EXHIBIT E

FINANCIAL STATEMENTS

EXHIBIT E-1

BLH TopCo LLC
Audited Financial Statements

Consolidated Financial Statements and Report of Independent Certified Public Accountants

BLH TopCo, LLC

Years ended December 31, 2023 and December 25, 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
BLH TopCo LLC

Opinion
We have audited the consolidated financial statements of BLH TopCo, LLC (a Delaware corporation) and subsidiaries (collectively, the “Company”), which comprise the consolidated balance sheets as of December 31, 2023 and December 25, 2022, and the related consolidated statements of operations, members’ equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 25, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are issued.

GrantThornton

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Dallas, Texas
May 29, 2024

BLH TopCo, LLC

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and December 25, 2022
(Dollars in thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,864	$ 3,735
Accounts receivable	3,028	1,912
Inventories	1,939	1,896
Prepaid expenses	1,323	1,350
Total current assets	8,154	8,893
Property and equipment, net	15,974	19,598
Operating right of use assets, net	31,372	39,050
Finance right of use assets, net	227	204
Goodwill, net	14,535	16,446
Other intangible assets, net	20,004	20,983
Other non-current assets	226	247
Total assets	$ 90,492	$ 105,421
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	$ 6,870	$ 5,469
Accrued liabilities	9,144	8,716
Short-term lease liability	11,204	11,061
Short-term finance lease liability	70	50
Current maturities of credit facility	-	1,300
Total current liabilities	27,288	26,596
Credit facility, less current maturities	56,202	51,272
Lease liabilities, less current portion	26,765	32,729
Finance lease liabilities, less current portion	168	160
Other non-current liabilities	166	169
Total liabilities	110,589	110,926
Commitments and contingencies		
Members' equity (deficit)		
Additional paid-in capital	29,218	29,218
Accumulated deficit	(49,315)	(34,723)
Members' deficit	(20,097)	(5,505)
Total Liabilities and Members' deficit	$ 90,492	$ 105,421

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

53 Weeks Ended December 31, 2023 and 52 Weeks Ended December 25, 2022
(Dollars in thousands)

	2023	2022
Revenues		
Food and beverage	$ 140,032	$ 141,833
Franchise royalties and fees	2,555	2,763
Total revenues	142,587	144,596
Costs of company bar sales		
Food and beverage	36,758	39,088
Payroll and benefits	45,554	45,819
Occupancy	15,268	14,535
Other operating expenses	21,916	22,531
Total costs of company bar sales	119,496	121,973
Franchise support costs	714	1,136
Marketing expenses	4,793	5,353
General and administrative expenses	12,641	13,250
Loss on disposal of assets and impairment	2,678	1,822
Depreciation and amortization	10,917	11,841
Total operating costs and expenses	31,743	33,402
Loss from operations	(8,652)	(10,779)
Other (income) expenses		
Interest expense, net	6,619	4,651
Gain on bar acquisition	(673)	-
Gain on PPP loan forgiveness	-	(10,116)
Total other expenses	5,946	(5,465)
Loss before taxes	(14,598)	(5,314)
Income tax (benefit) expense	(6)	6
NET LOSS	$ (14,592)	$ (5,320)

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

	Additional Paid-in Capital	Accumulated Deficit	Total Members' Equity (Deficit)
Balance, December 26, 2021	$ 29,218	$ (29,017)	$ 201
Adjustment related to new accounting principle	-	(386)	(386)
Net loss	-	(5,320)	(5,320)
Balance, December 25, 2022	29,218	(34,723)	(5,505)
Net loss	-	(14,592)	(14,592)
Balance, December 31, 2023	$ 29,218	$ (49,315)	$ (20,097)

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

	2023	2022
Cash flows from operating activities:		
Net loss	$ (14,592)	$ (5,320)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	10,917	11,841
Gain on PPP loan forgiveness	-	(10,116)
Deferred financing costs	87	91
Loss on disposal of assets and impairment	2,678	1,822
Paid-in-kind interest - third party	3,543	591
Changes in operating assets and liabilities:		
Gain on bar acquisition	(673)	-
Accounts receivable	(1,116)	331
Inventories	(16)	(35)
Prepaid expenses	27	(57)
Other non-current assets	21	18
Accounts payable	1,397	1,772
Accrued liabilities	(668)	462
Other non-current liabilities	(3)	(782)
Net cash provided by operating activities	1,602	618
Cash flows from investing activities:		
Purchases of property and equipment	(4,245)	(3,817)
Proceeds from sale of property and equipment	26	31
Proceeds from sale of liquor license	809	-
Net cash (used in) investing activities	(3,410)	(3,786)
Cash flows from financing activities:		
Repayment of long-term debt	-	(1,950)
Payments on capital lease obligations	(63)	(47)
Net cash (used in) financing activities	(63)	(1,997)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,871)	(5,165)
Cash at beginning of year	3,735	8,900
Cash at end of year	$ 1,864	$ 3,735

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

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

NOTE 1 - BUSINESS AND BASIS OF PRESENTATION

References in the notes to consolidated financial statements to “Bar Louie” or the “Company” refer to BLH TopCo, LLC and all entities included in the consolidated financial statements.

Nature of Operations

Bar Louie is a differentiated social casual “GastroBar” that delivers a comfortable, urban atmosphere known for its signature, hand-crafted cocktails made from fresh fruit and hand-squeezed juices and created in front of the guests. In addition, Bar Louie offers an extensive selection of traditionally and regionally inspired American food, including shareable plates, burgers and sandwiches served every day until close.

The Company was incorporated in Delaware on May 19, 2020. On May 27, 2020, the Company acquired substantially all the assets (the “Business”) of BL Restaurant Operations, LLC and BL Restaurant Franchises, LLC. The Company operates and is managed by its individual managers.

The Company owned and operated 47 company-owned and 19 franchise locations at December 31, 2023, throughout the United States.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BLH TopCo, LLC and its wholly owned subsidiaries, BLH Holdco, LLC, BLH Acquisition Co., LLC, BLH Franchises Restaurants, LLC, BLH White Marsh LLC, BL Firewheel – Garland Private Club, and BL Allen Private Club. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included.

Segment Reporting and Geographic Information

The Company views its operations and manages its business in one operating segment, and as such has only one reportable segment. All the Company's revenues are derived in the United States of America. All the Company's assets are located in the United States of America.

Fiscal Year

The Company’s fiscal year is a 52-53-week year ending on the last Sunday of the month occurring on or before December 31. Fiscal year 2023 ended on December 31, 2023 and consisted of 53 weeks. Fiscal year 2022 ended on December 25, 2022 and consisted of 52 weeks.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Leases

The Company follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

Additional required disclosures for Topic 842 are contained in Note 10.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, such as valuation of long-lived, definite- and indefinite-lived assets, estimated useful lives of assets and the reasonably assured lease terms of operating leases that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less. Checks issued, but not yet presented for payment to the bank, are reflected as a reduction of cash and cash equivalents.

Liquidity and Credit Risk

The primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents, and secured credit facilities. The primary requirements for liquidity and capital are working capital and general corporate needs. Company operations have not required significant working capital and, similar to many restaurant chains, the Company has been able to operate, and will continue to operate, with negative working capital. The requirement for working capital is not significant since bar guests pay for their food and beverage purchases in cash or payment cards (credit or debit) at the time of sale. Thus, the Company is often able to sell inventory before payment for such items is due to suppliers. The bars do not require significant inventories or receivables.

