

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 June 28, 2022

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

(State or other jurisdiction of
incorporation or organization)

33-0485615

(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 July 29, 2022, there were 23,454,137 shares of Common Stock of the Registrant outstanding.

BJ'S RESTAURANTS, INC.
TABLE OF CONTENTS

	Page
PART I.	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Consolidated Financial Statements</u>
	<u>Consolidated Balance Sheets –</u>
	<u>June 28, 2022 (Unaudited) and December 28, 2021</u>
	1
	<u>Unaudited Consolidated Statements of Operations –</u>
	<u>Thirteen and Twenty-Six Weeks Ended June 28, 2022 and June 29, 2021</u>
	2
	<u>Unaudited Consolidated Statements of Shareholders' Equity –</u>
	<u>Thirteen and Twenty-Six Weeks Ended June 28, 2022 and June 29, 2021</u>
	3
	<u>Unaudited Consolidated Statements of Cash Flows –</u>
	<u>Thirteen and Twenty-Six Weeks Ended June 28, 2022 and June 29, 2021</u>
	4
	<u>Notes to Unaudited Consolidated Financial Statements</u>
	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	11
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	18
Item 4.	<u>Controls and Procedures</u>
	19
PART II.	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u>
	20
Item 1A.	<u>Risk Factors</u>
	20
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	20
Item 6.	<u>Exhibits</u>
	21
	<u>SIGNATURES</u>
	22

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	June 28, 2022 (unaudited)	December 28, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,761	\$ 38,527
Accounts and other receivables, net	22,827	29,055
Inventories, net	11,777	11,579
Prepaid expenses and other current assets	9,183	11,654
Total current assets	81,548	90,815
Property and equipment, net	500,396	506,111
Operating lease assets	369,357	365,244
Goodwill	4,673	4,673
Deferred income taxes	33,175	24,902
Other assets, net	41,966	43,421
Total assets	<u>\$ 1,031,115</u>	<u>\$ 1,035,166</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 47,874	\$ 48,840
Accrued expenses	103,688	112,354
Current operating lease obligations	39,981	39,240
Total current liabilities	191,543	200,434
Long-term operating lease obligations	435,578	436,016
Long-term debt	50,000	50,000
Other liabilities	13,650	14,945
Total liabilities	690,771	701,395
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 23,439 and 23,304 shares issued and outstanding as of June 28, 2022 and December 28, 2021, respectively	—	—
Capital surplus	70,728	72,513
Retained earnings	269,616	261,258
Total shareholders' equity	340,344	333,771
Total liabilities and shareholders' equity	<u>\$ 1,031,115</u>	<u>\$ 1,035,166</u>

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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Revenues	\$ 329,697	\$ 290,283	\$ 628,426	\$ 513,590
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	90,928	75,586	172,394	131,735
Labor and benefits	123,111	104,218	239,397	185,898
Occupancy and operating	76,560	67,567	148,261	127,395
General and administrative	16,905	17,032	35,158	32,293
Depreciation and amortization	17,565	18,233	35,541	36,436
Restaurant opening	1,045	721	1,628	849
Loss on disposal and impairment of assets	438	252	595	525
Total costs and expenses	326,552	283,609	632,974	515,131
Income (loss) from operations	3,145	6,674	(4,548)	(1,541)
Other (expense) income:				
Interest expense, net	(436)	(1,594)	(1,070)	(2,996)
Other (expense) income, net	(187)	(8)	(575)	302
Total other expense	(623)	(1,602)	(1,645)	(2,694)
Income (loss) before income taxes	2,522	5,072	(6,193)	(4,235)
Income tax expense (benefit)	2,225	(1,297)	(7,950)	(7,463)
Net income	<u>\$ 297</u>	<u>\$ 6,369</u>	<u>\$ 1,757</u>	<u>\$ 3,228</u>
Net income per share:				
Basic	<u>\$ 0.01</u>	<u>\$ 0.27</u>	<u>\$ 0.08</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.26</u>	<u>\$ 0.07</u>	<u>\$ 0.13</u>
Weighted average number of shares outstanding:				
Basic	<u>23,434</u>	<u>23,247</u>	<u>23,405</u>	<u>23,087</u>
Diluted	<u>23,576</u>	<u>24,252</u>	<u>23,658</u>	<u>24,083</u>

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	Total
	Shares	Amount	Surplus	Earnings	
Balance, March 30, 2021	23,219	\$ —	\$ 67,289	\$ 257,994	\$ 325,283
Exercise of stock options	28	1,202	(301)	—	901
Issuance of common stock	—	(50)	—	—	(50)
Issuance of restricted stock units	20	901	(915)	—	(14)
Reclassification of common stock	—	(2,053)	—	2,053	—
Stock-based compensation	—	—	2,640	—	2,640
Adjustment to dividends previously accrued	—	—	—	5	5
Net income	—	—	—	6,369	6,369
Balance, June 29, 2021	<u>23,267</u>	<u>\$ —</u>	<u>\$ 68,713</u>	<u>\$ 266,421</u>	<u>\$ 335,134</u>
Balance, March 29, 2022	23,416	\$ —	\$ 69,326	\$ 268,336	\$ 337,662
Issuance of restricted stock units	23	978	(978)	—	—
Reclassification of common stock	—	(978)	—	978	—
Stock-based compensation	—	—	2,380	—	2,380
Adjustment to dividends previously accrued	—	—	—	5	5
Net income	—	—	—	297	297
Balance, June 28, 2022	<u>23,439</u>	<u>\$ —</u>	<u>\$ 70,728</u>	<u>\$ 269,616</u>	<u>\$ 340,344</u>

	For the Twenty-Six Weeks Ended				
	Common Stock		Capital	Retained	Total
	Shares	Amount	Surplus	Earnings	
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	704	28,907	—	—	28,907
Issuance of restricted stock units	123	5,816	(6,281)	—	(465)
Reclassification of common stock	—	(41,117)	—	41,117	—
Stock-based compensation	—	—	5,155	—	5,155
Adjustment to dividends previously accrued	—	—	—	10	10
Net Income	—	—	—	3,228	3,228
Balance, June 29, 2021	<u>23,267</u>	<u>\$ —</u>	<u>\$ 68,713</u>	<u>\$ 266,421</u>	<u>\$ 335,134</u>
Balance, December 28, 2021	23,304	\$ —	\$ 72,513	\$ 261,258	\$ 333,771
Issuance of restricted stock units	135	6,593	(6,953)	—	(360)
Reclassification of common stock	—	(6,593)	—	6,593	—
Stock-based compensation	—	—	5,168	—	5,168
Adjustment to dividends previously accrued	—	—	—	8	8
Net income	—	—	—	1,757	1,757
Balance, June 28, 2022	<u>23,439</u>	<u>\$ —</u>	<u>\$ 70,728</u>	<u>\$ 269,616</u>	<u>\$ 340,344</u>

See accompanying notes to unaudited consolidated financial statements.

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

	For the Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
Cash flows from operating activities:		
Net income	\$ 1,757	\$ 3,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,541	36,436
Non-cash lease expense	16,585	15,419
Amortization of financing costs	109	283
Deferred income taxes	(8,273)	(7,701)
Stock-based compensation expense	4,999	4,983
Loss on disposal and impairment of assets	595	525
Changes in assets and liabilities:		
Accounts and other receivables	7,557	(1,432)
Inventories, net	95	58
Prepaid expenses and other current assets	2,052	1,574
Other assets, net	(810)	5
Accounts payable	(5)	9,337
Accrued expenses	(8,596)	11,859
Operating lease obligations	(20,099)	(21,335)
Other liabilities	(1,295)	259
Net cash provided by operating activities	30,212	53,498
Cash flows from investing activities:		
Purchases of property and equipment	(31,119)	(14,291)
Proceeds from sale of assets	566	21
Net cash used in investing activities	(30,553)	(14,270)
Cash flows from financing activities:		
Borrowings on line of credit	320,000	697,600
Payments on line of credit	(320,000)	(732,600)
Payments of debt issuance costs	(3)	(315)
Proceeds from issuance of common stock, net	—	28,907
Taxes paid on vested stock units under employee plans	(360)	(938)
Proceeds from exercise of stock options	—	4,511
Cash dividends accrued under stock compensation plans	(62)	(82)
Net cash used in financing activities	(425)	(2,917)
Net (decrease) increase in cash and cash equivalents	(766)	36,311
Cash and cash equivalents, beginning of period	38,527	51,664
Cash and cash equivalents, end of period	\$ 37,761	\$ 87,975

See accompanying notes to unaudited consolidated financial statements.

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

	For the Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 469	\$ 292
Cash paid for interest, net of capitalized interest	\$ 631	\$ 2,457
Cash paid for operating lease obligations	\$ 33,238	\$ 35,348
Supplemental disclosure of non-cash operating, investing and financing activities:		
Operating lease assets obtained in exchange for operating lease obligations	\$ 22,118	\$ 7,704
Tenant improvement allowance receivable	\$ 1,600	\$ 4,163
Property and equipment acquired and included in accounts payable	\$ 7,260	\$ 707
Stock-based compensation capitalized	\$ 169	\$ 172

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 periods presented. 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 twenty-six weeks ended June 28, 2022 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 28, 2021. 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. We continue to monitor the progression of the COVID-19 pandemic and state, local and federal government regulatory and public health responses thereto. As of the date of this report, most of our restaurants were operating with few, if any, restrictions. However, it is possible additional outbreaks could require us to reduce our capacity, implement social distancing, or further suspend our in-restaurant dining operations. Our restaurant performance could be adversely affected if we are required by law to have guests present evidence of vaccination or negative tests in a significant number of jurisdictions. There is also no guarantee that state and local jurisdictions that have eased 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 (referred to as "team member") staffing issues because of illness, exclusion, fear of contracting COVID-19 or caring for family members due to COVID-19, legal requirements for team member 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 material disruptions in our supply chain due to COVID-19, we could see material 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 28, 2021.

