversary and 67% on the fifth anniversary for GSSOP participants. Performance-based RSUs generally cliff vest on the third anniversary of the grant date in an amount from 0% to 225% of the grant quantity, dependent on the level of performance target achievement.

On January 15, 2021, our Board of Directors approved special fully-vested restricted stock grants, in lieu of cash bonuses to Restaurant Support Center employees at the Vice President and Director levels. These grants were in amounts designed to approximate a portion of their potential incentive compensation, which was approximately $0.5 million.

The following table presents the stock-based compensation recognized within our consolidated financial statements (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Labor and benefits	$ 641	$ 707	$ 2,171	$ 2,028
General and administrative	$ 1,808	$ 2,312	$ 5,261	$ 4,774
Capitalized (1)	$ 66	$ —	$ 223	$ 29

(1) Capitalized stock-based compensation relates to our restaurant development personnel and is included in "Property and equipment, net" on the Consolidated Balance Sheets.

Stock Options

The fair value of each stock option was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
Expected volatility	60.7%	33.5%
Risk-free interest rate	0.5%	1.6%
Expected option life	5 years	5 years
Dividend yield	0.0%	1.5%
Fair value of options granted	$ 23.54	$ 10.38

U.S. GAAP requires us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk-free interest rate, expected option life, and dividend yield. These estimations and judgments are determined by us using assumptions that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility, dividend yield and risk-free interest rate may significantly impact the fair value of future grants resulting in a significant impact to our financial results.

The exercise price of our stock options under our stock-based compensation plan is required to equal or exceed the fair value of our common stock at market close on the option grant date or the most recent trading day when grants take place on market holidays. The following table presents stock option activity:

	Options Outstanding		Options Exercisable	
	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at December 29, 2020	801	$ 40.56	503	$ 39.91
Granted	107	46.26		
Exercised	(129)	37.40		
Forfeited	(11)	44.22		
Outstanding at September 28, 2021	768	$ 41.84	518	$ 41.04

As of September 28, 2021, total unrecognized stock-based compensation expense related to non-vested stock options was approximately $2.6 million, which is generally expected to be recognized over the next three years.

Restricted Stock Units

Time-Based Restricted Stock Units

The following table presents time-based restricted stock unit activity:

	Shares (in thousands)		Weighted Average Fair Value
Outstanding at December 29, 2020	586	$	37.14
Granted	203		47.20
Released	(138)		41.56
Forfeited	(60)		35.64
Outstanding at September 28, 2021	591	$	39.71

The fair value of our time-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the most recent trading day when grants take place on market holidays. The fair value of each time-based RSU is expensed over the vesting period (e.g., one, three or five years). As of September 28, 2021, total unrecognized stock-based compensation expense related to non-vested RSUs was approximately $11.5 million, which is generally expected to be recognized over the next five years.

Performance-Based Restricted Stock Units

The following table presents performance-based restricted stock unit activity:

	Shares (in thousands)		Weighted Average Fair Value
Outstanding at December 29, 2020	109	$	42.39
Granted	46		46.91
Released	(36)		37.70
Forfeited	(7)		44.14
Outstanding at September 28, 2021	112	$	45.60

The fair value of our performance-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the most recent trading day when grants take place on market holidays. The fair value of each performance-based RSU is expensed, based on management's current estimate of the level that the performance goal will be achieved. As of September 28, 2021, based on the target level of performance, the total unrecognized stock-based compensation expense related to non-vested performance-based RSUs was approximately $3.4 million, which is generally expected to be recognized over the next three years.

8. INCOME TAXES

We calculate our interim income tax provision in accordance with ASC Topic 270, "Interim Reporting" and ASC Topic 740, "Accounting for Income Taxes." The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including the expected operating income for the year, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets in the current fiscal year. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained or the tax environment changes.

On December 18, 2019, the FASB issued ASU 2019-12 (Topic 740), to simplify the accounting for income taxes. The ASU's amendments are based on changes that were suggested by stakeholders as part of the FASB's simplification initiative (i.e., the Board's effort to reduce the complexity of accounting standards), while maintaining or enhancing the helpfulness of information provided to financial statement users. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of this standard did not have a material impact on our consolidated financial statements or related disclosures.

Our effective income tax rate for the thirty-nine weeks ended September 28, 2021 reflected a 108.9% tax benefit rate compared to a 41.7% tax benefit rate for the comparable thirty-nine week period of 2020. The effective tax rate benefit for the thirty-nine weeks ended September 28, 2021 was different from the statutory tax rate primarily due to FICA tax tip credits, excess tax deductions realized for stock-based compensation and the employee retention credit. The prior year effective tax rate benefit was different than the statutory rate primarily due to FICA tax tip credits and the incremental benefit arising from the ability to carryback the 2020 loss to prior years when the tax rate was at 35%.

On March 11, 2021 the President signed the American Rescue Plan of 2021. The law did not have a material impact on our consolidated financial statements or related disclosures.

As of September 28, 2021, we had unrecognized tax benefits of approximately $1.4 million, of which approximately $1.1 million, if reversed, would impact our effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is the following (in thousands):

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
Gross unrecognized tax benefits at beginning of year	$ 1,333	$ 1,345
Increases for tax positions taken in prior years	—	190
Increases for tax positions taken in the current year	35	65
Gross unrecognized tax benefits at end of year	$ 1,368	$ 1,600

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of September 28, 2021, the earliest tax year still subject to examination by the Internal Revenue Service is 2015. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2016.