The Company believes cash and cash equivalents and expected cash flow from operations are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next 12 months. However, the ability to continue to meet these requirements and obligations will depend on, among other things, the Company's ability to achieve anticipated levels of revenue and cash flow from operations and the ability to manage costs and working capital successfully. Such operating performance will be subject to financial, economic, and other factors affecting the industry and operations of the Company, including factors beyond the Company’s control.

Accounts Receivable

Accounts receivable consists of credit card receivables due from credit card providers, rebates due from suppliers, receivables due from third party delivery companies and franchise receivables due from franchisees. The Company typically collects the credit card receivables within two to three business days of the initial sale dates. Receivables due from third party delivery companies are collected within one to two weeks. Franchise receivables are typically collected within one week.

Inventories

Inventories consist primarily of food and beverage products, which are stated at the lower of cost, as determined using the moving weighted-average costing method (which approximates first-in, first-out method), or market. Any unused or spoiled inventory is written off when identified.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset, generally three to five years for equipment. Leasehold improvements are depreciated over the shorter of their estimated lives or the related lease term.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in operations.

Goodwill and Identifiable Intangible Assets

Upon acquisition, identifiable intangible assets are recorded at fair value. Identifiable intangible assets with finite lives are amortized over their estimated useful lives.

Estimated useful lives for these identifiable intangible assets are as follows:

Intangible Asset Classification	Estimated Useful Life
Trademarks	Indefinite
Franchise agreements	8 years
Goodwill	10 years
Liquor licenses	Indefinite
Favorable lease agreements	3 years

Goodwill represents the excess of the cost of acquired businesses over fair value attributed to underlying net tangible assets and identifiable intangible assets.

The Company amortizes its goodwill over 10 years, and tests goodwill for impairment upon the occurrence of a triggering event indicating that the fair value of the Company might be less than its carrying amount. No triggering events were identified in 2023. The Company recognized $2,308 and $2,316 of amortization of goodwill, for the years ended December 31, 2023 and December 25, 2022, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets, and goodwill, subject to depreciation and amortization, are reviewed for impairment when events or circumstances indicate these assets may not be recoverable. Factors considered include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The recoverability is assessed in most cases by comparing the carrying value of the asset to the undiscounted cash flows expected to be generated by the asset. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss is recognized for the difference between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. The long-term financial forecasts represent the best estimate at the time and management believes the underlying assumptions are reasonable. If these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Due to the impact of changes in customer behavior and lower than expected sales at certain bars, certain leasehold improvements had carrying values that exceeded their estimated fair values. During fiscal 2023, the Company had impairment charges of $2,793 related to ten bars. During fiscal 2022, the Company had impairment charges of $1,345 related to eight bars.

Liquor Licenses

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees in excess of $3 are expensed over the renewal term. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheet. Indefinite-lived liquor licenses are reviewed for impairment at least annually or more frequently should an event occur, or circumstances indicate that the carrying amount may be impaired. Due to the impact of pricing and availability of liquor licenses in the open market, certain liquor licenses classified as intangible assets could have carrying values that exceeded their estimated fair values. The Company determined the estimated fair value based on prices in the open market for licenses in similar jurisdictions (Level 2 in the fair value hierarchy). The Company recorded no impairment for the years ended December 31, 2023 and December 25, 2022.

Trade Name

A trade name is considered to be an important element associated with the sales appeal of certain products and services. The trade name distinguishes goods and services from competitors, indicates the source of the goods and services, and serves as an indication of the quality of the product. The Company trade name consists of various protected words, symbols, and designs that help identify the Company's products and services such as the "Bar Louie" trade name. Trade names are classified as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheets and are reviewed for impairment annually. The Company recorded no impairment for the years ended December 31, 2023 and December 25, 2022.

Favorable and Unfavorable Leases

A favorable or unfavorable leasehold interest represents the future lease obligations under the in-place contractual lease terms that are either above or below market value. The value of acquired leases that were determined to be favorable or unfavorable to market rents are recorded on the consolidated balance sheets and amortized on a straight-line basis over 3 years, the average remaining term of the operating lease agreements. Favorable leases and unfavorable leases are included within other intangible assets on the consolidated balance sheets. The Company recognized $38 and $90 of amortization of favorable and unfavorable leases, which is included in depreciation and amortization expense in the consolidated statements of operations for the years ended December 31, 2023 and December 25, 2022, respectively.

Franchise Agreements

The cost of franchise agreements are capitalized and amortized over the estimated useful life of the agreement. This capitalized cost is amortized on a straight-line basis over an estimated useful life of eight years and is included within other intangible assets, net on the consolidated balance sheets. Amortization was $621 and $610 for the years ended December 31, 2023 and December 25, 2022, respectively.

Deferred Franchise Revenue

The Company collects certain franchise development fees from franchisees in connection with franchise development agreements and the build out of future franchisees' locations. These fees are earned as franchisees develop and open bars in accordance with the related development schedule and are recognized over the life of the franchise agreement, usually 10 years. Development fees collected and unearned were $173 and $173 for the years ended December 31, 2023 and December 25, 2022, respectively. Based on the development schedule, $5 and $4 were expected to be earned within one year and have been classified as current on the consolidated balance sheets as of December 31, 2023 and December 25, 2022, respectively.

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the remaining life of the debt as a component of interest expense. During 2020, the Company incurred $357 in costs in connection with obtaining financing. Interest expense related to total deferred financing fees was $87 for the year ended December 31, 2023 and $91 for the year ended December 25, 2022. Deferred financing fees are included as a reduction of debt within non-current obligations on the consolidated balance sheets.

Revenue Recognition

Revenues, as presented on the consolidated statements of operations, represent food and beverage products sold and are presented net of discounts, coupons, and promotions. Revenue from bar sales is recognized when food and beverage products are sold. Deferred franchise revenue is recognized upon the opening of the franchised bar over the life of the franchise agreement. Franchise area development fee revenues are dependent upon the number of bars in each territory and are recognized as franchisees develop and open bars over the life of the franchise agreement. Royalties are accrued as earned and are calculated each period based on the franchisees underlying bar sales. Cash received from the sale of gift cards and food and beverage credits is deferred and recognized upon redemption.

Food and Beverage

Food and beverage include the cost of food and beverage, and includes inventories, warehousing, and related purchasing and distribution. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as accrued liabilities on the consolidated balance sheets.

Gift Cards

Revenues from the sale of gift cards are deferred and recognized when redeemed by the holder. Deferred gift card revenue is included within accrued liabilities on the consolidated balance sheets. The Company did not recognize any gift card breakage revenue during the years ended December 31, 2023 and December 25, 2022.

Marketing Expenses

Marketing costs are expensed as incurred when the advertising takes place. Marketing expenses for the year ended December 31, 2023 were $4,793 and for the year ended December 25, 2022 were $5,353.

Pre-Opening Costs

New store opening costs incurred with the opening of new bars are expensed as incurred. These costs include manager salaries, relocation costs, supplies, recruiting expenses, employee payroll, training costs (including accommodations for training team members) and public relations and marketing to support the opening of a Bar Louie including launch campaign costs or initial opening promotions and events. Pre-opening costs also include occupancy costs recorded during the period between date of possession and the bar opening date. The Company did not open any new locations during the years ended December 31, 2023 and December 25, 2022.