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 are 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 approximately 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):

	June 28, 2022	December 28, 2021
Gift card liability	\$ 14,253	\$ 19,499
Deferred loyalty revenue	\$ 3,522	\$ 3,949

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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Revenue recognized from gift card liability	\$ 1,887	\$ 1,843	\$ 8,568	\$ 6,743
Revenue recognized from customer loyalty program	\$ 1,209	\$ 1,378	\$ 5,314	\$ 6,926

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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Lease cost	\$ 14,827	\$ 14,378	\$ 29,662	\$ 28,587
Variable lease cost	1,037	469	1,745	602
Total lease costs	\$ 15,864	\$ 14,847	\$ 31,407	\$ 29,189

4. LONG-TERM DEBT

Line of Credit

On November 3, 2021, we entered into a Fourth Amended and Restated Credit Agreement (“Credit Facility”) with Bank of America, N.A. (“BoFA”), JPMorgan Chase Bank, N.A., and certain other parties to amend and restate our revolving line of credit (the “Line of Credit”) to improve the pricing, extend the maturity date, change the interest reference rate, eliminate certain financial covenants and conditions, and reset other financial covenants starting with the fourth quarter of 2021.

Our Credit Facility matures on November 3, 2026, and provides us with revolving loan commitments totaling \$215 million, which may be increased up to \$315 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. On June 28, 2022, there were borrowings of \$50.0 million and letters of credit of \$17.1 million outstanding, leaving \$147.9 million available to borrow.

Borrowings under the Line of Credit bear interest at an annual rate equal to either (a) the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) plus a percentage not to exceed 2.00% (with a floor on BSBY of 0.00%), or (b) a percentage not to exceed 1.00% 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, (iii) the BSBY rate plus 1.00%, and (iv) 1.00%, in either case depending on the level of lease and debt obligations of the Company as compared to EBITDA plus lease expenses. The weighted average interest rate during the twenty-six weeks ended June 28, 2022 was approximately 2.2%.

The Credit Facility is secured by the Company’s assets and contains provisions requiring us to maintain compliance with certain covenants, including a Fixed Charge Coverage Ratio and a Lease Adjusted Leverage Ratio. At June 28, 2022, 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 were approximately \$1.1 million and \$3.0 million, for the

twenty-six weeks ended June 28, 2022 and June 29, 2021, respectively. We also capitalized approximately \$90,000 and \$40,000 of interest expense related to new restaurant construction during each of the twenty-six weeks ended June 28, 2022 and June 29, 2021.

5. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if in-the-money stock options issued by us to sell common stock at set prices were exercised and if restrictions on restricted stock units (“RSUs”) issued by us were to lapse (collectively, equity awards) using the treasury stock method. 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 net income calculation. Once these performance-based RSUs vest, they are included in our basic net income per share calculation.

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

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Numerator:				
Net income	\$ 297	\$ 6,369	\$ 1,757	\$ 3,228
Denominator:				
Weighted-average shares outstanding – basic	23,434	23,247	23,405	23,087
Dilutive effect of equity awards	142	1,005	253	996
Weighted-average shares outstanding – diluted	23,576	24,252	23,658	24,083
Net income per share:				
Basic	\$ 0.01	\$ 0.27	\$ 0.08	\$ 0.14
Diluted	\$ 0.01	\$ 0.26	\$ 0.07	\$ 0.13

For the thirteen weeks ended June 28, 2022 and June 29, 2021, there were approximately 2.2 million and 0.2 million shares of equity awards and warrants, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive. For the twenty-six weeks ended June 28, 2022 and June 29, 2021, there were approximately 2.0 million and 0.2 million shares of equity awards and warrants, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive.

6. 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 team members, officers, directors and consultants. We have historically 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. All options granted under the Plan expire within 10 years of their date of grant. 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 a team member during any fiscal year.

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 team members, 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 their discretion; however, the grant of awards with no minimum vesting period or a vesting period less than one year may not exceed 5% of the total number of shares authorized under the Plan. Stock options and time-based RSUs vest ratably over one, three or five years for non-GSSOP participants and either cliff vest at three or five 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 team members 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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Labor and benefits	\$ 640	\$ 723	\$ 1,390	\$ 1,531
General and administrative	\$ 1,648	\$ 1,842	\$ 3,609	\$ 3,452
Capitalized (1)	\$ 93	\$ 75	\$ 169	\$ 172

- (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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
Expected volatility	63.2%	60.4%
Risk-free interest rate	1.6%	0.5%
Expected option life	5 years	5 years
Dividend yield	—%	—%
Fair value of options granted	\$ 17.35	\$ 23.78

U.S. GAAP requires us to make certain assumptions and estimates regarding the grant date fair value. These include expected volatility, risk-free interest rate, expected option life, and dividend yield. These assumptions and estimates are determined using inputs that, in many cases, are outside of our control. Changes in these assumptions and estimates, 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.

Under our stock-based compensation plan the exercise price of a stock option 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 28, 2021	775	\$ 41.77	519	\$ 41.02
Granted	100	32.19		
Exercised	—	—		
Forfeited	(34)	40.98		
Outstanding at June 28, 2022	841	\$ 40.67	623	\$ 41.59

As of June 28, 2022, total unrecognized stock-based compensation expense related to non-vested stock options was approximately \$2.7 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 28, 2021	619	\$ 39.35
Granted	218	31.06
Released	(119)	43.36
Forfeited	(45)	36.58
Outstanding at June 28, 2022	673	\$ 36.13

The fair value of 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 June 28, 2022, total unrecognized stock-based compensation expense related to non-vested RSUs was approximately \$12.7 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 28, 2021	112	\$ 45.60
Granted	52	32.27
Released	(27)	53.22
Forfeited	(14)	40.06
Outstanding at June 28, 2022	123	\$ 38.89

The fair value of 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 June 28, 2022, based on the target level of performance, the total unrecognized stock-based compensation expense related to non-vested performance-based RSUs was approximately \$3.1 million, which is generally expected to be recognized over the next three years.

7. 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. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained or the tax environment changes.

Our effective income tax benefit rate for the twenty-six weeks ended June 28, 2022 was 128.4% compared to a benefit of 176.2% for the comparable twenty-six week period of 2021. The effective tax rate benefit for the twenty-six weeks ended June 28, 2022 and June 29, 2021, was different from the statutory tax rate primarily as a result of significant FICA tax tip credits.

As of June 28, 2022, we had unrecognized tax benefits of approximately \$1.2 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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
Beginning gross unrecognized tax benefits	\$ 1,198	\$ 1,333
Increases for tax positions taken in prior years	3	—
Decreases for tax positions taken in prior years	(1)	—
Increases for tax positions taken in the current year	22	43
Ending gross unrecognized tax benefits	\$ 1,222	\$ 1,376

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of June 28, 2022, 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 2017.

8. 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 guests, team members 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, team member 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 team member 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 team member 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.

9. SHAREHOLDERS' EQUITY

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 June 28, 2022, we have approximately \$24.4 million remaining under the current \$500 million share repurchase plan approved by our Board of Directors. Repurchases may be made at any time.

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. As such, the only cash dividends paid during the twenty-six weeks ended June 28, 2022 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 28, 2021, as updated in our Form 10-Q for the twenty-six weeks ended June 28, 2022 and in other reports filed subsequently with the SEC.

GENERAL

As of August 1, 2022, we own and operate 214 restaurants located in 29 states. 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 a leading, varied menu casual dining restaurant brand that focuses on delivering high quality menu options at a compelling value, a dining experience that exceeds our guests’ 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 with our own internal brewing operations in Brea, California. Today our restaurants feature a broad menu with over 100 menu 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 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. 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 guest 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. Guest traffic for our restaurants is estimated based on guest 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 team members.

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. Since fiscal 2020, occupancy and operating expense also include COVID-19 related costs such as temporary patios and safety related items.

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 team member 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 team members, 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 twenty-six weeks ended June 28, 2022 and June 29, 2021, 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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021	June 28, 2022	June 29, 2021
Revenues	100.0%	100.0%	100.0%	100.0%
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	27.6	26.0	27.4	25.6
Labor and benefits	37.3	35.9	38.1	36.2
Occupancy and operating	23.2	23.3	23.6	24.8
General and administrative	5.1	5.9	5.6	6.3
Depreciation and amortization	5.3	6.3	5.7	7.1
Restaurant opening	0.3	0.2	0.3	0.2
Loss on disposal and impairment of assets	0.1	0.1	0.1	0.1
Total costs and expenses	99.0	97.7	100.7	100.3
Income (loss) from operations	1.0	2.3	(0.7)	(0.3)
Other (expense) income:				
Interest expense, net	(0.1)	(0.5)	(0.2)	(0.6)
Other (expense) income, net	(0.1)	—	(0.1)	0.1
Total other expense	(0.2)	(0.6)	(0.3)	(0.5)
Income (loss) before income taxes	0.8	1.7	(1.0)	(0.8)
Income tax expense (benefit)	0.7	(0.4)	(1.3)	(1.5)
Net income	0.1%	2.2%	0.3%	0.6%

Thirteen Weeks Ended June 28, 2022 Compared to Thirteen Weeks Ended June 29, 2021

Revenues. Total revenues increased by \$39.4 million, or 13.6%, to \$329.7 million during the thirteen weeks ended June 28, 2022, from \$290.3 million during the comparable thirteen week period of 2021. The increase in revenues primarily consisted of an 11.7%, or \$33.5 million, increase in comparable restaurant sales and a \$5.5 million increase in sales from new restaurants not yet in our comparable restaurant sales base. The increase in comparable restaurant sales was the result of an increase in guest traffic of approximately 7.8%, coupled with an increase in average check of approximately 3.9%, which was made up of approximately 6% in price increases and partially offset by changes in mix. The increase in guest traffic was primarily due to the re-opening of our dining rooms, which were closed or restricted in operation during the same period in 2021.