9. LEGAL PROCEEDINGS

We are subject to lawsuits, administrative proceedings and demands that arise in the ordinary course of our business and which typically involve claims from customers, employees and others related to operational, employment, real estate and intellectual property issues common to the foodservice industry. A number of these claims may exist at any given time. We are self-insured for a portion of our general liability, employee workers' compensation and employment practice liability insurance requirements. We maintain coverage with a third-party insurer to limit our total exposure. We believe that most of our customer claims will be covered by our general liability insurance, subject to coverage limits and the portion of such claims that are self-insured. Punitive damages awards and employee unfair practice claims, however, are not covered by our general liability insurance. To date, we have not been ordered to pay punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims. We could be affected by adverse publicity resulting from allegations in lawsuits, claims and proceedings, regardless of whether these allegations are valid or whether we are ultimately determined to be liable. We currently believe that the final disposition of these type of lawsuits, proceedings and claims will not have a material adverse effect on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, proceedings or claims.

10. SHAREHOLDERS' EQUITY

Private Placement

On May 5, 2020, we completed the sale of $70 million of our common stock to certain funds and accounts advised by T. Rowe Price Associates, Inc., acting as investment adviser, and to Act III Holdings, LLC ("Act III," and collectively "the investors"). The investors purchased a total of 3,500,000 shares of BJ's Restaurants common stock for $20.00 per share in a private placement under Section 4(2) of the Securities Act of 1933, as amended. The Company also issued a five year warrant to purchase 875,000 shares of our common stock with an initial exercise price of $27.00 per share to Act III. The warrant expires on May 4, 2025.

We accounted for the common stock and the warrant issued based on their relative fair values. The fair value of the warrant was estimated using the Black-Scholes pricing model. We recorded the net proceeds of $64.0 million related to the 3,500,000 shares of common stock to "Retained earnings" and the net proceeds of $3.4 million related to the warrant to "Capital surplus" on our Consolidated Balance Sheets.

At-the-Market Offering

On January 21, 2021, we sold 703,399 shares of our common stock at $42.65 per share for cash proceeds of $30.0 million (before commission and other fees) through an “at-the market” (“ATM”) offering program. As a result of the anti-dilution provisions contained in ACT III’s warrant, the number of shares issuable upon exercise of such warrant was adjusted to 876,949 and the exercise price was adjusted to $26.94.

Stock Repurchases

As of September 28, 2021, we have approximately $24.4 million remaining under the current $500 million share repurchase plan approved by our Board of Directors. We have suspended our repurchase program until the Board determines that resumption of repurchases is in the best interest of the Company and its shareholders and is permitted by our Credit Facility.

Cash Dividends

Due to the COVID-19 pandemic, our Board of Directors suspended quarterly cash dividends until it is determined that resumption of dividend payments is in the best interest of the Company and its shareholders and is permitted by our Credit Facility. As such, the only cash dividends paid during the thirty-nine weeks ended September 28, 2021 and September 29, 2020 were related to dividends (declared prior to fiscal 2020) which vested under our stock compensation plans.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain information included in this Form 10-Q and other filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers may contain “forward-looking” statements about our current and expected performance trends, growth plans, business goals and other matters. Words or phrases such as “believe,” “plan,” “will likely result,” “expect,” “intend,” “will continue,” “is anticipated,” “estimate,” “project,” “may,” “could,” “would,” “should,” and similar expressions are intended to identify “forward-looking” statements. These statements, and any other statements that are not historical facts, are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time (the “Act”). The cautionary statements made in this Form 10-Q should be read as being applicable to all related “forward-looking” statements wherever they appear in this Form 10-Q. These forward-looking statements are based on information available to us as of the date any such statements are made, and we assume no obligation to update these forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include, but are not limited to, the risk factors described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2020, as updated in our Form 10-Q for the thirty-nine weeks ended September 28, 2021 and in other reports filed subsequently with the SEC.

GENERAL

As of November 1, 2021, we own and operate 212 restaurants located in the 29 states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia and Washington. Our proprietary craft beer is produced at several of our locations, our Temple, Texas brewpub locations and by independent third-party brewers using our proprietary recipes.

The first BJ’s restaurant, which opened in 1978 in Orange County, California, was a small sit-down pizzeria that featured Chicago style deep-dish pizza with a unique California twist. Our goal then and still today is to be the best casual dining concept ever by focusing on high quality menu options at a compelling value, a dining experience that exceeds customers’ expectations for service, hospitality and enjoyment, and an atmosphere that is always welcoming and approachable.

In 1996, we introduced our own proprietary craft beers and expanded the BJ’s concept from its beginnings as a small pizzeria to a full-service, high energy casual dining restaurant when we opened our first large format restaurant including our own internal brewing operations in Brea, California. Today our restaurants feature a broad menu with over 100 items designed to offer something for everyone including: slow roasted entrees such as prime rib, EnLIGHTened Entrees® such as our Cherry Chipotle Glazed Salmon, our original signature deep-dish pizza, the often imitated, but never replicated world-famous Pizookie® dessert; and our award-winning BJ’s proprietary craft beers.