Income Taxes

The Company files Form 1065, U.S. Partnership Return of Income, which is due on or before April 15 of each year, unless extended. All income or loss of the Company is passed through to the members. The members report their respective percentage of any income or loss on their respective federal income tax or information returns. The Company does pay franchise taxes, which are included in general and administrative expenses on the consolidated statements of operations.

U.S. GAAP requires company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2023 and December 25, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and any penalties in general and administrative expenses. The Company's management believes they are not subject to income tax examinations for any years prior to 2020.

The Company has not recognized any penalty, interest or tax impact related to uncertain tax positions as of and for the years ended December 31, 2023 and December 25, 2022.

Sales Tax Liability

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers, and remitted to the appropriate taxing authorities. The Company's accounting policy is to record the sales taxes collected as accrued liabilities and then remove the liabilities when the sales taxes are remitted. Revenues are recorded net of sales tax, so there is no impact on the consolidated statements of operations for sales taxes.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance for fair value measurements establishes a hierarchy that prioritizes the inputs to valuation models based upon the degree to which they are observable. The three levels of the fair value measurement hierarchy are as follows:

Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life; and

Level 3 - Inputs are unobservable and, therefore, reflect Management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company estimates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this additional information in the notes to consolidated financial statements when the fair value is different from the carrying value of these instruments. The estimated fair value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The fair value of long-term debt is determined by Level 2 inputs, using applicable rates for similar instruments and collateral as of the consolidated balance sheet date and approximates $56,000 and $51,000 as of years ended December 31, 2023 and December 25, 2022, respectively.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company maintains cash in bank accounts, which exceed federally insured amounts. Management evaluates the financial condition of the institution and has not incurred a loss and does not anticipate any future losses.

The Company relies on a few distributors for the majority of its non-alcoholic beverage and grocery purchases. However, the products purchased through the distributors are widely available at similar prices from multiple distributors. The Company does not anticipate any risk to the business in the event that these distributors are no longer available to provide their goods and services.

(Dollars in thousands)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment by category are comprised of the following as of years ended December 31, 2023 and December 25, 2022:

Asset Category	Asset Life	2023	2022
Leasehold improvements	Lesser of 9 years or remaining lease	$ 27,129	$ 24,984
Furniture and fixtures	3-5 years	7,492	6,936
Bar equipment	3-5 years	1,308	1,074
Kitchen equipment	3-5 years	6,094	5,294
Cash registers and computers	2-5 years	1,122	1,273
Audio visual equipment	3-5 years	623	335
Construction in progress		328	770
Accumulated depreciation and amortization		(28,122)	(21,068)
Property and equipment, net		$ 15,974	$ 19,598

Depreciation expense was $7,882 and $8,764 for the years ended December 31, 2023 and December 25, 2022, respectively, and is included within depreciation and amortization on the consolidated statements of operations.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a reconciliation of the beginning and ending balances of the Company's goodwill as of years ended December 31, 2023 and December 25, 2022:

	2023	2022
Beginning balance	$ 16,446	$ 18,085
Gift card liability adjustment	-	677
Acquisition of intellectual property	397	-
Amortization	(2,308)	(2,316)
Ending balance	$ 14,535	$ 16,446

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over their benefit period.

(Dollars in thousands)

Other intangible assets are comprised of the following as of December 31, 2023:

	Gross Amount	Accumulated Amortization	Purchase of Domain Name	Net Amount
Indefinite-lived intangible assets				
Trade names and trademarks	$ 15,355	$ -	$ -	$ 15,355
Liquor licenses	1,951	-	-	1,951
	$ 17,306	$ -	$ -	$ 17,306
Definite-lived intangible assets				
Franchise agreements	$ 4,899	$ 2,201	$ -	$ 2,698
Favorable lease agreements	270	270	-	-
	5,169	2,471	-	2,698
Total other intangible assets	$ 22,475	$ 2,471	$ -	$ 20,004

Other intangible assets are comprised of the following as of December 25, 2022:

	Gross Amount	Accumulated Amortization	Purchase of Domain Name	Net Amount
Indefinite-lived intangible assets				
Trade names and trademarks	$ 15,355	$ -	$ -	$ 15,355
Liquor licenses	2,271	-	-	2,271
	$ 17,626	$ -	$ -	$ 17,626
Definite-lived intangible assets				
Franchise agreements	$ 4,899	$ 1,580	$ -	$ 3,319
Favorable lease agreements	270	232	-	38
	5,169	1,812	-	3,357
Total other intangible assets	$ 22,795	$ 1,812	$ -	$ 20,983

As of December 31, 2023, the useful life of trade names and trademarks and liquor licenses are indefinite, eight years for franchise agreements and three years for favorable lease agreements. Amortization expense for intangible assets was $659 and $700 for the years ended December 31, 2023 and December 25, 2022, respectively, and is included within depreciation and amortization on the consolidated statements of operations. There were no liquor license impairments for the years ended December 31, 2023 and December 25, 2022.

(Dollars in thousands)

Amortization expense of these intangible assets over the next five fiscal years is expected to be the following:

	Aggregate Amortization Expense
2024	$ 610
2025	610
2026	610
2027	610
2028	258
	$ 2,698

Select states require the ownership of liquor licenses in order to sell alcoholic beverages in a restaurant retail environment. The Company purchased no liquor licenses in 2023 or 2022.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following as of years ended December 31, 2023 and December 25, 2022:

	2023	2022
Accrued payroll and employee benefits	$ 1,391	$ 2,075
Sales, use and property taxes payable	1,314	1,085
Accrued interest	1,691	1,221
Accrued rent	333	624
Gift card and InKind liability	1,495	998
Accrued utilities	309	335
Other	2,611	2,378
Accrued liabilities	$ 9,144	$ 8,716

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

NOTE 6 - DEBT

Credit Facility

The following tables summarize the Company's credit facility as of years ended December 31, 2023 and December 25, 2022:

			2023	
Issuance	Maturity Date	Rate	Original Principal	Carrying Amount
Term loan A	April 30, 2025	11.55%	$ 23,927	$ 25,005
Term loan B	April 30, 2025	12.05%	21,073	23,420
Revolving credit facility	April 30, 2025	11.54%		7,804
Less: current portion				-
Subtotal				56,229
Unamortized debt issuance costs				(27)
Long-term credit facility, less current maturities				$ 56,202

			2022	
Issuance	Maturity Date	Rate	Original Principal	Carrying Amount
Term loan A	April 30, 2024	9.64%	$ 23,927	$ 23,375
Term loan B	April 30, 2024	10.14%	21,073	21,811
Revolving credit facility	April 30, 2024	10.21%		7,500
Less: current portion				(1,300)
Subtotal				51,386
Unamortized debt issuance costs				(114)
Long-term credit facility, less current maturities				$ 51,272

The credit facility, bears interest at a rate equal to (i) a Base Rate, as defined in the agreement, plus applicable margin rate of 5.00% for Term A loans or revolving loans and 5.50% for Term B loans (ii) the greater of Secured Overnight Financing Rate (SOFR) or 1.5%, plus applicable margin rate of 6.00% for Term A loans or revolving loans and 6.50% for Term B loans. Substantially all assets of the Company are pledged as collateral.