Cost of Sales. Cost of sales increased by \$15.3 million, or 20.3%, to \$90.9 million during the thirteen weeks ended June 28, 2022, from \$75.6 million during the comparable thirteen week period of 2021. This increase was primarily due to the increase in revenue, commodity cost increases and costs related to our three new restaurants opened and one restaurant re-opened since the thirteen weeks ended June 29, 2021, offset by our Pasadena restaurant that was closed at the beginning of the current fiscal year. As a percentage of revenues, cost of sales increased to 27.6% for the current thirteen week period from 26.0% for the prior year comparable period. This increase was primarily due to inflationary pressure on food costs, partially mitigated by menu price increases.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$18.9 million, or 18.1%, to \$123.1 million during the thirteen weeks ended June 28, 2022, from \$104.2 million during the comparable thirteen week period of 2021. This increase was primarily due to additional labor required to support increased revenue, an increase in the number of team members coupled with higher training and overtime costs and expenses related to the three new restaurants opened and one restaurant re-opened since the thirteen weeks ended June 29, 2021. Increases in labor and benefit costs were offset in part by the closure of our Pasadena restaurant at the beginning of the current fiscal year. As a percentage of revenues, labor and benefit costs increased to 37.3% for the current thirteen week period from 35.9% for the prior year comparable period. This increase was primarily due to higher wages, training and

overtime hours. Included in labor and benefits for the thirteen weeks ended June 28, 2022 and June 29, 2021, was approximately \$0.6 million and \$0.7 million, respectively, or 0.2% revenues, of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$9.0 million, or 13.3%, to \$76.6 million during the thirteen weeks ended June 28, 2022, from \$67.6 million during the comparable thirteen week period of 2021. This increase was primarily due to higher merchant credit card fees as a result of increased revenues and increased supply costs, janitorial services, marketing expenses and costs related to the three new restaurants opened and one restaurant re-opened since the thirteen weeks ended June 29, 2021. As a percentage of revenues, occupancy and operating expenses decreased to 23.2% for the current thirteen week period from 23.3% 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 decreased by \$0.1 million, or 0.7%, to \$16.9 million during the thirteen weeks ended June 28, 2022, from \$17.0 million during the comparable thirteen week period of 2021. This change was primarily due to the decrease in the liability of our deferred compensation plan, offset by increased personnel costs. Included in general and administrative costs for the thirteen weeks ended June 28, 2022 and June 29, 2021, was approximately \$1.6 million and \$1.8 million, or 0.5% and 0.6% of revenues, respectively, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 5.1% for the current thirteen week period from 5.9% 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 decreased by \$0.7 million, or 3.7%, to \$17.6 million during the thirteen weeks ended June 28, 2022, compared to \$18.2 million during the comparable thirteen week period of 2021. This decrease was primarily related to impairment and disposal charges taken in fiscal 2021, including the impairment and reduction of carrying value related to our Pasadena restaurant that closed at the beginning of the year. The decrease in depreciation and amortization was partially offset by depreciation expense related to our restaurants opened since the thirteen weeks ended June 29, 2021. As a percentage of revenues, depreciation and amortization decreased to 5.3% for the current thirteen week period from 6.3% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Restaurant Opening. Restaurant opening expense increased by \$0.3 million, or 44.9%, to \$1.0 million during the thirteen weeks ended June 28, 2022, compared to \$0.7 million during the comparable thirteen week period of 2021. This increase was primarily due to the timing of openings.

Loss on Disposal and Impairment of Assets. Loss on disposal and impairment of assets was \$0.4 million during the thirteen weeks ended June 28, 2022, and \$0.3 million during the comparable thirteen week period of 2021. These costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date.

Interest Expense, Net. Interest expense, net, decreased by \$1.2 million to \$0.4 million during the thirteen weeks ended June 28, 2022, compared to \$1.6 million during the comparable thirteen week period of 2021. This decrease was primarily due to a lower average debt balance during the thirteen weeks ended June 28, 2022, compared to the comparable thirteen week period of 2021.

Other (Expense) Income, Net. Other (expense) income, net, was \$0.2 million of expense during the thirteen weeks ended June 28, 2022. This was primarily related to the loss associated with the cash surrender value of certain life insurance policies under our deferred compensation plan. This loss offsets the related deferred compensation expense impact included within "General and administrative" expenses on our Unaudited Consolidated Statements of Operations. The increased loss related to the cash surrender value of certain life insurance policies was partially offset by an insurance reimbursement related to business interruptions due to civil unrest coupled with compensation from the city related to a partial parking lot closure at one of our restaurants.

Income Tax Expense (Benefit). Our effective income tax rate for the thirteen weeks ended June 28, 2022, reflected an 88.2% tax expense compared to a 25.6% tax benefit for the comparable thirteen week period of 2021. The effective tax rate for the thirteen weeks ended June 28, 2022 and June 29, 2021, was different than the statutory tax rate primarily due to FICA tax tip credits and its relationship to pre-tax earnings.

Twenty-Six Weeks Ended June 28, 2022 Compared to Twenty-Six Weeks Ended June 29, 2021

Revenues. Total revenues increased by \$114.8 million, or 22.4%, to \$628.4 million during the twenty-six weeks ended June 28, 2022, from \$513.6 million during the comparable twenty-six week period of 2021. The increase in revenues primarily consisted of a 21.3%, or \$107.5 million, increase in comparable restaurant sales, and an \$8.4 million increase in sales from new restaurants not yet in our comparable restaurant sales base. Revenue increases were primarily offset by a \$1.4 million decrease related to the closure of our Pasadena restaurant. The increase in comparable restaurant sales was the result of an increase in guest traffic of approximately 16.1%, coupled with an increase in average check of approximately 5.2%, which was made up of approximately 6% in price increases and partially offset by changes in mix. The increase in guest traffic was primarily due to the re-opening of our dining rooms, which were closed or restricted in operation during the same period in 2021.

Cost of Sales. Cost of sales increased by \$40.7 million, or 30.9%, to \$172.4 million during the twenty-six weeks ended June 28, 2022, from \$131.7 million during the comparable twenty-six week period of 2021. This increase was primarily due to the increase in revenue, commodity cost increases and costs related to our three new restaurants opened and one restaurant re-opened since the twenty-six weeks ended June 29, 2021, offset by our Pasadena restaurant that was closed at the beginning of the current fiscal year. As a percentage of revenues, cost of sales increased to 27.4% for the current twenty-six week period from 25.6% for the prior year comparable period. This increase was primarily due to inflationary pressure on food costs, partially mitigated by menu price increases.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$53.5 million, or 28.8%, to \$239.4 million during the twenty-six weeks ended June 28, 2022, from \$185.9 million during the comparable twenty-six week period of 2021. This increase was primarily due to increased team members and higher training and overtime costs due to the re-opening of our dining rooms, which were closed or had restricted operations during a portion of the same period in 2021, and expenses related to the three new restaurants opened and one restaurant re-opened since the twenty-six weeks ended June 29, 2021. Increases in labor and benefit costs were offset in part by the closure of our Pasadena restaurant at the beginning of the current fiscal year. As a percentage of revenues, labor and benefit costs increased to 38.1% for the current twenty-six week period from 36.2% for the prior year comparable period. This increase was primarily due to higher wages, training and overtime hours due to increased hiring activities, and the deleveraging impact from the COVID-19 Omicron wave in January 2022 when sales were severely impacted. Included in labor and benefits for the twenty-six weeks ended June 28, 2022 and June 29, 2021, was approximately \$1.4 million and \$1.5 million, or 0.2% and 0.3% 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 team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$20.9 million, or 16.4%, to \$148.3 million during the twenty-six weeks ended June 28, 2022, from \$127.4 million during the comparable twenty-six week period of 2021. This increase was primarily due to higher merchant credit card fees, supply costs, janitorial services related to the re-opening of our dining rooms, coupled with increased marketing costs and costs related to the three new restaurants opened and one restaurant re-opened since the twenty-six weeks ended June 29, 2021. *As a percentage of revenues, occupancy and operating expenses decreased to 23.6% for the current twenty-six week period from 24.8% 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 \$2.9 million, or 8.9%, to \$35.2 million during the twenty-six weeks ended June 28, 2022, from \$32.3 million during the comparable twenty-six week period of 2021. This increase was primarily due to increases in personnel, travel, recruiting and outside services as we returned closer to pre-pandemic operations and have invested in growth initiatives, offset by the decrease in the liability of our deferred compensation plan. Included in general and administrative costs for the twenty-six weeks ended June 28, 2022 and June 29, 2021, *was approximately \$3.6 million and \$3.5 million, or 0.6% and 0.7% of revenues, respectively; of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 5.6% for the current twenty-six week period from 6.3% 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 decreased by \$0.9 million, or 2.5%, to \$35.5 million during the twenty-six weeks ended June 28, 2022, compared to \$36.4 million during the comparable twenty-six week period of 2021. This decrease was primarily related to impairment and disposal charges taken in fiscal 2021, including the impairment and reduction of carrying value related to our Pasadena restaurant that closed at the beginning of the year. The decrease in depreciation and amortization was partially offset by depreciation expense related to our three new restaurants opened since the twenty-six weeks ended June 29, 2021. As a percentage of revenues, depreciation and amortization decreased to 5.7% for the current twenty-six week period from 7.1% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Restaurant Opening. Restaurant opening expense increased by \$0.8 million, or 91.5%, to \$1.6 million during the twenty-six weeks ended June 28, 2022, compared to \$0.8 million during the comparable twenty-six week period of 2021. This increase was primarily due to the timing of our openings. We opened three new restaurants during the twenty-six weeks ended June 28, 2022, compared to two new restaurants during the twenty-six weeks ended June 29, 2021.

Loss on Disposal and Impairment of Assets. Loss on disposal and impairment of assets was \$0.6 million during the twenty-six weeks ended June 28, 2022, and \$0.5 million during the comparable twenty-six week period of 2021. These costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date.

Interest Expense, Net. Interest expense, net, decreased by \$1.9 million to \$1.1 million during the twenty-six weeks ended June 28, 2022, compared to \$3.0 million during the comparable twenty-six week period of 2021. This decrease was primarily due to a lower average debt balance during the twenty-six weeks ended June 28, 2022, compared to the comparable twenty-six week period of 2021.

Other (Expense) Income, Net. Other (expense) income, net, increased by \$0.9 million to \$0.6 million of expense during the twenty-six weeks ended June 28, 2022, compared to \$0.3 million of income during the comparable twenty-six week period of 2021. This was primarily related to the loss associated with the cash surrender value of certain life insurance policies under our deferred compensation plan. This loss offsets the related deferred compensation expense impact included within "General and administrative" expenses on our Unaudited Consolidated Statements of Operations. The increased loss related to the cash surrender value of certain life insurance

policies was partially offset by an insurance reimbursement related to business interruptions due to civil unrest and compensation from the city related to a partial parking lot closure at one of our restaurants.

Income Tax Benefit. Our effective income tax rate for the twenty-six weeks ended June 28, 2022, reflected a 128.4% tax benefit compared to a 176.2% tax benefit for the comparable twenty-six week period of 2021. The effective tax rate benefit for the twenty-six weeks ended June 28, 2022 and June 29, 2021, was different than the statutory tax rate primarily due to FICA tax tip credits and its relationship to pre-tax earnings.