Our revenues are comprised of food and beverage sales from our restaurants and third-party retail beer sales. Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected. We sell gift cards which do not have an expiration date and we do not deduct non-usage fees from outstanding gift card balances. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Based on historical redemption rates, a portion of our gift card sales are not expected to be redeemed and will be recognized as gift card “breakage.” Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern, unless there is a legal obligation to remit the unredeemed gift cards to the relevant jurisdiction. The estimated gift card breakage is based on when the likelihood of redemption becomes remote, which has typically been 24 months after the original gift card issuance date. Our customer loyalty program enables participants to earn points for qualifying purchases that can be redeemed for food and beverages in the future. We allocate the transaction price between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points until such points are redeemed.

All of our restaurants are Company-owned. In calculating comparable restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months. Customer traffic for our restaurants is estimated based on customer checks.

Cost of sales is comprised of food and beverage costs, including the cost to produce and distribute our proprietary craft beer, soda and ciders. The components of cost of sales are variable and typically fluctuate directly with sales volumes, but may be impacted by changes in commodity prices, a shift in sales mix to higher cost proteins or other higher cost items, or varying levels of promotional activities.

Labor and benefit costs include direct hourly and management wages, bonuses, payroll taxes, fringe benefits and stock-based compensation and workers’ compensation expense that is directly related to restaurant level employees.

Occupancy and operating expenses include restaurant supplies, credit card fees, third-party delivery company commissions, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related restaurant costs.

General and administrative costs include all corporate administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include corporate management, field supervision and corporate hourly staff salaries and related employee benefits (including stock-based compensation expense and cash-based incentive compensation), travel and relocation costs, information systems, the cost to recruit and train new restaurant management employees, corporate rent, certain brand marketing-related expenses and legal, professional and consulting fees.

Depreciation and amortization are composed primarily of depreciation of capital expenditures for restaurant and brewing equipment and leasehold improvements.

Restaurant opening expenses, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stock of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

RESULTS OF OPERATIONS

The following table provides, for the periods indicated, our unaudited Consolidated Statements of Operations expressed as percentages of total revenues. The results of operations for the thirteen and thirty-nine weeks ended September 28, 2021 and September 29, 2020, are not necessarily indicative of the results to be expected for the full fiscal year. Percentages below may not reconcile due to rounding.

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020	September 28, 2021	September 29, 2020
Revenues	100.0%	100.0%	100.0%	100.0%
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	27.2	24.6	26.2	24.9
Labor and benefits	37.2	37.5	36.6	39.5
Occupancy and operating	24.4	28.4	24.7	28.1
General and administrative	6.1	7.7	6.2	7.1
Depreciation and amortization	6.5	9.1	6.9	9.4
Restaurant opening	0.1	0.1	0.2	0.1
Loss on disposal and impairment of assets	1.0	0.1	0.4	2.5
Gain on lease transactions, net	—	(1.0)	—	(0.3)
Total costs and expenses	102.5	106.4	101.1	111.4
Loss from operations	(2.5)	(6.4)	(1.1)	(11.4)
Other (expense) income:				
Interest expense, net	(0.4)	(0.8)	(0.5)	(0.9)
Gain from legal settlements	—	1.1	—	0.4
Other income, net	0.2	0.3	0.1	0.1
Total other (expense) income	(0.2)	0.6	(0.4)	(0.4)
Loss before income taxes	(2.7)	(5.7)	(1.5)	(11.7)
Income tax benefit	(1.9)	(2.4)	(1.6)	(4.9)
Net (loss) income	(0.8)%	(3.3)%	0.1%	(6.8)%

Thirteen Weeks Ended September 28, 2021 Compared to Thirteen Weeks Ended September 29, 2020

Revenues. Total revenues increased by $83.3 million, or 41.9%, to $282.2 million during the thirteen weeks ended September 28, 2021, from $198.9 million during the comparable thirteen week period of 2020. The increase in revenues primarily consisted of a 41.8%, or $81.4 million, increase in comparable restaurant sales, a $4.5 million increase in sales from new restaurants not yet in our comparable restaurant sales base, and a $0.4 million increase related to our temporarily closed restaurant, which was re-opened during the quarter, offset by a $2.9 million decrease in revenues related to less loyalty point expirations. At the beginning of the COVID-19 pandemic in March 2020, we stopped expirations to allow customers to use their loyalty points at a later time. During the thirteen weeks ended September 29, 2020, we resumed the expiration of loyalty points, resulting in incremental revenue. The increase in comparable restaurant sales was the result of an increase in customer traffic of approximately 30.1%, coupled with an increase in average check of approximately 11.7%. The increase in customer traffic is due to the recovery from the COVID-19 pandemic and the full re-opening of our dine-in restaurant operations, which were curtailed during the comparable thirteen week period of 2020. Additionally, the increase in average check is due to our customers per check, menu mix and sales channels, which focused heavily on our deep dish pizza and family feast menu offerings for off-premise sales during the thirteen week period of 2020.

Cost of Sales. Cost of sales increased by $27.7 million, or 56.6%, to $76.6 million during the thirteen weeks ended September 28, 2021, from $48.9 million during the comparable thirteen week period of 2020. This increase was primarily due to the increase in revenue, commodity cost increases and costs related to our three new restaurants opened since the thirteen weeks ended September 29, 2020. As a percentage of revenues, cost of sales increased to 27.2% for the current thirteen week period from 24.6% for the prior year comparable period. This increase was primarily due to overall menu mix and an increase in meat, seafood and liquor costs.