The Company is required to meet certain financial covenants included in the credit facility amendment with respect to liquidity and capital expenditures, as well as other customary affirmative and negative covenants. As of December 31, 2023 and December 25, 2022, the Company was in compliance with its financial covenants associated with the debt under the credit facility.

(Dollars in thousands)

As of December 31, 2023 and December 25, 2022, the Company utilized $0 and $0 for letters of credit, leaving $0 and $2,500 available to use under the revolving credit facility, respectively. Fees on the letters of credit are payable monthly at a rate of 6.00% per annum. The Company pays a facility fee of .50% for unused line of credit balances.

Principal amounts on the term loans are not required to be paid. Through an amendment on April 29, 2024 the maturity date for the aggregate outstanding balances of the term loans and the revolver become due on April 30, 2025.

PPP Loan

On March 24, 2021, BLH Acquisition Co., LLC (the "Borrower"), a subsidiary of BLH Topco, LLC (the "Company"), was granted a loan (the "Loan") from JPMorgan Chase Bank, N.A. in the aggregate amount of $10,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, and expanded on December 21, 2020 under the Consolidated Appropriations Act of 2021.

The Loan matures on March 24, 2026, and bears interest at a rate of 0.98% per annum, payable monthly commencing on August 8, 2022. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Company has used the entire amount of the loan for qualifying expenses as described in the CARES Act. The Company completed the process of having the loan forgiven during 2022 and a gain of $10,116 was recognized.

Finance Lease Obligations

	2023	2022
Capital lease obligations	$ 238	$ 210
Less: current portion of capital lease obligations	(70)	(50)
Capital lease obligations, less current maturities	$ 168	$ 160

Maturities of debt over each of the following five years are as follows:

2024	$ -
2025	56,229
Total	$ 56,229

NOTE 7 - RELATED-PARTY TRANSACTIONS

The Company has a credit agreement with Antares Capital LP, as agent for all lenders which are the majority owners of the Company. As such, the Company routinely makes payments to Antares Capital LP. The Company made interest and fee payments of $2,549 and $3,840 during the years ended December 31, 2023 and December 25, 2022, respectively. The Company made $0 and $1,950 in principal payments during the years ended December 31, 2023 and December 25, 2022, respectively.

The Company is advised by an independent Board of Directors consisting of four Board members. The Board consists of three independent advisors and the Company's CEO. The Company issues quarterly payments for Board Member fees to the independent advisors. The Company made payments of $215 and $353 to Board Members during the years ended December 31, 2023 and December 25, 2022, respectively.

(Dollars in thousands)

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has a defined contribution benefit plan in accordance with section 401(k) of the Internal Revenue Code ("401(k) Plan") that is open to employees who meet certain eligibility requirements. The 401(k) Plan allows employees to defer the receipt of a portion of their compensation and contribute such amount to one or more investment options. The Company pays no administrative, recordkeeping, Trustee, or audit fees.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table details supplemental cash flow disclosures of non-cash investing and financing activities for the years ended December 31, 2023 and December 25, 2022:

	2023	2022
Supplemental cash flow disclosures of non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	$ 366	$ 314
Finance lease additions	90	68
Supplemental cash flow disclosures:		
Interest paid, net of capitalized interest	$ 2,523	$ 3,701
Income taxes paid, net of refunds	-	8

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company has real property leases, classified as operating leases, for its corporate headquarters and bar operations, with original terms ranging from one to nine years. Generally, the leases have available renewal options which extend the terms of the underlying leases by five years for each renewal option.

The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. The Company is also responsible for paying variable operating expenses, which may include real estate taxes, insurance, other operating expenses or percentage rent. Additionally, variable lease expenses related to certain real property leases may include escalations in rent costs that result from rent adjustments required under lease agreements whereby rental increases are based (in full or in part) on changes in the Consumer Price Index.

Leases

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company makes significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

Evaluates whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

Determines whether contracts contain embedded leases; and

Allocates consideration in the contract between lease and nonlease components.

The Company does not have any leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 31, 2023 and December 25, 2022:

	2023	2022
Right-of-use assets, net:		
Operating leases	$ 31,372	$ 39,050
Finance leases	227	204
Total right-of-use assets, net	$ 31,599	$ 39,254
Lease liabilities:		
Current operating lease liabilities	$ 11,204	$ 11,061
Current finance lease liabilities	70	50
Long-term operating lease liabilities	26,765	32,729
Long-term finance lease liabilities	168	160
Total lease liabilities	$ 38,207	$ 44,000

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Finance lease expense:		
Amortization of right-of-use assets	$ 67	$ 48
Interest on lease liabilities	17	16
Operating lease expense	11,216	10,547
Short-term lease expense	-	38
Variable lease expense	1,581	1,923
Total lease expense	$ 12,881	$ 12,572

The following table presents supplemental information related to leases during the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Weighted average remaining lease term (in years):		
Operating leases	3.90	4.55
Finance leases	3.26	3.88
Weighted average discount rate:		
Operating leases	2.22%	1.69%
Finance leases	6.49%	7.75%

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2023:

Year Ending	Operating Leases	Finance Leases
December 29, 2024	$ 11,817	$ 83
December 28, 2025	10,496	83
December 27, 2026	8,053	66
December 26, 2027	5,648	26
December 31, 2028	2,490	5
Thereafter	1,042	-
Total lease payments	39,546	263
Less: present value discount	(1,577)	(25)
Total lease liabilities	37,969	238
Less: current portion	(11,204)	(70)
Long-term lease liabilities	$ 26,765	$ 168

(Dollars in thousands)

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 11,809	$ 10,919
Operating cash flows from finance leases	19	15
Financing cash flows from finance leases	63	47
Supplemental noncash information:		
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	5,250	6,571
Finance leases	90	68
Right-of-use assets adjustment due to early lease termination:		
Operating leases	-	(199)
Right-of-use assets adjustment due to impairment:		
Operating leases	2,481	-

Franchise Agreements

The Company enters into franchise agreements that require the franchisee to remit ongoing royalty and marketing fees based on a percentage of the franchisee's sales revenue and the Company, as franchisor, to provide brand specific information including food and beverage requirements, supplier recommendations, marketing materials, operations manuals and licenses to certain franchise intellectual property.

Legal Matters

Within the ordinary course of business, the Company is subject to private lawsuits, government audits, administrative proceedings and other claims. These matters typically involve claims from guests, employees and others related to operational and employment issues common to the foodservice industry. These claims may exist at any given time. The Company does not believe that any claim will have a material adverse impact on the Company’s financial condition, cash flows, or results of operations.

NOTE 11 – NONMONETARY TRANSACTIONS

During 2023, the Company acquired a franchisee’s bar location, comprised of property and equipment and inventory with a fair value of $649 and $28, respectively plus cash of $5 to cover liabilities on behalf of the franchisee. The Company did not pay any cash for the assets acquired and recognized a gain of $673 related to the transaction.

NOTE 12 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 29, 2024, the date the consolidated financial statements were available to be issued.