LIQUIDITY AND MATERIAL CASH REQUIREMENTS

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

	June 28, 2022	December 28, 2021
Cash and cash equivalents	\$ 37,761	\$ 38,527
Net working capital	\$ (109,995)	\$ (109,619)
Current ratio	0.4:1.0	0.5:1.0

As a result of uncertainties in the near-term macro environment caused by the COVID-19 pandemic, including supply chain challenges, and commodity and labor inflation, we continue to focus on cash flow generation and maintaining a solid and flexible financial position to execute our long term strategy of investing in our business and opening new restaurants. We continue to monitor the macro environment and will adjust our overall approach to capital allocation, including share repurchases and dividends, as the post-pandemic recovery unfolds.

We are taking what we believe to be reasonably necessary and appropriate measures to control costs and maximize liquidity. 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. 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 one of our restaurants that will be opened in fiscal 2022 and 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 Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
Net cash provided by operating activities	\$ 30,212	\$ 53,498
Net cash used in investing activities	(30,553)	(14,270)
Net cash used in financing activities	(425)	(2,917)
Net (decrease) increase in cash and cash equivalents	\$ (766)	\$ 36,311

Operating Cash Flows

Net cash provided by operating activities was \$30.2 million during the twenty-six weeks ended June 28, 2022, representing a \$23.3 million decrease from the \$53.5 million provided by during the twenty-six weeks ended June 29, 2021. The decrease over the prior year is

primarily due to the payment timing of accounts payable and accrued expenses, offset by the collection of accounts and other receivable during the twenty-six weeks ended June 29, 2021.

Investing Cash Flows

Net cash used in investing activities was \$30.6 million during the twenty-six weeks ended June 28, 2022, representing a \$16.3 million increase from the \$14.3 million used during the twenty-six weeks ended June 29, 2021. The increase over prior year is primarily due to an increase in the number of new restaurant openings, new restaurants under construction and key productivity initiatives.

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

	For the Twenty-Six Weeks Ended	
	June 28, 2022	June 29, 2021
New restaurants	\$ 18,168	\$ 7,662
Restaurant maintenance and key productivity initiatives	11,899	5,585
Restaurant and corporate systems	1,052	1,044
Total capital expenditures	<u>\$ 31,119</u>	<u>\$ 14,291</u>

As of August 1, 2022, we have opened three new restaurants and closed our Pasadena restaurant during fiscal 2022. We currently plan to open as many as 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.

We currently anticipate our total capital expenditures for fiscal 2022 to be approximately \$90 million to \$95 million. This estimate includes costs to open up to eight new restaurants and remodel several existing locations. Total capital expenditures exclude anticipated proceeds from tenant improvement allowances and sale-leasebacks. We expect to fund our net capital expenditures with our current cash balance on hand, cash flows from operations and our line of credit. Our future cash requirements will depend on many factors, including the pace of our expansion, conditions in the retail property development market, construction costs, the nature of the specific sites selected for new restaurants, and the nature of the specific leases and associated tenant improvement allowances available, if any, as negotiated with landlords.

Financing Cash Flows

Net cash used in financing activities was \$0.4 million during the twenty-six weeks ended June 28, 2022, representing a \$2.5 million decrease from the \$2.9 million used during the twenty-six weeks ended June 29, 2021. This decrease was primarily due to proceeds from the issuance of common stock and stock option exercises during the twenty-six weeks ended June 29, 2021, offset by higher payments on our line of credit.

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 June 28, 2022, we are not involved in any off-balance sheet arrangements.

IMPACT OF INFLATION

Our country is currently experiencing multi-decade high inflation. Inflation on food, labor, energy and occupancy and operating costs is currently impacting the profitability of our restaurant operations compared to historical trends. 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. 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. While we have not had material disruptions in our supply chain, we have experienced some product shortages and higher costs for many of our commodities.

A general shortage in the availability of qualified restaurant managers and hourly workers in certain geographic areas in which we operate, which has been exacerbated by continuing effects of the COVID-19 pandemic on the labor market, has caused increases in the costs of recruiting and compensating such team members. Many of our restaurant team members are paid hourly rates subject to federal, state or local minimum wage requirements. Numerous state and local governments have their own minimum wage and other regulatory requirements for team members 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 28, 2021. During the twenty-six weeks ended June 28, 2022, 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 \$50.0 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, 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 \$0.4 million annual impact on our net 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 or other conditions beyond our control such as cyber breaches or ransomware attacks at our suppliers, distributors or transportation providers. 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 June 28, 2022, 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 second 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 8 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 28, 2021.

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

As of June 28, 2022, 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 twenty-six weeks ended June 28, 2022. As of June 28, 2022, we have approximately \$24.4 million available under our share repurchase plan.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	<u>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.</u>
3.2	<u>Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 14, 2020.</u>
3.3	<u>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.</u>
3.4	<u>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.</u>
4.1	<u>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).</u>
10.1	<u>Equity Incentive Plan, as amended and restated.</u>
31	<u>Section 302 Certification of Chief Executive Officer and Chief Financial Officer.</u>
32	<u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer.</u>
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)

August 1, 2022

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)

BJ'S RESTAURANTS, INC.
AMENDED AND RESTATED EQUITY INCENTIVE PLAN

(As amended by the Board on June 14, 2022)

PART I.

PURPOSE, ADMINISTRATION AND RESERVATION OF SHARES

SECTION 1. PURPOSE OF THE PLAN. The purposes of this Plan are (a) to promote the growth and success of the Company's business, and (b) to attract and retain the most talented Employees, Officers, Directors and Consultants available, (i) by aligning the long-term interests of Employees, Officers, Directors and Consultants with those of the shareholders by providing an opportunity to acquire an equity interest in the Company and (ii) by providing both rewards for exceptional performance and long term incentives for future contributions to the success of the Company and its Subsidiaries.

The Plan permits the grant of Incentive Stock Options, Nonqualified Stock Options, Restricted Stock, Restricted Stock Units, SARs, and Performance Compensation Awards (Shares and Units) at the discretion of the Committee and as reflected in the terms of the Award Agreement. Each Award will be subject to conditions specified in the Plan, such as continued employment or satisfaction of performance criteria.

The Committee may elect to establish sub-plans or procedures governing the grants to Employees, Officers Directors and Consultants and this Plan will serve as the framework for any such sub-plans.

SECTION 2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "ACTIVE STATUS" shall mean (i) for Employees, the absence of any interruption or termination of service as an Employee; provided, that the Board or Committee, in its sole discretion, may determine that Active Status may continue if an Employee becomes a Consultant immediately following termination of or interruption of service as an Employee, in which case Active Status shall thereafter be determined in accordance with clause (iii) below, (ii) for Non-Employee Directors, the termination of his or her service as a member of the Board (other than in cases of removal from the Board following a Board determination of Misconduct by such Director where the Director is reelected by the shareholders at the immediately succeeding election of Directors), and (iii) for Consultants, the absence of any interruption, expiration, or termination of such person's consulting or advisory relationship with the Company or any Subsidiary or the occurrence of any termination event as set forth in such person's Award Agreement. Active Status shall not be considered interrupted (A) for an Employee in the case of sick leave, maternity leave, infant care leave, medical emergency leave, military leave, or any other leave of absence properly taken in accordance with the policies of the Company or any applicable Subsidiary as may be in effect from time to time, and (B) for a Consultant, in the case of any temporary interruption in such person's availability to provide services to the Company or any Subsidiary which has been granted in writing by an authorized Officer of the Company. Whenever a mandatory severance period applies under applicable law with respect to a termination of service as an Employee, Active Status shall be considered terminated upon such Employee's receipt of notice of termination in whatever form prescribed by applicable law.

(b) "AUTOMATIC EXERCISE DATE" shall mean, with respect to an Option or SAR, the last business day of the term of an Option or SAR that was initially established by the Administrator for such Option or SAR.

(c) "AWARD" shall mean any award or benefits granted under the Plan, including Options, Restricted Stock, Restricted Stock Units, SARs, Performance Shares and Performance Units.

(d) "AWARD AGREEMENT" shall mean a written or electronic agreement between the Company and the Participant setting forth the terms of the Award.

(e) "BENEFICIAL OWNERSHIP" shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

(f) "BOARD" shall mean the Board of Directors of the Company.

(g) "CHANGE OF CONTROL" shall mean the first day that any one or more of the following conditions shall have been satisfied:

(i) the sale, liquidation or other disposition of all or substantially all of the Company's assets in one or a series of related transactions;

(ii) an acquisition (other than directly from the Company) of any outstanding voting securities by any person, after which such person (as the term is used for purposes of Section 13(d) or 14(d) of the Exchange Act) has Beneficial Ownership of fifty percent (50%) or more of the then outstanding voting securities of the Company, other than a Board-approved transaction;

(iii) during any 36-consecutive month period, the individuals who, at the beginning of such period, constitute the Board ("Incumbent Directors") cease for any reason other than death to constitute at least a majority of the members of the Board; provided however that except as set forth in this Section 2(g)(iii), an individual who becomes a member of the Board subsequent to the beginning of the 36-month period, shall be deemed to have satisfied such 36-month requirement and shall be deemed an Incumbent Director if such Director was elected by or on the recommendation of or with the approval of at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such period) or by operation of the provisions of this section; if any such individual initially assumes office as a result of or in connection with either an actual or threatened solicitation with respect to the election of Directors (as such terms are used in Rule 14a-12(c) of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitations of proxies or consents by or on behalf of a person other than the Board, then such individual shall not be considered an Incumbent Director; or

(iv) a merger, consolidation or reorganization of the Company, as a result of which the shareholders of the Company immediately prior to such merger, consolidation or reorganization own directly or indirectly immediately following such merger, consolidation or reorganization less than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such merger, consolidation or reorganization.

(h) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(i) "COMMITTEE" shall mean the Compensation Committee appointed by the Board.

(j) "COMMON STOCK" shall mean the common stock of the Company, no par value per share.

(k) "COMPANY" shall mean BJ's Restaurants, Inc., a California corporation, and any successor thereto.

(l) "CONSULTANT" shall mean any person, except an Employee, engaged by the Company or any Subsidiary of the Company, to render personal services to such entity, including as an advisor, pursuant to the terms of a written agreement.

(m) "DIRECTOR" shall mean a member of the Board.