Labor and Benefits. Labor and benefit costs for our restaurants increased by $30.4 million, or 40.8%, to $105.0 million during the thirteen weeks ended September 28, 2021, from $74.6 million during the comparable thirteen week period of 2020. This increase was primarily due to the increase in revenue resulting from the re-opening of our dining rooms, which were closed or restricted in operation during the same period in 2020, coupled with higher training and overtime costs due to the full re-opening of our dining rooms, and expenses related to the three new restaurants opened since the thirteen weeks ended September 29, 2020, offset by our Employee Retention Tax Credit in conjunction with the CARES Act. As a percentage of revenues, labor and benefit costs decreased to 37.2% for the current thirteen week period from 37.5% for the prior year comparable period. This decrease was primarily due to our ability to leverage management and hourly wages over comparable sales increases. Included in labor and benefits for the thirteen weeks ended September 28, 2021 and September 29, 2020, was approximately $0.6 million and $0.7 million, or 0.2% and 0.4% of revenues, respectively, of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management employees.

Occupancy and Operating. Occupancy and operating expenses increased by $12.5 million, or 22.1%, to $68.9 million during the thirteen weeks ended September 28, 2021, from $56.4 million during the comparable thirteen week period of 2020. This increase was primarily due to higher merchant credit card fees as a result of increased revenues, increased supply costs, higher janitorial services as a result of the re-opening of our dining rooms, and expenses related to the three new restaurants opened since the thirteen weeks ended September 29, 2020. As a percentage of revenues, occupancy and operating expenses decreased to 24.4% for the current thirteen week period from 28.4% for the prior year comparable period. This decrease was primarily due to our ability to leverage certain fixed operating and occupancy costs over a higher revenue base.

General and Administrative. General and administrative expenses increased by $2.0 million, or 13.4%, to $17.3 million during the thirteen weeks ended September 28, 2021, from $15.3 million during the comparable thirteen week period of 2020. This increase was primarily due to increases in personnel, travel, recruiting and outside services as certain restrictions related to the COVID-19 pandemic eased and we returned back to more normal operations. Included in general and administrative costs for the thirteen weeks ended September 28, 2021 and September 29, 2020, was approximately $1.8 million and $2.3 million, respectively**,** or 0.6% and 1.2% of revenues, respectively, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 6.1% for the current thirteen week period from 7.7% for the prior year comparable period. This decrease was primarily due to our ability to leverage our fixed costs over a higher revenue base.

Depreciation and Amortization. Depreciation and amortization increased by $0.2 million, or 1.0%, to $18.2 million during the thirteen weeks ended September 28, 2021, compared to $18.0 million during the comparable thirteen week period of 2020. This increase was primarily related to the three new restaurants opened since the thirteen weeks ended September 29, 2020, offset by the impairment and reduction of carrying value related to one of our restaurants during the quarter. As a percentage of revenues, depreciation and amortization decreased to 6.5% for the current thirteen week period from 9.1% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Restaurant Opening. Restaurant opening expense increased by $0.2 million, or 193.0%, to $0.4 million during the thirteen weeks ended September 28, 2021, compared to $0.1 million during the comparable thirteen week period of 2020. This increase was primarily due to the re-opening of our Richmond, Virginia restaurant that was temporarily closed due to the COVID-19 pandemic. We did not open any new restaurants during either of the thirteen weeks ended September 28, 2021 or September 29, 2020.

Loss on Disposal and Impairment of Assets. Loss on disposal and impairment of assets was $2.7 million during the thirteen weeks ended September 28, 2021, and $0.2 million during the comparable thirteen week period of 2020. For the thirteen weeks ended September 28, 2021, these costs were primarily related to the impairment and reduction in the carrying value of the long-lived and operating lease assets related to one of our restaurants. For the comparable thirteen week period of 2020, these costs were primarily related to the disposals of assets in conjunction with initiatives to keep our restaurants up to date, coupled with disposal of certain unproductive restaurant assets.

Gain on Lease Transactions, net. Gain on lease transactions, net, of $1.9 million during the thirteen weeks ended September 29, 2020, related to a sale-leaseback transaction.

Interest Expense, Net. Interest expense, net, decreased by $0.6 million to $1.0 million during the thirteen weeks ended September 28, 2021, compared to $1.6 million during the comparable thirteen week period of 2020. This decrease was primarily due to a lower average debt balance during the thirteen weeks ended September 28, 2021, compared to the comparable thirteen week period of 2020.

Gain from Legal Settlements. Gain from legal settlements, of $2.3 million during the thirteen weeks ended September 29, 2020, related to a settlement with credit card providers pertaining to interchange fees and a settlement related to a maintenance agreement to repair our handheld tablets.

Other Income, Net. Other income, net, decreased by $0.2 million to $0.4 million of income during the thirteen weeks ended September 28, 2021, compared to $0.6 million of income during the comparable thirteen week period of 2020. This was primarily related to the decrease in the cash surrender value of certain life insurance policies under our deferred compensation plan.

Income Tax Benefit. Our effective income tax rate for the thirteen weeks ended September 28, 2021 reflected a 71.2% tax benefit rate compared to a 42.3% tax benefit rate for the comparable thirteen week period of 2020. The effective tax rate benefit for the thirteen weeks ended September 28, 2021 was different than the statutory tax rate primarily due to FICA tax tip credits, excess tax deductions realized for stock-based compensation and the employee retention credit. The prior year effective tax rate benefit was different than the statutory rate primarily due to FICA tax tip credits and the incremental benefit arising from the ability to carryback the 2020 loss to prior years when the tax rate was at 35%.