On April 29, 2024 a limited waiver and amendment No. 9 to the credit agreement was entered into among BLH Acquisition Co., LLC and Antares Capital LP (and as agent for the lenders) whereby the outstanding balance of the term loans and the revolving credit facility are due April 30, 2025 and the credit parties shall not permit average weekly liquidity to be less than $750 and less than $200 as of the close of any business day. The balance sheet and related notes have been updated to reflect this amendment.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

BLH TopCo, LLC

Years ended December 25, 2022 and December 26, 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
BLH TopCo, LLC

Opinion

We have audited the consolidated financial statements of BLH TopCo, LLC (a Delaware corporation) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of December 25, 2022 and December 26, 2021, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2022 and December 26, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note 10 to the financial statements, the Company has adopted new accounting guidance related to the adoption of *FASB Accounting Standards Codification®* 842, *Leases*, effective January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Grant Thornton

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Dallas, Texas
May 22, 2023

BLH TopCo, LLC

CONSOLIDATED BALANCE SHEETS

December 25, 2022 and December 26, 2021
(Dollars in thousands)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,735	$ 8,900
Accounts receivable	1,912	2,243
Inventories	1,896	1,861
Prepaid expenses	1,350	1,293
Total current assets	8,893	14,297
Property and equipment, net	19,598	27,657
Operating right of use assets, net	39,050	-
Finance right of use assets, net	204	-
Goodwill, net	16,446	18,085
Other intangible assets, net	20,983	21,683
Other non-current assets	247	265
Total assets	$ 105,421	$ 81,987
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	$ 5,469	$ 3,696
Accrued liabilities	8,716	8,866
Short-term lease liability	11,061	-
Short-term finance lease liability	50	35
Current maturities of PPP loan	-	1,163
Current maturities of credit facility	1,300	2,600
Total current liabilities	26,596	16,360
PPP loan, less current maturities	-	8,837
Credit facility, less current maturities	51,272	51,240
Deferred rent, less current portion	-	4,291
Lease liabilities, less current portion	32,729	-
Finance lease liabilities, less current portion	160	127
Other non-current liabilities	169	931
Total liabilities	110,926	81,786
Commitments and contingencies		
Members' equity (deficit)		
Additional paid-in capital	29,218	29,218
Accumulated deficit	(34,723)	(29,017)
Members' equity (deficit)	(5,505)	201
Total members' equity (deficit)	$ 105,421	$ 81,987

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

	2022	2021
Revenues		
Food and beverage	$ 141,833	$ 133,670
Franchise royalties and fees	2,763	2,648
Total revenues	144,596	136,318
Costs of Company bar sales		
Food and beverage	39,088	36,540
Payroll and benefits	45,819	43,180
Occupancy	14,535	13,956
Other operating expenses	22,531	19,001
Total costs of company bar sales	121,973	112,677
Franchise support costs	1,136	897
Marketing expenses	5,353	5,660
General and administrative expenses	13,250	11,251
Loss on disposal of assets and impairment	1,822	1,564
Depreciation and amortization	11,841	13,694
Total operating costs and expenses	33,402	33,066
Loss from operations	(10,779)	(9,425)
Other expenses		
Interest expense, net	4,651	4,696
Gain on PPP loan forgiveness	(10,116)	-
Total other expenses	(5,465)	4,696
Loss before taxes	(5,314)	(14,121)
Income tax expense	6	10
NET LOSS	$ (5,320)	$ (14,131)

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

	Additional Paid-in Capital	Accumulated Deficit	Total Members' Equity
Balance, December 27, 2020	$ 29,218	$ (14,886)	$ 14,332
Net loss	-	(14,131)	(14,131)
Balance, December 26, 2021	29,218	(29,017)	201
Adjustment related to new accounting principle	-	(386)	(386)
Net loss	-	(5,320)	(5,320)
Balance, December 25, 2022	$ 29,218	$ (34,723)	$ (5,505)

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

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Net loss	$ (5,320)	$ (14,131)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,841	13,694
Gain on PPP loan forgiveness	(10,116)	-
Deferred financing costs	91	95
Loss on disposal of assets and impairment	1,822	1,564
Paid-in-kind interest - third party	591	30
Changes in operating assets and liabilities:		
Accounts receivable	331	44
Inventories	(35)	(245)
Prepaid expenses	(57)	314
Other non-current assets	18	86
Deferred rent	-	(1,279)
Accounts payable	1,772	1,634
Accrued liabilities	462	860
Other non-current liabilities	(782)	(10)
Net cash provided by operating activities	618	2,656
Cash flows from investing activities:		
Purchases of property and equipment	(3,817)	(4,227)
Proceeds from sale of property and equipment	31	1
Purchases of domain name	-	(7)
Net cash used in investing activities	(3,786)	(4,233)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt - PPP Loan	-	10,000
Repayment of long-term debt	(1,950)	(600)
Borrowings on revolving credit facility	-	1,500
Repayment of revolving credit facility	-	(807)
Payments on capital lease obligations	(47)	(9)
Net cash provided by (used in) financing activities	(1,997)	10,084
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,165)	8,507
Cash at beginning of year	8,900	393
Cash at end of year	$ 3,735	$ 8,900

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

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 1 - BUSINESS AND BASIS OF PRESENTATION

References in the notes to consolidated financial statements to "Bar Louie" or the "Company" refer to BLH TopCo, LLC and all entities included in the consolidated financial statements.

Nature of Operations

Bar Louie is a differentiated social casual "GastroBar" that delivers a comfortable, urban atmosphere known for its signature, hand-crafted cocktails made from fresh fruit and hand-squeezed juices and created in front of the guests. In addition, Bar Louie offers an extensive selection of traditionally and regionally inspired American food, including shareable plates, burgers and sandwiches served every day until close.

The Company was incorporated in Delaware on May 19, 2020. On May 27, 2020, the Company acquired substantially all the assets (the "Business") of BL Restaurant Operations, LLC and BL Restaurant Franchises, LLC. The Company operates and is managed by its individual managers.

The Company owned and operated 47 company-owned and 19 franchise locations at December 25, 2022, throughout the United States.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BLH TopCo, LLC and its wholly owned subsidiaries, BLH Holdco, LLC, BLH Acquisition Co., LLC, BLH Franchises Restaurants, LLC, BLH White Marsh LLC, BL Firewheel – Garland Private Club, and BL Allen Private Club. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included.

Segment Reporting and Geographic Information

The Company views its operations and manages its business in one operating segment, and as such has only one reportable segment. All the Company's revenues are derived in the United States of America. All the Company's assets are located in the United States of America.

Fiscal Year

The Company's fiscal year is a 52-53-week year ending on the last Sunday of the month occurring before December 31. Fiscal year 2022 ended on December 25, 2022 and consisted of 52 weeks. Fiscal year 2021 ended on December 26, 2021 and consisted of 52 weeks.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Leases

Effective December 27, 2021, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Company's fiscal 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Company recorded operating lease right-of-use assets and lease liabilities of $42,605 and $48,388, respectively. The Company re-classified existing kitchen equipment capital leases as finance lease right-of-use assets, net and finance lease liabilities.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Company's incremental borrowing rate, the Company elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Company elected not to apply the recognition requirements for all leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 10.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, such as valuation of long-lived, definite- and indefinite-lived assets, estimated useful lives of assets and the reasonably assured lease terms of operating leases that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less. Checks issued, but not yet presented for payment to the bank, are reflected as a reduction of cash and cash equivalents.