(n) "DISABILITY" shall mean (i) in the case of a Participant whose employment with the Company or a Subsidiary is subject to the terms of an employment or consulting agreement that includes a definition of "Disability" as used in this Plan shall have the meaning set forth in such employment or consulting agreement during the period that such employment or consulting agreement remains in effect; and (ii) in all other cases, the term "Disability" as used in this Plan shall have the same meaning as set forth under the Company's long-term disability plan applicable to the Participant as may be amended from time to time, and in the event the Company does not maintain any such plan with respect to a Participant, a physical or mental condition resulting from bodily injury, disease or mental disorder which renders the Participant incapable of continuing his or her usual and customary employment with the Company or a Subsidiary, as the case may be, for a period of not less than 120 days or such other period as may be required by applicable law.

(o) "EMPLOYEE" shall mean any person, including an Executive Officer or Officer, who is a common law employee of, receives remuneration for personal services to, is reflected on the official human resources database as an employee of, and is on the payroll of the Company or any Subsidiary of the Company. A person is on the payroll if he or she is paid from or at the direction of the payroll department of the Company, or any Subsidiary of the Company. Persons providing services to the Company, or to any Subsidiary of the Company, pursuant to an agreement with a staff leasing organization, temporary workers engaged through or employed by temporary or leasing agencies, and workers who hold themselves out to the Company, or a Subsidiary to which they are providing services as being independent contractors, or as being employed by or engaged through another company while providing the services, and persons covered by a collective bargaining agreement (unless the collective bargaining agreement applicable to the person specifically provides for participation in this Plan) are not Employees for purposes of this Plan and do not and cannot participate in this Plan, whether or not such persons are, or may be reclassified by the courts, the Internal Revenue Service, the U.S.

Department of Labor, or other person or entity as, common law employees of the Company, or any Subsidiary, either solely or jointly with another person or entity.

(p) “EXCHANGE ACT” shall mean the Securities Exchange Act of 1934, as amended.

(q) “EXECUTIVE OFFICERS” shall mean the officers of the Company as such term is defined in Rule 16a-1 under the Exchange Act.

(r) “FAIR MARKET VALUE” shall mean the closing price per share of the Common Stock on Nasdaq as to the date specified (or the previous trading day if the date specified is a day on which no trading occurred), or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system as the Company elects to list or quote its shares of Common Stock and that the Committee designates as the Company’s principal exchange or quotation system, or at the discretion of the Committee in the case that the Company ceases to be publicly traded.

(s) “INCENTIVE STOCK OPTION” shall mean any Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(t) “INDEPENDENT DIRECTOR” shall mean a Director who: (1) meets the independence requirements of Nasdaq, or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system as the Company elects to list or quote its shares of Common Stock and that the Committee designates as the Company’s principal exchange or quotation system; (2) qualifies as a “non-employee director” under Rule 16b-3 promulgated under the Exchange Act; and (3) satisfies independence criteria under any other applicable laws or regulations relating to the issuance of Shares to Employees.

(u) “MAXIMUM ANNUAL PARTICIPANT AWARD” shall have the meaning set forth in Section 6(b).

(v) “MISCONDUCT” shall mean any of the following; provided, however, that with respect to Non-Employee Directors “Misconduct” shall mean subsection (viii) only:

(i) any material breach of an agreement between the Participant and the Company or any Subsidiary;

(ii) willful unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary by the Participant;

(iii) the Participant’s continued willful and intentional failure to satisfactorily perform Participant’s essential responsibilities;

(iv) material failure of the Participant to comply with rules, policies or procedures of the Company or any Subsidiary as they may be amended from time to time, including, without limitation, failure to comply with (1) the Company’s Code of Ethics and Code of Conduct, (2) policies and procedures of the Company relating to use and maintenance of facilities and equipment, or (3) policies and procedures of the Company relating to the occurrence, reporting or investigation of any harassment or discrimination allegations or complaints;

(v) Participant’s dishonesty, fraud or gross negligence related to the business or property of the Company or any Subsidiary;

(vi) personal conduct that is materially detrimental to the business of the Company or any Subsidiary;

(vii) conviction of or plea of nolo contendere to a felony;

(viii) in the case of Non-Employee Directors, (1) the removal from the Board for cause in accordance with the provisions of Section 302 of the California Corporations Code, (2) the removal from the Board as a result of a shareholder suit in accordance with the provisions of Section 304 of the California Corporations Code, (3) the determination by at least a majority of the disinterested members of the Board that such Non-Employee Director has materially breached his or her fiduciary duties or duties of loyalty to the Company or has grossly abused such Non-Employee Director’s authority with respect to the Company, (4) the determination by at least a majority of the disinterested members of the Board that such Non-Employee Director has committed

fraudulent or dishonest acts which have or could reasonably be expected to have a material adverse effect on the Company, or (5) the determination by at least a majority of the disinterested members of the Board that such Non-Employee Director has materially failed to comply with rules, policies or procedures of the Company applicable to Non-Employee Directors, as they may be amended from time to time;

(ix) intentional or negligent acts or omissions that cause the Company or any Subsidiary to be subject to a fine, citation, shut down, or other disciplinary action by any federal, state or local governmental agency, including, without limitation, any agency regulating health, occupational safety, alcoholic beverage control or immigration;

(x) Participant's inducing any customer or supplier to break or terminate any contract with the Company or any Subsidiary;

(xi) Participant's inducing any principal for whom the Company or any Subsidiary acts as an agent to terminate such agency relationship;

(xii) causes a fire, explosion or other catastrophic event involving the facilities or equipment of the Company or any Subsidiary that could have been reasonably avoided by following the established policies of the Company or any Subsidiary;

(xiii) Participant's solicitation of any of the Company's agents or employees to provide services to any other business or entity; or

(xiv) with respect to any Participant whose employment with the Company or a Subsidiary is subject to the terms of an effective employment or consulting agreement that includes a definition of "Cause," conduct by Participant that constitutes "Cause."

(w) "NASDAQ" shall mean the Nasdaq Global Select Market.

(x) "NON-EMPLOYEE DIRECTOR" shall mean a Director who is not an Employee.

(y) "NONQUALIFIED STOCK OPTION" shall mean an Option that does not qualify or is not intended to qualify as an Incentive Stock Option.

(z) "OFFICER" shall mean any Executive Officer of the Company as well as any president, vice president, secretary or treasurer duly appointed by the Board, or any other person designated as an officer by the Board or by the Bylaws of the Company.

(aa) "OPTION" shall mean a stock option granted pursuant to Section 10 of the Plan, including a Nonqualified Stock Option and an Incentive Stock Option.

(bb) "OPTIONEE" shall mean a Participant who has been granted an Option.

(cc) "PARENT" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(dd) "PARTICIPANT" shall mean an Employee, Officer, Director or Consultant granted an Award.

(ee) "PERFORMANCE COMPENSATION AWARD" means any Awards designated by the Committee as a Performance Compensation Award pursuant to Section 13 of the Plan, including Performance Shares and Performance Units.

(ff) "PERFORMANCE CRITERIA" shall mean one or more of the following (as selected by the Committee) criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Award under the Plan: (i) cash flow; (ii) earnings per share, including as adjusted (A) to exclude the impact of any (1) significant acquisitions or dispositions of businesses by the Company, (2) one-time, non-operating charges, or (3) accounting changes (including the early adoption of any accounting change mandated by any governing body, organization or authority); and (B) for any stock split, stock dividend or other recapitalization; (iii) earnings before interest, taxes, and amortization; (iv) return on equity; (v) total shareholder return; (vi) share price performance; (vii) return on capital; (viii) return on assets or net assets; (ix) revenue; (x) income; (xi) operating income; (xii) operating profit; (xiii) profit margin; (xiv) return on operating revenue; (xv) return on invested capital; (xvi) market price; (xvii) brand recognition/acceptance; (xviii) customer satisfaction; (xix) productivity; or (xx) sales growth

and volume. With respect to Performance Compensation Awards initially granted following December 31, 2017, the Performance Criteria may consist of such other Company-wide, divisional, or individual goals, or any other basis determined by the Committee in its discretion.

(gg) “PERFORMANCE FORMULA” means, for a Performance Period, one or more objective formulas or standards established by the Committee for purposes of determining whether or the extent to which a Performance Compensation Award has been earned based on the level of performance attained or to be attained with respect to one or more Performance Goals. Performance Formulae may vary from Performance Period to Performance Period and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative.

(hh) “PERFORMANCE GOAL” means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based on the Performance Criteria. Performance Goals may be established based on Performance Criteria with respect to the Company or any of its Subsidiaries, divisions or operational units, or any composition thereof.

(ii) “PERFORMANCE PERIOD” means one or more periods of time as the Committee may designate, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s rights in respect of a Performance Compensation Award.

(jj) “PERFORMANCE SHARE” means a Performance Compensation Award granted pursuant to Section 13 of the Plan that is denominated in a specified number of Shares, which Shares or their future cash equivalent (or a combination of both) may be paid to the Participant upon achievement of applicable Performance Goals during the relevant Performance Period as the Committee shall establish.

(kk) “PERFORMANCE UNIT” means a Performance Compensation Award granted pursuant to Section 13 of the Plan that has a dollar value set by the Committee (or that is determined by reference to a Performance Formula), which value may be paid to the Participant in cash, in Shares, or such combination of cash and Shares as the Committee may determine in its sole discretion, upon achievement of applicable Performance Goals during the relevant Performance Period as the Committee shall establish.

(ll) “PLAN” shall mean this Amended and Restated BJ’s Restaurants, Inc. Equity Incentive Plan, including any amendments thereto.

(mm) “REPRICE” shall mean (i) the adjustment or amendment of the exercise price of Options or SARs previously awarded whether through amendment, cancellation, replacement of grants or any other means, or (ii) the repurchase of outstanding Options for cash at a time when the exercise price of the repurchased Options is above the Fair Market Value of the underlying Common Stock.

(nn) “RESIGNATION (OR RESIGN) FOR GOOD REASON” shall mean (i) in the case of a Participant whose employment with the Company or a Subsidiary is subject to the terms of an employment or consulting agreement that includes a definition of “Resignation for Good Reason” (or similar terms) as used in this Plan shall have the meaning set forth in such employment or consulting agreement during the period that such employment or consulting agreement remains in effect, or (ii) in all other cases, any voluntary termination by written resignation of the Active Status of any Officer or Employee of the Company after a Change of Control because of: (1) a material reduction in the Officer’s or Employee’s authority, responsibilities or scope of employment; (2) an assignment of duties to the Officer or Employee inconsistent with the Officer’s or Employee’s role at the Company (including its Subsidiaries) prior to the Change of Control, (3) a reduction in the Officer’s base salary; (4) solely with respect to an Officer, a material adverse change in such Officer’s reporting relationship, (5) a material reduction in the Officer’s or Employee’s benefits unless such reduction applies to all Officers or Employees of comparable rank; or (6) the relocation of the Officer’s or Employee’s primary work location more than fifty (50) miles from the Officer’s primary work location prior to the Change of Control; provided that the Officer’s or Employee’s written notice of voluntary resignation must be tendered within one (1) year after the Change of Control, and shall specify which of the events described in (1) through (6) resulted in the resignation.