Thirty-Nine Weeks Ended September 28, 2021 Compared to Thirty-Nine Weeks Ended September 29, 2020

Revenues. Total revenues increased by $214.3 million, or 36.8%, to $795.8 million during the thirty-nine weeks ended September 28, 2021 from $581.5 million during the comparable thirty-nine week period of 2020. The increase in revenues primarily consisted of a 35.8%, or $205.0 million, increase in comparable restaurant sales, a $10.3 million increase in sales from new restaurants not yet in our comparable restaurant sales base, offset by a $0.3 million decrease related to our temporarily closed restaurant due to the COVID-19 pandemic. The increase in comparable restaurant sales was the result of an increase in customer traffic of approximately 22.5%, coupled with an increase in average check of approximately 13.3%.

Cost of Sales. Cost of sales increased by $63.6 million, or 44.0%, to $208.4 million during the thirty-nine weeks ended September 28, 2021, from $144.7 million during the comparable thirty-nine week period of 2020. This increase was primarily due to the increase in revenues, commodity cost increases and costs related to our three new restaurants opened since the thirty-nine weeks ended September 29, 2020. As a percentage of revenues, cost of sales increased to 26.2% for the current thirty-nine week period from 24.9% for the prior year comparable period. This increase was primarily due to overall menu mix and an increase in meat and seafood costs.

Labor and Benefits. Labor and benefit costs for our restaurants increased by $61.0 million, or 26.5%, to $290.9 million during the thirty-nine weeks ended September 28, 2021 from $229.9 million during the comparable thirty-nine week period of 2020. This increase was primarily due to the increase in revenue resulting from the re-opening of our dining rooms, which were closed or restricted in operation during the same period in 2020, coupled with higher incentive compensation, higher training and overtime costs due to the full re-opening of our dining rooms, and expenses related to the three new restaurants opened since the thirty-nine weeks ended September 29, 2020, offset by our Employee Retention Tax Credit in conjunction with the CARES Act. As a percentage of revenues, labor and benefit costs decreased to 36.6% for the current thirty-nine week period from 39.5% for the prior year comparable period. This decrease was primarily due to our ability to leverage management and hourly wages over our comparable sales increases during the thirty-nine weeks ended September 28, 2021. Included in labor and benefits for the thirty-nine weeks ended September 28, 2021 and September 29, 2020 was approximately $2.2 million and $2.0 million, respectively, or 0.3% of revenues of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management employees.

Occupancy and Operating. Occupancy and operating expenses increased by $32.8 million, or 20.0%, to $196.3 million during the thirty-nine weeks ended September 28, 2021 from $163.5 million during the comparable thirty-nine week period of 2020. This increase was primarily due to higher commissions to third-party delivery companies as a result of increased off-premise sales, higher merchant card fees and percentage rent as a result of increased revenues, increased supply costs, increased janitorial service costs, and expenses related to the three new restaurants opened since the thirty-nine weeks ended September 29, 2020*. As a percentage of revenues, occupancy and operating expenses decreased to 24.7% for the current thirty-nine week period from 28.1% for the prior year comparable period. This decrease was primarily due to our ability to leverage certain fixed operating and occupancy costs over a higher revenue base.*

General and Administrative. General and administrative expenses increased by $8.3 million, or 20.0%, to $49.6 million during the thirty-nine weeks ended September 28, 2021**,** from $41.3 million during the comparable thirty-nine week period of 2020. This increase was primarily due to increased personnel costs, including higher incentive compensation, salaries and deferred compensation expense, and general corporate and office expenses. From mid-April 2020 until mid-September 2020, restaurant support center salaries were reduced for all employees making over $100,000, and cash retainer payments to members of our Board of Directors were similarly reduced. The increase in deferred compensation expense relates to an increase in the cash surrender value of our life insurance policies under our deferred compensation plan and is offset by higher other income included in "Other income (expense), net" on our Unaudited Consolidated Statements of Operations. Included in general and administrative costs for the thirty-nine weeks ended September 28, 2021 and September 29, 2020 was approximately $5.3 million and $4.8 million, respectively**,** or 0.7% and 0.8% of revenues, respectively, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 6.2% for the current thirty-nine week period from 7.1% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Depreciation and Amortization. Depreciation and amortization was $54.7 million during the thirty-nine weeks ended September 28, 2021, and the comparable thirty-nine week period of 2020. The increase related to the three new restaurants opened since the thirty-nine weeks ended September 29, 2020 is offset by the decrease related to the impairment and reduction of carrying value related to five restaurants in 2020 and one restaurant in 2021. As a percentage of revenues, depreciation and amortization decreased to 6.9% for the current thirty-nine week period from 9.4% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Restaurant Opening. Restaurant opening expense increased by $0.4 million, or 48.8%, to $1.2 million during the thirty-nine weeks ended September 28, 2021compared to $0.8 million during the comparable thirty-nine week period of 2020. This increase was primarily due to the timing of our restaurant openings during the period. We opened two new restaurants and re-opened one restaurant, which was temporarily closed due to the COVID-19 pandemic, during the thirty-nine weeks ended September 28, 2021, compared to one restaurant opened during the thirty-nine weeks ended September 29, 2020.