Liquidity and Credit Risk

The primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents, and secured credit facilities. The primary requirements for liquidity and capital are working capital and general corporate needs. Company operations have not required significant working capital and, similar to many restaurant chains, the Company has been able to operate, and will continue to operate, with negative working capital. The requirement for working capital is not significant since bar guests pay for their food and beverage purchases in cash or payment cards (credit or debit) at the time of sale. Thus, the

Company is often able to sell inventory before payment for such items is due to suppliers. The bars do not require significant inventories or receivables.

The Company believes cash and cash equivalents and expected cash flow from operations are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next 12 months. However, the ability to continue to meet these requirements and obligations will depend on, among other things, the Company's ability to achieve anticipated levels of revenue and cash flow from operations and the ability to manage costs and working capital successfully. Such operating performance will be subject to financial, economic, and other factors affecting the industry and operations of the Company, including factors beyond the Company’s control.

Accounts Receivable

Accounts receivable consists of credit card receivables due from credit card providers, rebates due from suppliers, receivables due from third party delivery companies and franchise receivables due from franchisees. The Company typically collects the credit card receivables within two to three business days of the initial sale dates. Receivables due from third party delivery companies are collected within one to two weeks. Franchise receivables are typically collected within one week. An allowance for doubtful accounts has been established for legal fees that remain unreimbursed from one franchisee.

Inventories

Inventories consist primarily of food and beverage products, which are stated at the lower of cost, as determined using the moving weighted-average costing method (which approximates first-in, first-out method), or market. Any unused or spoiled inventory is written off when identified.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset, generally three to five years for equipment. Leasehold improvements are depreciated over the shorter of their estimated lives or the related lease term.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in operations.

Goodwill and Identifiable Intangible Assets

Upon acquisition, identifiable intangible assets are recorded at fair value. Identifiable intangible assets with finite lives are amortized over their estimated useful lives.

Estimated useful lives for these identifiable intangible assets are as follows:

Intangible Asset Classification	Estimated Useful Life
Trademarks	Indefinite
Franchise agreements	8 years
Goodwill	10 years
Liquor licenses	Indefinite
Favorable lease agreements	3 years

Goodwill represents the excess of the cost of acquired businesses over fair value attributed to underlying net tangible assets and identifiable intangible assets.

The Company amortizes its goodwill over 10 years, and tests goodwill for impairment upon the occurrence of a triggering event indicating that the fair value of the Company might be less than its carrying amount. No triggering events were identified in 2022. The Company recognized $2,316 and $2,141 of amortization of goodwill, for the years ended December 25, 2022 and December 26, 2021, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets, and goodwill, subject to depreciation and amortization, are reviewed for impairment when events or circumstances indicate these assets may not be recoverable. Factors considered include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The recoverability is assessed in most cases by comparing the carrying value of the asset to the undiscounted cash flows expected to be generated by the asset. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss is recognized for the difference between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. The long-term financial forecasts represent the best estimate at the time and management believes the underlying assumptions are reasonable. If these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Due to the impact of changes in customer behavior and lower than expected sales at certain bars, certain leasehold improvements had carrying values that exceeded their estimated fair values. During fiscal 2022, the Company had impairment charges of $1,345 related to eight bars. During fiscal 2021, the Company had impairment charges of $1,405 for five bars.

Liquor Licenses

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees in excess of $3 are expensed over the renewal term. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheet. Indefinite-lived liquor licenses are reviewed for impairment at least annually or more frequently should an event occur, or circumstances indicate that the carrying amount may be impaired. Due to the impact of pricing and availability of liquor licenses in the open market, certain liquor licenses classified as intangible assets could have carrying values that exceeded their estimated fair values. The Company determined the estimated fair value based on prices in the open market for licenses in similar jurisdictions (Level 2 in the fair value hierarchy). The Company recorded no impairment for the years ended December 25, 2022 and December 26, 2021.

Trade Name

A trade name is considered to be an important element associated with the sales appeal of certain products and services. The trade name distinguishes goods and services from competitors, indicates the source of the goods and services, and serves as an indication of the quality of the product. The Company trade name consists of various protected words, symbols, and designs that help identify the Company's products and services such as the "Bar Louie" trade name. Trade names are classified as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheets and are reviewed for impairment annually. The Company recorded no impairment for the years ended December 25, 2022 and December 26, 2021.

Favorable and Unfavorable Leases

A favorable or unfavorable leasehold interest represents the future lease obligations under the in-place contractual lease terms that are either above or below market value. The value of acquired leases that were determined to be favorable or unfavorable to market rents are recorded on the consolidated balance sheets and amortized on a straight-line basis over 3 years, the average remaining term of the operating lease agreements. Favorable leases and unfavorable leases are included within other intangible assets on the consolidated balance sheets. The Company recognized $90 of amortization of favorable and unfavorable leases, which is included in depreciation and amortization expense in the consolidated statements of operations for the years ended December 25, 2022 and December 26, 2021.

Franchise Agreements

The cost of franchise agreements are capitalized and amortized over the estimated useful life of the agreement. This capitalized cost is amortized on a straight-line basis over an estimated useful life of eight years and is included within other intangible assets, net on the consolidated balance sheets. Amortization was $610 for the years ended December 25, 2022 and December 26, 2021.

Deferred Franchise Revenue

The Company collects certain franchise development fees from franchisees in connection with franchise development agreements and the build out of future franchisees' locations. These fees are earned as franchisees develop and open bars in accordance with the related development schedule and are recognized over the life of the franchise agreement, usually 10 years. Development fees collected and unearned were $173 and $175 for the years ended December 25, 2022 and December 26, 2021, respectively. Based on the development schedule, $4 and $25 were expected to be earned within one year and have been classified as current on the consolidated balance sheets as of December 25, 2022 and December 26, 2021, respectively.

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the remaining life of the debt as a component of interest expense. During 2020, the Company incurred $357 in costs in connection with obtaining financing. Interest expense related to total deferred financing fees was $91 for the year ended December 25, 2022, and $95 for the year ended December 26, 2021. Deferred financing fees are included as a reduction of debt within long-term obligations on the consolidated balance sheets.

Revenue Recognition

Revenues, as presented on the consolidated statements of operations, represent food and beverage products sold and are presented net of discounts, coupons, and promotions. Revenue from bar sales is recognized when food and beverage products are sold. Deferred franchise revenue is recognized upon the opening of the franchised bar over the life of the franchise agreement. Franchise area development fee revenues are dependent upon the number of bars in each territory and are recognized as franchisees develop and open bars over the life of the franchise agreement. Royalties are accrued as earned and are calculated each period based on the franchisees underlying bar sales. Cash received from the sale of gift cards is deferred and recognized upon redemption.

Food and Beverage

Food and beverage include the cost of food and beverage, and includes inventories, warehousing, and related purchasing and distribution. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as accrued liabilities on the consolidated balance sheets.

Gift Cards

Revenues from the sale of gift cards are deferred and recognized when redeemed by the holder. Deferred gift card revenue is included within accrued liabilities on the consolidated balance sheets. The Company did not recognize any gift card breakage revenue during the years ended December 25, 2022 and December 26, 2021.

Marketing Expenses

Marketing costs are expensed as incurred when the advertising takes place. Marketing expenses for the year ended December 25, 2022 were $5,353 and for the year ended December 26, 2021 were $5,660.