(oo) “RESTRICTED STOCK” shall mean a grant of Shares pursuant to Section 11 of the Plan.

(pp) “RESTRICTED STOCK UNITS” shall mean a grant of the right to receive Shares in the future or their cash equivalent (or both) pursuant to Section 11 of the Plan.

(qq) “RETIREMENT” shall mean, (1) with respect to any Non-Employee Director, ceasing to be a Director pursuant to election by the Company’s shareholders or by voluntary resignation with the approval of the Board’s Chairman (or a majority of the

disinterested members of the Board) after having served continuously on the Board for at least six years, or (2) with respect to any Employee, a voluntary resignation (other than at a time during which the Board or the Committee determines cause for termination due to Misconduct existed) or termination other than for Misconduct after having reached 60 years of age and having served as an Employee continuously for at least ten years.

(rr) “SAR” shall mean a stock appreciation right awarded pursuant to Section 12 of the Plan.

(ss) “SEC” shall mean the Securities and Exchange Commission.

(tt) “SHARE” shall mean one share of Common Stock, as adjusted in accordance with Section 5 of the Plan.

(uu) “STAND-ALONE SARS” shall have the meaning set forth in Section 12(b) of the Plan.

(vv) “SUBCOMMITTEE” shall have the meaning set forth in Section 3(d).

(ww) “SUBSIDIARY” shall mean (1) in the case of an Incentive Stock Option a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code, and (2) in the case of a Nonqualified Stock Option, Restricted Stock, a Restricted Stock Unit, SAR, Performance Shares, or Performance Units, in addition to a subsidiary corporation as defined in (1), (A) a limited liability company, partnership or other entity in which the Company controls fifty percent (50%) or more of the voting power or equity interests, or (B) an entity with respect to which the Company possesses the power, directly or indirectly, to direct or cause the direction of the management and policies of that entity, whether through the Company’s ownership of voting securities, by contract or otherwise.

SECTION 3. ADMINISTRATION OF THE PLAN.

(a) **AUTHORITY.** The Plan shall be administered by the Committee. The Committee shall have full and exclusive power to administer the Plan on behalf of the Board, subject to such terms and conditions as the Committee may prescribe. Notwithstanding anything herein to the contrary, the Committee’s power to administer the Plan, and actions the Committee takes under the Plan, shall be limited by the provisions set forth in the Committee’s charter, as such charter may be amended from time to time, and the further limitation that certain actions may be subject to review and approval by either the full Board or a panel consisting of all of the Independent Directors of the Company

(b) **POWERS OF THE COMMITTEE.** Subject to the other provisions of this Plan, the Committee shall have the authority, in its discretion:

(i) to grant Incentive Stock Options, Nonqualified Stock Options, Restricted Stock, Restricted Stock Units, SARs, Performance Shares, Performance Units and any other Awards authorized under this Plan to Participants and to determine the terms and conditions of such Awards, including the determination of the Fair Market Value of the Shares and the exercise price and unit price, and to modify or amend each Award, with the consent of the Participant when required;

(ii) to determine the Participants, to whom Awards, if any, will be granted hereunder, the timing, vesting and exercisability of such Awards, and the number of Shares to be represented by each Award;

(iii) to construe and interpret the Plan and the Awards granted hereunder;

(iv) to prescribe, amend, and rescind rules and regulations relating to the Plan, including the form of Award Agreement, and manner of acceptance of an Award, such as correcting a defect or supplying any omission, or reconciling any inconsistency so that the Plan or any Award Agreement complies with applicable law, regulations and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purposes of the Plan or any Award Agreement;

(v) to establish performance criteria for Awards made pursuant to the Plan in accordance with a methodology established by the Committee, and to determine whether performance goals have been attained;

(vi) to accelerate or defer (with the consent of the Participant) the exercise or vested date of any Award;

(vii) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Committee;

(viii) to establish sub-plans, procedures or guidelines for the grant of Awards to Employees, Executive Officers, Officers, Directors, Non-Employee Directors and Consultants; and

(ix) to make all other determinations deemed necessary or advisable for the administration of the Plan;

Provided that, no consent of a Participant is necessary under clauses (i) or (vi) if a modification, amendment, acceleration, or deferral, in the reasonable judgment of the Committee confers a benefit on the Participant or is made pursuant to an adjustment in accordance with Section 5.

(c) EFFECT OF COMMITTEE'S DECISION. All decisions, determinations, and interpretations of the Committee shall be final and binding on all Participants, the Company (including its Subsidiaries), any shareholder and all other persons.

(d) DELEGATION. Consistent with the Committee's charter, as such charter may be amended from time to time, the Committee may delegate (i) to one or more separate committees consisting of members of the Committee or other Directors who are Independent Directors (any such committee a "Subcommittee"), or (ii) to an Executive Officer of the Company, the ability to grant Awards and take the other actions described in Section 3(b) with respect to Participants who are not Executive Officers, and such actions shall be treated for all purposes as if taken by the Committee; provided that the grant of Awards shall be made in accordance with parameters established by the Committee. Any action by any such Subcommittee or Executive Officer within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee.

(e) ADMINISTRATION. The Committee may delegate the administration of the Plan to an Officer or Officers of the Company, and such administrator(s) may have the authority to directly, or under their supervision, execute and distribute agreements or other documents evidencing or relating to Awards granted by the Committee under this Plan, to maintain records relating to the grant, vesting, exercise, forfeiture or expiration of Awards, to process or oversee the issuance of Shares upon the exercise, vesting and/or settlement of an Award, to interpret the terms of Awards and to take such other actions as the Committee may specify. Any action by any such administrator within the scope of its delegation shall be deemed for all purposes to have been taken by the Committee and references in this Plan to the Committee shall include any such administrator, provided that the actions and interpretations of any such administrator shall be subject to review and approval, disapproval or modification by the Committee.

(f) INDEMNIFICATION. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by applicable law, any person(s) acting as administrator(s) and each of the administrator's consultants shall be indemnified by the Company against the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the administrator(s) or any of such administrator's consultants may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the administrator(s) or any of such administrator's consultants in settlement thereof (provided that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the administrator(s) or any of such administrator's consultants in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such administrator(s) or any of such administrator's consultants did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, and in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; provided, however, that within sixty (60) days after institution of any such action, suit or proceeding, such administrator(s) or any of such administrator's consultants shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

SECTION 4. SHARES SUBJECT TO THE PLAN.

(a) RESERVATION OF SHARES. The shares of Common Stock reserved under this Plan will be Nine Million Three Hundred Seventy Three Thousand Four Hundred Twenty-Eight (9,373,428) Shares (adjusted, proportionately, in the event of any stock split or stock dividend with respect to the Shares) consisting of (i) Seven Million Five Hundred Thirty Three Thousand Four Hundred Twenty Eight (7,533,428) shares reserved as of March 31, 2021, plus (ii) One Million Eight Hundred Forty Thousand (1,840,000) additional Shares authorized by the Board and subject to approval of this Amended and Restated Equity Incentive Plan by the shareholders at the Company's 2021 Annual Meeting of Shareholders. All of reserved shares under the Plan may be granted as Incentive Stock Options under the Plan. The aggregate number of Shares available for issuance under the Plan will be reduced by one Share for each Share delivered in settlement of an Option or SARs and by one and one-half (1.5) Shares for each Share delivered in

settlement of any Award of Restricted Stock, Restricted Stock Units, or Performance Shares or Performance Units unless a greater reduction is specified by the Committee with respect to a specific Award grant. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The Shares may be authorized but unissued, or reacquired shares of Common Stock.

(b) **AVAILABILITY OF SHARES FOR FUTURE AWARDS.** If an Award expires, is forfeited or becomes unexercisable for any reason, the undelivered Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future Awards under the Plan. Notwithstanding anything to the contrary set forth in this Section 4(b), with respect to Option or SAR Awards, any Shares tendered or withheld as payment of an exercise price and any Shares withheld to satisfy withholding tax obligations, shall not be available for subsequent issuance under the Plan.

(c) **TIME OF GRANTING AWARDS.** The date of grant of an Award shall, for all purposes, be the date on which the Company completes the corporate action relating to the grant of such Award and all conditions to the grant have been satisfied, provided that conditions to the exercise of an Award shall not defer the date of grant. Notice of a grant shall be given to each Participant to whom an Award is so granted within a reasonable time after the determination has been made.

(d) **SECURITIES LAW COMPLIANCE.** Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated under either such Act, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(e) **SUBSTITUTIONS AND ASSUMPTIONS.** The Board or the Committee shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies, provided such substitutions and assumptions are permitted by Section 424 of the Code and the regulations promulgated thereunder. The number of Shares reserved pursuant to Section 4(a) may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

SECTION 5. ADJUSTMENTS TO SHARES SUBJECT TO THE PLAN. If any change is made to the Shares by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Shares as a class without the Company's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities and/or the price per Share covered by outstanding Awards under the Plan and (iii) the Maximum Annual Participant Award. The Committee may also make adjustments described in (i)-(iii) of the previous sentence in the event of any distribution of assets to shareholders other than a normal cash dividend, if any. In determining adjustments to be made under this Section 5, the Committee may take into account such factors as it deems appropriate, including the restrictions of applicable law and the potential tax consequences of an adjustment, and in light of such factors may make adjustments that are not uniform or proportionate among outstanding Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, made by the Committee shall be final, binding and conclusive. For purposes of this Section 5, conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration."

Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

PART II. TERMS APPLICABLE TO ALL AWARDS

SECTION 6. GENERAL ELIGIBILITY; AWARD LIMITATIONS.

(a) **AWARDS.** Awards may be granted to Participants who are Employees, Directors or Consultants; provided however that Incentive Stock Options may only be granted to Employees.