Loss on Disposal and Impairment of Assets. Loss on disposal and impairment of assets was $3.2 million during the thirty-nine weeks ended September 28, 2021, and $14.5 million during the comparable thirty-nine week period of 2020. For the thirty-nine weeks ended September 28, 2021 these costs were primarily related to the impairment and reduction in the carrying value of the long-lived and operating lease assets related to one of our restaurants, coupled with the disposals of assets in conjunction with initiatives to keep our restaurants up to date and the disposal of certain unproductive restaurant assets. For the comparable thirty-nine week period of 2020, these costs primarily related to the impairment and reduction in the carrying value of the long-lived and operating lease assets related to five of our restaurants, coupled with a charge to reserve for beer spoilage due to the sudden decrease in draft beer sales as a result of the COVID-19 pandemic and routine asset disposals.

Gain on Lease Transactions, net. Gain on lease transactions, net, of $1.9 million during the thirty-nine weeks ended September 29, 2020, related to a sale-leaseback transaction.

Interest Expense, Net. Interest expense, net, decreased by $1.0 million to $4.0 million during the thirty-nine weeks ended September 28, 2021 compared to $5.1 million during the comparable thirty-nine week period of 2020. This decrease was primarily due to a lower average debt balance during the thirty-nine weeks ended September 28, 2021, compared to the comparable thirty-nine week period of 2020.

Gain from Legal Settlements. Gain from legal settlements of $2.3 million during the thirty-nine weeks ended September 29, 2020, related to a settlement with credit card providers pertaining to interchange fees and a settlement related to a maintenance agreement to repair our handheld tablets.

Other Income, Net. Other income, net, increased by $0.2 million to $0.8 million of income during the thirty-nine weeks ended September 28, 2021, compared to $0.6 million of expense during the comparable thirty-nine week period of 2020. This increase was primarily due to the increase in the cash surrender value of certain life insurance policies under our deferred compensation plan. This increase offsets the related deferred compensation expense impact included in “General and administrative” expenses on our Unaudited Consolidated Statements of Operations.

Income Tax Benefit. Our effective income tax rate for the thirty-nine weeks ended September 28, 2021 reflected a 108.9% tax benefit rate compared to a 41.7% tax benefit rate for the comparable thirty-nine week period of 2020. The effective tax rate benefit for the thirty-nine weeks ended September 28, 2021 was different than the statutory tax rate primarily due to FICA tax tip credits, excess tax deductions realized for stock-based compensation and the employee retention credit. The prior year effective tax rate benefit was different than the statutory rate primarily due to FICA tax tip credits and the incremental benefit arising from the ability to carryback the 2020 loss to prior years when the tax rate was at 35%.

LIQUIDITY AND CAPITAL RESOURCES

The following table provides, for the periods indicated, a summary of our key liquidity measurements (dollars in thousands):

	September 28, 2021	December 29, 2020
Cash and cash equivalents	$ 59,815	$ 51,664
Net working capital	$ (72,909)	$ (82,609)
Current ratio	0.6:1.0	0.5:1.0

As a result of uncertainties in the near-term outlook for our business caused by the COVID-19 pandemic, we continue to focus on cash flow generation. Currently, we have no intention to repurchase shares or pay dividends until it is determined that it is in the best interest of the Company and its shareholders and that it is permitted under our Credit Facility. We will review and, when appropriate, adjust our overall approach to capital allocation as we know more about the ultimate duration of the COVID-19 pandemic and how the post-pandemic recovery will unfold and affect revenues and costs at our restaurants.

We are taking what we believe to be necessary and appropriate measures to control costs and maximize liquidity. Our $70 million (before commission and other fees) private placement of common stock completed in May 2020 and our $30 million sale (before commission and other fees) of common stock through our ATM offering program, completed in January 2021, have strengthened our financial position. As of September 28, 2021, we have approximately $59.8 million of cash on our balance sheet, with an additional $124.4 million of borrowings available under our Credit Facility. See Note 4 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for further information on our Credit Facility. Based on the current level of operations, we believe that our current cash and cash equivalents will be adequate to meet our capital expenditure and working capital needs for at least the next twelve months. Our future operating performance will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Similar to many restaurant chains, we typically utilize operating lease arrangements (principally ground leases) for the majority of our restaurant locations. We believe our operating lease arrangements provide appropriate leverage for our capital structure in a financially efficient manner. However, we are not limited to the use of lease arrangements as our only method of opening new restaurants and from time to time have purchased the underlying land for new restaurants. We typically lease our restaurant locations for periods of 10 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). Many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. However, there can be no assurance that such allowances will be available to us on each project. From time to time, we may also decide to purchase the underlying land for a new restaurant if that is the only way to secure a highly desirable site. Currently, we own the underlying land for our Texas brewpub locations. We also own two parcels of land adjacent to two of our restaurants. It is not our current strategy to own a large number of land parcels that underlie our restaurants. Therefore, in many cases we have subsequently entered into sale-leaseback arrangements for land parcels that we previously purchased. We disburse cash for certain site-related work, buildings, leasehold improvements, furnishings, fixtures and equipment to build our leased and owned premises. We own substantially all of the equipment, furniture and trade fixtures in our restaurants and currently plan to do so in the future.