Pre-Opening Costs

New store opening costs incurred with the opening of new bars are expensed as incurred. These costs include manager salaries, relocation costs, supplies, recruiting expenses, employee payroll, training costs (including accommodations for training team members) and public relations and marketing to support the opening of a Bar Louie including launch campaign costs or initial opening promotions and events. Pre-opening costs also include occupancy costs recorded during the period between date of possession and the bar opening date. The Company did not open any new locations during the years ended December 25, 2022 and December 26, 2021.

Income Taxes

The Company files Form 1065, U.S. Partnership Return of Income, which is due on or before April 15 of each year, unless extended. All income or loss of the Company is passed through to the members. The members report their respective percentage of any income or loss on their respective federal income tax or information returns. The Company does pay franchise taxes, which are included in general and administrative expenses on the consolidated statements of operations.

U.S. GAAP requires company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company’s management has analyzed the tax positions taken by the Company and has concluded that as of December 25, 2022 and December 26, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. The Company’s policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and any penalties in general and administrative expenses. The Company’s management believes they are not subject to income tax examinations for any years prior to 2020.

The Company has not recognized any penalty, interest or tax impact related to uncertain tax positions as of and for the years ended December 25, 2022 and December 26, 2021.

Sales Tax Liability

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers, and remitted to the appropriate taxing authorities. The Company's accounting policy is to record the sales taxes collected as accrued liabilities and then remove the liabilities when the sales taxes are remitted. Revenues are recorded net of sales tax, so there is no impact on the consolidated statements of operations for sales taxes.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance for fair value measurements establishes a hierarchy that prioritizes the inputs to valuation models based upon the degree to which they are observable. The three levels of the fair value measurement hierarchy are as follows:

Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life; and

Level 3 - Inputs are unobservable and, therefore, reflect Management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company estimates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this additional information in the notes to consolidated financial statements when the fair value is different from the carrying value of these instruments. The estimated fair value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The fair value of long-term debt is determined by Level 2 inputs, using applicable rates for similar instruments and collateral as of the consolidated balance sheet date and approximates $51,000 and $60,000 as of years ended December 25, 2022 and December 26, 2021, respectively.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company maintains cash in bank accounts, which exceed federally insured amounts. Management evaluates the financial condition of the institution and has not incurred a loss and does not anticipate any future losses.

The Company relies on a few distributors for the majority of its non-alcoholic beverage and grocery purchases. However, the products purchased through the distributors are widely available at similar prices from multiple distributors. The Company does not anticipate any risk to the business in the event that these distributors are no longer available to provide their goods and services.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment by category are comprised of the following as of years ended December 25, 2022 and December 26, 2021:

Asset Category	Asset Life	2022	2021
Leasehold improvements	Lesser of 9 years or remaining lease	$ 24,984	$ 26,194
Furniture and fixtures	3-5 years	6,936	5,919
Bar equipment	3-5 years	1,074	1,093
Kitchen equipment	3-5 years	5,294	5,079
Cash registers and computers	2-5 years	1,273	1,588
Audio visual equipment	3-5 years	335	212
Buildings under deemed landlord financing	25 years	-	546
Construction in progress		770	1,958
Accumulated depreciation and amortization		(21,068)	(14,932)
Property and equipment, net		$ 19,598	$ 27,657

Depreciation expense was $8,764 and $10,853 for the years ended December 25, 2022 and December 26, 2021, respectively, and is included within depreciation and amortization on the consolidated statements of operations.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a reconciliation of the beginning and ending balances of the Company's goodwill as of years ended December 25, 2022 and December 26, 2021:

	2022	2021
Beginning balance	$ 18,085	$ 20,226
Gift card liability adjustment	677	-
Amortization	(2,316)	(2,141)
Ending balance	$ 16,446	$ 18,085

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over their benefit period.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Other intangible assets are comprised of the following as of December 25, 2022:

	Gross Amount	Accumulated Amortization	Purchase of Domain Name	Net Amount
Indefinite-lived intangible assets				
Trade names and trademarks	$ 15,355	$ -	$ -	$ 15,355
Liquor licenses	2,271	-	-	2,271
	$ 17,626	$ -	$ -	$ 17,626
Definite-lived intangible assets				
Franchise agreements	$ 4,899	$ 1,580	$ -	$ 3,319
Favorable lease agreements	270	232	-	38
	5,169	1,812	-	3,357
Total other intangible assets	$ 22,795	$ 1,812	$ -	$ 20,983

Other intangible assets are comprised of the following as of December 26, 2021:

	Gross Amount	Accumulated Amortization	Purchase of Domain Name	Net Amount
Indefinite-lived intangible assets				
Trade names and trademarks	$ 15,348	$ -	$ 7	$ 15,355
Liquor licenses	2,271	-	-	2,271
	$ 17,619	$ -	$ 7	$ 17,626
Definite-lived intangible assets				
Franchise agreements	$ 4,899	$ 969	$ -	$ 3,930
Favorable lease agreements	270	143	-	127
	5,169	1,112	-	4,057
Total other intangible assets	$ 22,788	$ 1,112	$ 7	$ 21,683

As of December 25, 2022, the useful life of trade names and trademarks and liquor licenses are indefinite, eight years for franchise agreements and three years for favorable lease agreements. Amortization expense for intangible assets was $700 for the years ended December 25, 2022 and December 26, 2021, and is included within depreciation and amortization on the consolidated statements of operations. There were no liquor license impairments for the years ended December 25, 2022 and December 26, 2021.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Amortization expense of these intangible assets over the next five fiscal years is expected to be the following:

	Aggregate Amortization Expense
2023	$ 660
2024	610
2025	610
2026	610
2027	610
	$ 3,100

Select states require the ownership of liquor licenses in order to sell alcoholic beverages in a restaurant retail environment. The Company purchased no liquor licenses in 2022 or 2021.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following as of years ended December 25, 2022 and December 26, 2021:

	2022	2021
Accrued payroll and employee benefits	$ 2,075	$ 2,327
Deferred rent	-	1,380
Sales, use and property taxes payable	1,085	1,313
Accrued interest	1,221	1,068
Assumed cure obligations	-	15
Accrued rent	624	552
Gift card liability	998	290
Accrued utilities	335	300
Other	2,378	1,621
Accrued liabilities	$ 8,716	$ 8,866

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 6 - DEBT

Credit Facility

The following tables summarize the Company's credit facility as of years ended December 25, 2022 and December 26, 2021:

			2022	
Issuance	Maturity Date	Rate	Original Principal	Carrying Amount
Term loan A	April 30, 2024	9.64%	$ 23,927	$ 23,375
Term loan B	April 30, 2024	10.14%	21,073	21,811
Revolving credit facility	April 30, 2024	10.21%		7,500
Less current portion				(1,300)
Subtotal				51,386
Unamortized debt issuance costs				(114)
Long-term credit facility, less current maturities				$ 51,272

			2021	
Issuance	Maturity Date	Rate	Original Principal	Carrying Amount
Term loan A	April 30, 2024	7.50%	$ 23,927	$ 24,583
Term loan B	April 30, 2024	8.00%	21,073	21,962
Revolving credit facility	April 30, 2024	7.50%		7,500
Less current portion				(2,600)
Subtotal				51,445
Unamortized debt issuance costs				(205)
Long-term credit facility, less current maturities				$ 51,240

The credit facility, bears interest at a rate equal to (i) a Base Rate, as defined in the agreement, plus applicable margin rate of 5.00% for Term A loans or revolving loans and 5.50% for Term B loans (ii) the greater of London Interbank Offered Rate or 1.5%, plus applicable margin rate of 6.00% for Term A loans or revolving loans and 6.50% for Term B loans. Substantially all assets of the Company are pledged as collateral.