(b) **MAXIMUM ANNUAL PARTICIPANT AWARD.** The aggregate number of Shares with respect to which an Award or Awards may be granted to any one Participant in any one taxable year of the Company (the “Maximum Annual Participant Award”) shall not exceed 500,000 shares of Common Stock (increased, proportionately, in the event of any stock split or stock dividend with respect to the Shares). In addition, no Non-Employee Director shall be granted one or more Awards within any fiscal year of the Company, solely with respect to service as a Director, that in the aggregate exceed five hundred thousand dollars (\$500,000) in aggregate value of cash-based and other Awards, with such value determined by the Committee as of the date of grant of the Awards. For purposes of clarification regarding the foregoing limit, Awards granted in previous fiscal years will not count against the Award limits in subsequent fiscal years even if the Awards from previous fiscal years are earned or otherwise settled in fiscal years following the fiscal year in which they are granted.

(c) **NO EMPLOYMENT/SERVICE RIGHTS.** Nothing in the Plan shall confer upon any Participant the right to an Award or to continue in service as an Employee or Consultant for any period of specific duration, or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining such person), or of any Participant, which rights are hereby expressly reserved by each, to terminate such person’s services at any time for any reason, with or without cause.).

(d) **AWARDS TO NON-EMPLOYEE DIRECTORS.** Subject to the limitations set forth in this Plan, Non-Employee Directors shall receive periodic Awards under the Plan with the exact amount and nature of such Awards being approved from time to time by the Committee and/or the Board.

(e) **CLAWBACK/RECOVERY.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of Nasdaq or any other national securities exchange or association on which the Company’s securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Committee may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of cause as determined by the Committee.

(f) **MINIMUM VESTING PERIOD.** Notwithstanding anything to the contrary contained in this Plan, no Award granted under this Plan may have a vesting period of less than one year (other than as a result of a Participant’s death or Disability or as a result of a Change of Control in accordance with Section 9(a) of this Plan); provided, however, the Board or Committee may authorize the grant of Awards with no minimum vesting periods or vesting periods of less than one year so long as the total number of Shares issued or issuable with respect to such Awards does not exceed five percent (5%) of the total number of Shares authorized under the Plan.

(g) **COMPLIANCE WITH SECTION 409A.** It is the intention of this Plan that any Awards granted hereunder shall satisfy the additional conditions applicable to nonqualified deferred compensation under Section 409A of the Code. No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board or Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. In the event that an Award is determined to constitute “nonqualified deferred compensation” that would be subject to the additional tax under Section 409A(a)(1)(B) of the Code (or any successor provisions), the Committee shall have the authority to impose such additional conditions as it deems necessary to avoid the imposition of the additional tax. Notwithstanding anything to the contrary set forth in this Plan, the Company shall have no liability to any Participant or any other person (i) if an Award does not satisfy the additional conditions applicable to nonqualified deferred compensation under Section 409A of the Code or (ii) for any other unexpected tax consequence affecting any Participant or other person due to the receipt or settlement of any Award granted hereunder.

SECTION 7. PROCEDURE FOR EXERCISE OF AWARDS; RIGHTS AS A SHAREHOLDER.

(a) **PROCEDURE.** An Award shall be exercised when written, electronic or verbal notice of exercise has been given to the Company, or the brokerage firm or firms approved by the Company to facilitate exercises and sales under this Plan, in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been received by the Company or the brokerage firm or firms, as applicable. The notification to the brokerage firm shall be made in accordance with procedures of such brokerage firm approved by the Company. Full payment may, as authorized by the Committee, consist of any consideration and method of payment allowable under Section 7(b) of the Plan. The Company shall issue (or cause to be issued) such share certificate promptly upon exercise of the Award. In the event that the exercise of an Award is treated in part as the exercise of an Incentive Stock Option and in part as the exercise of a Nonqualified Stock Option pursuant to Section 10(a), the Company shall issue a share certificate evidencing the Shares treated as acquired upon the exercise of an Incentive Stock Option and a separate share certificate evidencing the Shares treated as acquired upon the exercise of a Nonqualified Stock

Option, and shall identify each such certificate accordingly in its share transfer records. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as provided in Section 5 of the Plan.

(b) **METHOD OF PAYMENT.** The consideration to be paid for any Shares to be issued upon exercise or other required settlement of an Award, including the method of payment, shall be determined by the Committee at the time of settlement and which forms may include: (i) with respect to an Option and subject to any restrictions or limitations imposed under applicable law, a request that the Company or the designated brokerage firm conduct a cashless exercise of the Option; (ii) cash; and (iii) tender of shares of Common Stock owned by the Participant in accordance with rules established by the Committee from time to time. Shares used to pay the exercise price shall be valued at their Fair Market Value on the exercise date. Payment of the aggregate exercise price by means of tendering previously-owned shares of Common Stock shall not be permitted when the same may, in the reasonable opinion of the Company, cause the Company to record a loss or expense as a result thereof.

(c) **WITHHOLDING OBLIGATIONS.** To the extent required by applicable federal, state, local or foreign law, the Committee may and/or a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to any Incentive Stock Option, Nonqualified Stock Option, SAR, Restricted Stock or Restricted Stock Units, Performance Shares, Performance Units or any sale of Shares. The Company shall not be required to issue Shares or to recognize the disposition of such Shares until such obligations are satisfied. These obligations may be satisfied by having the Company withhold a portion of the Shares that otherwise would be issued to a Participant under such Award or by tendering Shares previously acquired by the Participant in accordance with rules established by the Committee from time to time.

(d) **SHAREHOLDER RIGHTS; DIVIDENDS.** Except as otherwise provided in this Plan, until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares subject to the Award, notwithstanding the exercise of the Award. Notwithstanding anything to the contrary contained in this Plan, Awards of Restricted Stock, Restricted Stock Units, and Performance Compensation Awards may, in the Committee's discretion, include dividend equivalent rights so long as payment of any such dividends or dividend equivalents shall be subject to the same vesting requirements as the underlying Award.

(e) **NON-TRANSFERABILITY OF AWARDS.** An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in exchange for consideration, except that an Award may be transferred by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant; unless the Committee permits further transferability, on a general or specific basis, in which case the Committee may impose conditions and limitations on any permitted transferability.

(f) **AUTOMATIC EXERCISE OF IN-THE-MONEY OPTIONS AND SARs.** The Committee, in its sole discretion, may provide in an Award Agreement or otherwise that any Option or SAR outstanding on the Automatic Exercise Date with an exercise price per Share that is less than the Fair Market Value per Share as of such date shall, automatically and without further action by the Participant (or, in the event of Participant's death, Participant's personal representative or estate) or the Company, be exercised on the Automatic Exercise Date if the Committee, in its sole discretion, determines that such exercise would provide economic benefit to the Participant after payment of the exercise price, applicable taxes and any expenses to effect the exercise. In the sole discretion of the Committee, payment of the exercise price of any such Option or SAR may be made pursuant to Section 7(b), and the Company may deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 7(c). Unless otherwise determined by the Committee, this Section 7(f) shall not apply to an Option or SAR if the Participant incurs a termination of Active Status on or before the Automatic Exercise Date.

SECTION 8. EXPIRATION OF AWARDS.

(a) **EXPIRATION, TERMINATION OR FORFEITURE OF AWARDS.** Unless otherwise provided in the applicable Award Agreement or any severance agreement, vested Option or SAR Awards granted under this Plan shall expire, terminate, or otherwise be forfeited as follows:

(i) three (3) months after the effective date of termination of Active Status for a Participant other than a Non-Employee Director, other than in circumstances covered by (ii), (iii), (iv) or (v) below; or six (6) months after the date a Non-Employee Director ceases to be a Director or Consultant other than in circumstances covered by (ii), (iv) and (v) below;

(ii) immediately upon termination of a Participant's Active Status for Misconduct;

(iii) twelve (12) months after the date on which a Participant other than a Non-Employee Director ceased performing services as a result of his or her total and permanent Disability;

(iv) twelve (12) months after the date of the death of a Participant whose Active Status terminated as a result of his or her death; and

(v) in the case of a Participant's Retirement, the date on which the Option or SAR would have expired if no termination of the Participant's Active Status had occurred; provided, however that this clause (v) shall not apply to Options designated as Incentive Stock Options.

(b) EXTENSION OF TERM. Notwithstanding subsection (a) above, the Committee shall have the authority to extend the expiration date of any outstanding Option, other than an Incentive Stock Option, or SAR in circumstances in which it deems such action to be appropriate (provided that no such extension shall extend the term of an Option or SAR beyond the date on which the Option or SAR would have expired if no termination of the Employee's Active Status had occurred).

SECTION 9. EFFECT OF CHANGE OF CONTROL. Notwithstanding any other provision in the Plan to the contrary, the following provisions shall apply unless otherwise provided in the most recently executed agreement between the Participant and the Company, or specifically prohibited under applicable laws, or by the rules and regulations of any applicable governmental agencies or national securities exchanges or quotation systems.

(a) ACCELERATION. Awards of a Participant shall be Accelerated (as defined in Section 9(b) below) as follows:

(i) With respect to Non-Employee Directors, upon the occurrence of a Change of Control described in Section 2(g);

(ii) With respect to any Employee, upon the occurrence of a Change of Control described in Section 2(g)(i);

(iii) With respect to any Employee who Resigns for Good Reason or whose Active Status is terminated for reasons other than Misconduct, so long as such resignation or termination occurs within one year after a Change of Control described in Section 2(g)(ii), (iii) or (iv); and

(iv) With respect to any Employee, upon the occurrence of a Change of Control described in Section 2(g)(iv) in connection with which each Award is not assumed or an equivalent award substituted by such successor entity or a parent or subsidiary of such successor entity.

(b) DEFINITION. For purposes of this Section 9, Awards of a Participant being "Accelerated" means, with respect to such Participant:

(i) any and all Options and SARs shall become fully vested and immediately exercisable, and shall remain exercisable for the greater of (1) the time period specified in the original Award (but subject to termination upon termination of Active Status in accordance with the terms of the original Award) or, (2) one year following the date of such acceleration;

(ii) any restriction periods and restrictions imposed on Restricted Stock or Restricted Stock Units that are not performance-based shall lapse;

(iii) any restriction periods and restrictions imposed on Restricted Stock, Restricted Stock Units, and Performance Compensation Awards that are performance-based shall lapse, unless such performance-based Awards remain outstanding after the Change of Control (or are assumed by any successor entity) and the applicable Performance Criteria can be accurately tracked following the Change of Control; and

(iv) the restrictions and deferral limitations and other conditions applicable to any other Awards shall lapse, and such other Awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant.

PART III.

SPECIFIC TERMS APPLICABLE TO OPTIONS, STOCK AWARDS AND SARS

SECTION 10. GRANT, TERMS AND CONDITIONS OF OPTIONS.