CASH FLOWS

The following tables set forth, for the periods indicated, our cash flows from operating, investing, and financing activities (in thousands):

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
Net cash provided by operating activities	$ 46,242	$ 36,222
Net cash used in investing activities	(25,145)	(28,175)
Net cash (used in) provided by financing activities	(12,946)	34,483
Net increase in cash and cash equivalents	$ 8,151	$ 42,530

Operating Cash Flows

Net cash provided by operating activities was $46.2 million during the thirty-nine weeks ended September 28, 2021, representing a $10.0 million increase from the $36.2 million provided by during the thirty-nine weeks ended September 29, 2020. The increase over the prior year is primarily due to higher net income during the thirty-nine weeks ended September 28, 2021, offset by higher operating lease obligation payments as a result of prior year rent deferrals, the timing of accounts and other receivables collections and accounts payable payments.

Investing Cash Flows

Net cash used in investing activities was $25.1 million during the thirty-nine weeks ended September 28, 2021, representing a $3.0 million decrease from the $28.2 million used during the thirty-nine weeks ended September 29, 2020. The decrease over prior year is primarily due to the timing of restaurant openings, coupled with the suspension of nonessential capital expenditures due to the COVID-19 pandemic.

The following table provides, for the periods indicated, the components of capital expenditures (in thousands):

	For the Thirty-Nine Weeks Ended	
	September 28, 2021	September 29, 2020
New restaurants	$ 11,706	$ 15,825
Restaurant maintenance and key productivity initiatives	11,871	14,021
Restaurant and corporate systems	1,589	2,139
Total capital expenditures	$ 25,166	$ 31,985

As of November 1, 2021, we have opened two new restaurants during fiscal 2021 as well as re-opening our Richmond, Virginia restaurant. Our Richmond restaurant was our only location that remained closed due to the COVID-19 pandemic. We currently plan to open at least eight restaurants in fiscal 2022, and we have entered into signed leases, land purchase agreements or letters of intent for all of our 2022 new restaurant locations. Our new restaurant unit economics continue to warrant an appropriate allocation of our available capital, and we will continue to balance new restaurant growth with quality and hospitality.

Financing Cash Flows

Net cash used in financing activities was $12.9 million during the thirty-nine weeks ended September 28, 2021, representing a $47.4 million decrease from the $34.5 million provided during the thirty-nine weeks ended September 29, 2020. This decrease was primarily due to Line of Credit payments and lower proceeds from the issuance of common stock during the thirty-nine weeks ended September 28, 2021.

See Note 4 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for further information on our Credit Facility. At the onset of the pandemic in 2020, we took the necessary steps to maximize our liquidity by drawing down on our Line of Credit and selling $70 million of our common stock. Additionally, in January 2021, we completed the sale of an aggregate of 703,399 shares of common stock for proceeds of $30 million (before commission and other fees) through an ATM offering program. See Note 10 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for further information on our ATM offering. We believe that we have sufficient liquidity for the next twelve months as a result of the actions we undertook, the improving operating environment and our current capital position. However, given the events of the COVID-19 pandemic as well as the post pandemic recovery, we will continue to monitor and evaluate all financing alternatives as these unprecedented events evolve.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities ("VIEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of September 28, 2021, we are not involved in any off-balance sheet arrangements.

IMPACT OF INFLATION

Inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations. Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the cost of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant customers. While we have taken steps to enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather or other market conditions outside of our control. We are currently unable to contract for certain commodities, such as fluid dairy, fresh meat or seafood, and most fresh produce items for long periods of time. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations.

A general shortage in the availability of qualified restaurant managers and hourly workers in certain geographic areas in which we operate, which shortage has been exacerbated by continuing effects of the COVID-19 pandemic, has caused increases in the costs of recruiting and compensating such employees. Many of our restaurant employees are paid hourly rates subject to the federal, state or local minimum wage requirements. Numerous state and local governments have their own minimum wage and other regulatory requirements for employees that are generally greater than the federal minimum wage and are subject to annual increases based on changes in their local consumer price indices. Additionally, certain operating and other costs, including health benefits in compliance with the Patient Protection and Affordable Care Act, taxes, insurance, COVID-19 pandemic related benefits, and other outside services continue to increase with the general level of inflation and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices of our menu items, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions will limit our menu pricing flexibility. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. There can be no assurance that all of our future cost increases can be offset by higher menu prices or that higher menu prices will be accepted by our restaurant customers without any resulting changes in their visit frequencies or purchasing patterns. Many of the leases for our restaurants provide for contingent rent obligations based on a percentage of sales. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

SEASONALITY AND ADVERSE WEATHER

Our business is impacted by weather and other seasonal factors that typically impact other restaurant operations. Holidays (and shifts in the holiday calendar) and severe weather including hurricanes, tornados, thunderstorms, snow and ice storms, prolonged extreme temperatures and similar conditions may impact restaurant sales volumes in some of the markets where we operate. Many of our restaurants are located in or near shopping centers and malls that typically experience seasonal fluctuations in sales. Quarterly results have been and will continue to be significantly impacted by the timing of new restaurant openings and their associated restaurant opening expenses. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our other critical accounting policies is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended December 29, 2020. During the thirty-nine weeks ended September 28, 2021, there were no significant changes in our critical accounting policies.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of market risks contains “forward-looking” statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

Interest Rate Risk

We have a $215 million Credit Facility, of which $71.8 million is currently outstanding and carries interest at a floating rate. We utilize the Credit Facility principally for letters of credit that are required to support our self-insurance programs, to fund a portion of our announced share repurchase program, which is currently suspended, and for working capital and construction requirements, as needed. We are exposed to interest rate risk through fluctuations in interest rates on our obligations under the Credit Facility. Based on our current outstanding balance, a hypothetical 1% change in the interest rates under our Credit Facility would have an approximate $0.5 million annual impact on our net (loss) income.

Food, Supplies and Commodity Price Risks

We purchase food, supplies and other commodities for use in our operations based upon market prices established with our suppliers. Our business is dependent on frequent and consistent deliveries of these items. We may experience shortages, delays or interruptions due to inclement weather, natural disasters, labor issues or other operational disruptions at our suppliers, distributors or transportation providers, or other conditions beyond our control such as cyber breaches or ransomware attacks. Additionally, many of the commodities purchased by us can be subject to volatility due to market supply and demand factors outside of our control, whether contracted for or not. Costs can also fluctuate due to government regulation. As a result of the COVID-19 pandemic, we have experienced and expect to continue to experience distribution disruptions, commodity cost inflation and certain food and supply shortages. To manage this risk in part, we attempt to enter into fixed-price purchase commitments, with terms typically up to one year, for some of our commodity requirements. However, it may not be possible for us to enter into fixed-price contracts for certain commodities or we may choose not to enter into fixed-price contracts for certain commodities. We believe that substantially all of our food and supplies are available from several sources, which helps to diversify our overall commodity cost risk. We also believe that we have some flexibility and ability to increase certain menu prices, or vary certain menu items offered or promoted, in response to food commodity price increases. Some of our commodity purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. We do not use financial instruments to hedge commodity prices, since our purchase arrangements with suppliers, to the extent that we can enter into such arrangements, help control the ultimate cost that we pay.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 28, 2021, our disclosure controls and procedures are designed and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 9 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a summary of legal proceedings.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 29, 2020.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Due to the COVID-19 pandemic, our share repurchase program is currently suspended until it is in the best interest of the Company and its shareholders to resume and is permitted by our Credit Facility, which restricts our ability to pay dividends or conduct stock repurchases. As of September 28, 2021, we have cumulatively repurchased shares valued at approximately $475.6 million in accordance with our approved share repurchase plan. We did not repurchase shares during the thirty-nine weeks ended September 28, 2021. As of September 28, 2021, we have approximately $24.4 million available under our share repurchase plan.

The following table sets forth information with respect to the repurchase of common shares during the thirty-nine weeks ended September 28, 2021:

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
12/30/20 – 01/26/21	—	$ —	—	$ —	$ 24,438,776
01/27/21 – 02/23/21	—	$ —	—	$ —	$ 24,438,776
02/24/21 – 03/30/21	—	$ —	—	$ —	$ 24,438,776
03/31/21 – 04/27/21	—	$ —	—	$ —	$ 24,438,776
04/28/21 – 05/25/21	—	$ —	—	$ —	$ 24,438,776
05/26/21 – 06/29/21	—	$ —	—	$ —	$ 24,438,776
06/30/21 – 07/27/21	—	$ —	—	$ —	$ 24,438,776
07/28/21 – 08/24/21	—	$ —	—	$ —	$ 24,438,776
08/25/21 – 09/28/21	—	$ —	—	$ —	$ 24,438,776
Total	—	$ —	—		

(1) Period information is presented in accordance with our fiscal months during fiscal 2021.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K for fiscal 2017.
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 14, 2020.
3.3	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.3 of the Annual Report on Form 10-K for fiscal 2004.
3.4	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.4 of the Annual Report on Form 10-K for fiscal 2010.
4.1	Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form SB-2A filed with the Securities and Exchange Commission on August 22, 1996 (File No. 3335182-LA).
10.2	Employment Agreement, dated June 30, 2021, between the Company and Gregory S. Levin (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2021.
31	Section 302 Certification of Chief Executive Officer and Chief Financial Officer.
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BJ'S RESTAURANTS, INC.
(Registrant)

November 1, 2021

By: /s/ GREGORY S. LEVIN
Gregory S. Levin
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ THOMAS A. HOUDEK
Thomas A. Houdek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ JACOB J. GUILD
Jacob J. Guild
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31

BJ’S RESTAURANTS, INC.

Certification of Chief Executive Officer

I, Gregory A. Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ’s Restaurants, Inc. (the “registrant”);

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 consolidated 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 officers 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 consolidated 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 and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s third fiscal quarter 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 officers 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:

   (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: November 1, 2021

By: /s/ GREGORY S. LEVIN

Gregory S. Levin
Chief Executive Officer and President
(Principal Executive Officer)

BJ'S RESTAURANTS, INC.

Certification of Chief Financial Officer

I, Thomas A. Houdek, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ's Restaurants, Inc. (the "registrant");

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 consolidated 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 officers 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 consolidated 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 and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter 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 officers 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:

   (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: November 1, 2021

By: /s/ THOMAS A. HOUDEK
Thomas A. Houdek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

BJ'S RESTAURANTS, INC.
CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Gregory S. Levin, Chief Executive Officer of the Company, and Thomas A. Houdek, Chief Financial Officer of the Company, certify to their knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 28, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

In Witness Whereof, each of the undersigned has signed this Certification as of this November 1, 2021.

/s/ GREGORY S. LEVIN	/s/ THOMAS A. HOUDEK
Gregory S. Levin	Thomas A. Houdek
Chief Executive Officer and President	Senior Vice President and Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)