(a) **DESIGNATION.** Each Option shall be designated in an Award Agreement as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Employee during any calendar year (under all plans of the Company) exceeds \$100,000, such excess Options shall be treated as Nonqualified Stock Options. Options shall be taken into account in the order in which they were granted.

(b) **TERMS OF OPTIONS.** The term of each Option shall be no more than ten (10) years from the date of grant. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns Shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the term of the Option shall be no more than five (5) years from the date of grant.

(c) **OPTION EXERCISE PRICES.**

(i) The per Share exercise price under an Incentive Stock Option shall be as follows:

(A) If granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) If granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) The per Share exercise price under a Nonqualified Stock Option or SAR shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iii) In no event shall the Board or the Committee be permitted to Reprice an Option after the date of grant without shareholder approval.

(d) **VESTING.** Unless otherwise provided in the applicable Award Agreement, to the extent Options vest and become exercisable in increments, such Options shall cease vesting as of the date of the Optionee's Disability or termination of such Optionee's Active Status for reasons other than Retirement or death of a Non-Employee Director, in which cases such Options shall immediately vest in full.

(e) **EXERCISE.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Committee at the time of grant, and as are permissible under the terms of the Plan. An Option may not be exercised for a fraction of a Share.

SECTION 11. GRANT, TERMS AND CONDITIONS OF STOCK AWARDS.

(a) **DESIGNATION.** Restricted Stock or Restricted Stock Units may be granted either alone, in addition to, or in tandem with other Awards granted under the Plan. Restricted Stock or Restricted Stock Units may include a dividend equivalent right, as permitted by Section 5 or Section 7. After the Committee determines that it will offer Restricted Stock or Restricted Stock Units, it will advise the Participant in writing or electronically, by means of an Award Agreement, of the terms, conditions and restrictions, including vesting, if any, related to the offer, including the number of Shares that the Participant shall be entitled to receive or purchase, the price to be paid, if any, and, if applicable, the time within which the Participant must accept the offer. The offer shall be accepted by execution of an Award Agreement or as otherwise directed by the Committee. Restricted Stock Units may be paid as permitted by Section 7(b). The term of each award of Restricted Stock or Restricted Stock Units shall be at the discretion of the Committee.

(b) PERFORMANCE BASED STOCK AWARDS. The Committee may elect to grant Restricted Stock and/or Restricted Stock Units that are subject to the attainment of Performance Goals relating to Performance Criteria selected by the Committee and specified at the time such Restricted Stock and/or Restricted Stock Units are granted.

(c) VESTING. Subject to the provisions of Section 9 of this Plan, unless the Board or Committee determines otherwise, the Award Agreement shall provide for the forfeiture of the non-vested Shares underlying Restricted Stock or Restricted Stock Units upon the termination of a Participant's Active Status for reasons other than Retirement or death of a Non-Employee Director, in which case such Awards shall immediately vest in full.

SECTION 12. GRANT, TERMS AND CONDITIONS OF SARs.

(a) GRANTS. The Committee shall have the full power and authority, exercisable in its sole discretion, to grant SARs to selected Participants. The terms of SARs shall be at the discretion of the Committee; provided, however, that in no case shall the term of any SAR be in excess of ten (10) years following the grant date. In no event shall the Board or the Committee be permitted to Reprice a SAR after the date of grant without shareholder approval.

(b) STAND-ALONE SARs.

(i) A Participant may be granted stand-alone stock appreciation rights ("Stand-Alone SARs") that are not tied to any underlying Option under Section 10 of the Plan. The Stand-Alone SAR shall cover a specified number of Shares and shall be exercisable upon such terms and conditions as the Committee shall establish. Upon exercise of the Stand-Alone SAR, the holder shall be entitled to receive a distribution from the Company in an amount equal to the excess of (A) the aggregate Fair Market Value (on the exercise date) of the Shares underlying the exercised right over (B) the aggregate base price in effect for those Shares.

(ii) The number of Shares underlying each Stand-Alone SAR and the base price in effect for those Shares shall be determined by the Committee at the time the Stand-Alone SAR is granted. In no event, however, may the base price per Share be less than the Fair Market Value per underlying Share on the grant date.

(iii) The distribution with respect to an exercised Stand-Alone SAR may be made in Shares valued at Fair Market Value on the exercise date, in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate.

SECTION 13. GRANT, TERMS AND CONDITIONS OF PERFORMANCE COMPENSATION AWARDS.

(a) GRANTS. The Committee shall have the full power and authority, exercisable in its sole discretion, to grant Performance Compensation Awards in the form of Performance Units or Performance Shares to Employees (including Officers) and shall evidence such grant in an Award Agreement that is delivered to the Participant setting forth the terms and conditions of the Award.

(b) ELIGIBILITY. The Committee shall, in its sole discretion, designate within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) which Participants will be eligible to receive Performance Compensation Awards in respect of such Performance Period; provided, however, that such 90 day restriction shall not apply to Performance Compensation Awards initially granted subsequent to December 31, 2017. However, designation of a Participant eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle the Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this Section 13. Moreover, designation of a Participant eligible to receive a Performance Compensation Award hereunder for a particular Performance Period shall not require designation of such Participant eligible to receive a Performance Compensation Award hereunder in any subsequent Performance Period and designation of one person as a Participant eligible to receive a Performance Compensation Award hereunder shall not require designation of any other person as a Participant eligible to receive a Performance Compensation Award hereunder in such period or in any other period.

(c) DISCRETION OF COMMITTEE WITH RESPECT TO PERFORMANCE COMPENSATION AWARDS. With regard to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) that is (are) to apply, or any combination of the foregoing, and the Performance Formula. Within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such

Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing; provided, however, that such 90 day restriction shall not apply to Performance Compensation Awards initially granted subsequent to December 31, 2017.

(d) **MODIFICATION OF PERFORMANCE GOALS.** The Committee is authorized at any time during the first ninety (90) days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), or any time thereafter (but only to the extent the exercise of such authority after such 90-day period (or such shorter period, if applicable) would not cause the Performance Compensation Awards granted to any participant for the Performance Period to fail to qualify as “qualified performance-based compensation” under Section 162(m) of the Code), in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company (to the extent applicable to such Performance Goal) or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company (to the extent applicable to such Performance Goal), or the financial statements of the Company (to the extent applicable to such Performance Goal), or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions. Notwithstanding anything to the contrary contained in this Section 13(d), the foregoing ninety (90) day restriction shall not apply to Performance Compensation Awards initially granted subsequent to December 31, 2017.

(e) **PAYMENT OF PERFORMANCE COMPENSATION AWARDS.**

(i) A Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period. Notwithstanding the foregoing, in the discretion of the Committee, Performance Compensation Awards may be paid to a Participant whose Active Status as an employee has terminated after the beginning of the Performance Period for which a Performance Compensation Award is made, or to the designee or estate of a Participant who died prior to the last day of a Performance Period.

(ii) A Participant shall be eligible to receive payments in respect of a Performance Compensation Award only to the extent that (1) the Performance Goal(s) for such period are achieved and certified by the Committee in accordance with Section 13(e)(iii) and (2) the Performance Formula as applied against such Performance Goal(s) determines that all or some portion of such Participant’s Performance Compensation Award has been earned for the Performance Period.

(iii) Following the completion of a Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the actual size of each Participant’s Performance Compensation Award for the Performance Period.

(iv) [Intentionally omitted]

(v) The Performance Compensation Awards granted for a Performance Period shall be paid to Participants as soon as administratively possible following completion of the certifications required by Section 13(e)(iii), unless the Committee shall determine that any Performance Compensation Award shall be deferred.

(vi) In no event shall any discretionary authority granted to the Committee by the Plan be used to (1) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained, or (2) increase a Performance Compensation Award for any Participant at any time after the first 90 days of the Performance Period (or, if shorter, the maximum period allowed under Section 162(m)); provided, however, that such 90 day restriction shall not apply to Performance Compensation Awards initially granted subsequent to December 31, 2017.

(vii) With respect to Performance Compensation Awards initially granted subsequent to December 31, 2017, the Committee may, in its discretion, either at the time it grants a Performance Compensation Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Goals applicable to a Performance Compensation Award granted to any Participant to reflect such Participant’s individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Participant’s Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Compensation Award that would otherwise be paid to the Participant upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Compensation Award determined in accordance with the Performance Formula.

PART IV.

TERM OF PLAN AND SHAREHOLDER APPROVAL

SECTION 14. TERM OF PLAN. The Plan shall continue in effect until (i) midnight on June 30, 2030, or (ii) until terminated under Section 15 of the Plan or extended by an amendment approved by the shareholders of the Company pursuant to Section 15(a).

SECTION 15. AMENDMENT AND TERMINATION OF THE PLAN.

(a) **AMENDMENT AND TERMINATION.** The Board or the Committee may amend or terminate the Plan from time to time in such respects as the Board may deem advisable (including, but not limited to amendments which the Board deems appropriate to enhance the Company's ability to claim deductions related to stock option exercises); provided that to the extent required by the Code or the rules of Nasdaq (or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then the rules of such exchange or quotation system as the Company elects to list or quote its shares of Common Stock) or the SEC, shareholder approval shall be required for any amendment of the Plan. Subject to the foregoing, it is specifically intended that the Board or Committee may amend the Plan without shareholder approval to comply with legal, regulatory and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purpose of the Plan or any Award Agreement.

(b) **PARTICIPANTS IN FOREIGN COUNTRIES.** The Committee shall have the authority to adopt such modifications, procedures, and sub-plans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.

(c) **EFFECT OF AMENDMENT OR TERMINATION.** Any amendment or termination of the Plan shall not affect Awards already granted and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Participant and the Committee, which agreement must be in writing and signed by the Participant and the Company.

SECTION 16. SHAREHOLDER APPROVAL. The effectiveness of the Plan, or any amendment thereof requiring approval of the shareholders of the Company, is subject to approval by the shareholders of the Company in accordance with applicable Nasdaq rules (or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then the rules of such exchange or quotation system as the Company elects to list or quote its shares of Common Stock).

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 second 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: August 1, 2022

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 second 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: August 1, 2022

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

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 June 28, 2022, 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 August 1, 2022.

/s/ GREGORY S. LEVIN

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

/s/ THOMAS A. HOUDEK

 Thomas A. Houdek
 Senior Vice President and Chief Financial Officer
 (Principal Financial Officer)