The Company is required to meet certain financial covenants included in the credit facility amendment with respect to leverage ratios, fixed charge ratios, and capital expenditures, as well as other customary affirmative and negative covenants. As of December 25, 2022 and December 26, 2021, the Company was in compliance with its financial covenants associated with the debt under the credit facility.

(Dollars in thousands)

As of December 25, 2022 and December 26, 2021 the Company utilized $0 for letters of credit, leaving $2,500 available to use under the revolving credit facility. Fees on the letters of credit are payable monthly at a rate of 6.00% per annum. The Company pays a facility fee of .50% for unused line of credit balances.

Principal amounts on the term loans are paid quarterly in installments as set forth in the credit agreement. The aggregate outstanding balances of the term loans and the revolver become due on April 30, 2024.

PPP Loan

On March 24, 2021, BLH Acquisition Co., LLC (the "Borrower"), a subsidiary of BLH Topco, LLC (the "Company"), was granted a loan (the "Loan") from JPMorgan Chase Bank, N.A. in the aggregate amount of $10,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, and expanded on December 21, 2020 under the Consolidated Appropriations Act of 2021.

The Loan matures on March 24, 2026, and bears interest at a rate of 0.98% per annum, payable monthly commencing on August 8, 2022. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Company has used the entire amount of the loan for qualifying expenses as described in the CARES Act. The Company completed the process of having the loan forgiven during 2022 and a gain of $10,116 was recognized.

Finance Lease Obligations

	2022	2021
Capital lease obligations	$ 210	$ 162
Less current portion of capital lease obligations	(50)	(35)
Capital lease obligations, less current maturities	$ 160	$ 127

Maturities of debt over each of the following five years are as follows:

2023	$ 1,350
2024	51,439
2025	58
2026	44
2027	5
Total	$ 52,896

NOTE 7 - RELATED-PARTY TRANSACTIONS

The Company has a credit agreement with Antares Capital LP, as agent for all lenders which are the majority owners of the Company. As such, the Company routinely makes payments to Antares Capital LP. The Company made interest and fee payments of $3,840 and $3,475 during the years ended December 25, 2022 and December 26, 2021, respectively. The Company made $1,950 and $1,407 in principal payments during the years ended December 25, 2022 and December 26, 2021.

The Company is advised by an independent Board of Directors consisting of four Board members. The Board consists of three independent advisors and the Company's CEO. The Company issues quarterly payments for Board Member fees to the independent advisors. The Company made payments of $353 and $222 to Board Members during the years ended December 25, 2022 and December 26, 2021, respectively.

(Dollars in thousands)

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has a defined contribution benefit plan in accordance with section 401(k) of the Internal Revenue Code ("401(k) Plan") that is open to employees who meet certain eligibility requirements. The 401(k) Plan allows employees to defer the receipt of a portion of their compensation and contribute such amount to one or more investment options. The Company pays certain administrative expenses incurred by the 401(k) Plan, including recordkeeping, Trustee, and audit fees. Expenses recognized in 2022 were $0 and in 2021 were $55.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table details supplemental cash flow disclosures of non-cash investing and financing activities for the years ended December 25, 2022 and December 26, 2021:

	2022	2021
Supplemental cash flow disclosures of non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	$ 314	$ 274
Finance lease additions	68	171
Supplemental cash flow disclosures:		
Interest paid, net of capitalized interest	$ 3,701	$ 3,314
Income taxes paid, net of refunds	8	2

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company has real property leases, classified as operating leases, for its corporate headquarters and bar operations, with original terms ranging from one to nine years. Generally, the leases have available renewal options which extend the terms of the underlying leases by five years for each renewal option.

The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. The Company is also responsible for paying variable operating expenses, which may include real estate taxes, insurance, other operating expenses or percentage rent. Additionally, variable lease expenses related to certain real property leases may include escalations in rent costs that result from rent adjustments required under lease agreements whereby rental increases are based (in full or in part) on changes in the Consumer Price Index.

(Dollars in thousands)

Leases, Prior to January 1, 2022

Year	Operating Leases	Capital Leases
2022	$ 12,052	$ 48
2023	10,863	42
2024	9,197	41
2025	7,595	41
2026	5,550	22
Thereafter	5,374	-
Total minimum lease payments	$ 50,629	194
Less imputed interest		(32)
Present value of minimum lease payments		162
Less current portion		(35)
Long-term capital lease obligations		$ 127

Total lease expense for the year ended December 26, 2021 was $11,823. Lease expense related to lease agreements was recognized on a straight-line basis over the lease term.

Leases, January 1, 2022 and After

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

- Determined whether contracts contain embedded leases; and
- Allocated consideration in the contract between lease and nonlease components.

The Company does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 25, 2022:

Right-of-use assets, net:		
Operating leases	$	39,050
Finance leases		204
Total right-of-use assets, net	$	39,254
Lease liabilities:		
Current operating lease liabilities	$	11,061
Current finance lease liabilities		50
Long-term operating lease liabilities		32,729
Long-term finance lease liabilities		160
Total lease liabilities	$	44,000

Below is a summary of expenses incurred pertaining to leases during the year ended December 25, 2022:

Finance lease expense:		
Amortization of right-of-use assets	$	48
Interest on lease liabilities		16
Operating lease expense		10,547
Short-term lease expense		38
Variable lease expense		1,923
Total lease expense	$	12,572

The following table presents supplemental information related to leases:

Weighted average remaining lease term (in years):	
Operating leases	4.55
Finance leases	3.88
Weighted average discount rate:	
Operating leases	1.69%
Finance leases	7.75%

(Dollars in thousands)

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 25, 2022:

Year Ending	Operating Leases	Finance Leases
December 31, 2023	$ 11,649	$ 64
December 29, 2024	10,580	64
December 28, 2025	9,031	64
December 27, 2026	6,951	46
December 26, 2027	4,678	5
Thereafter	2,448	-
Total lease payments	45,337	243
Less: present value discount	(1,547)	(33)
Total lease liabilities	43,790	210
Less: current portion	(11,061)	(50)
Long-term lease liabilities	$ 32,729	$ 160

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 25, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 10,919
Operating cash flows from finance leases	15
Financing cash flows from finance leases	47
Supplemental noncash information:	
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	6,571
Finance leases	68
Right-of-use assets adjustment due to early lease termination:	
Operating leases	(199)

Franchise Agreements

The Company enters into franchise agreements that require the franchisee to remit ongoing royalty and marketing fees based on a percentage of the franchisee's sales revenue and the Company, as franchisor, to provide brand specific information including food and beverage requirements, supplier recommendations, marketing materials, operations manuals and licenses to certain franchise intellectual property.

Legal Matters

Within the ordinary course of business, the Company is subject to private lawsuits, government audits, administrative proceedings and other claims. These matters typically involve claims from guests, employees and others related to operational and employment issues common to the foodservice industry.

These claims may exist at any given time. The Company does not believe that any claim will have a material adverse impact on the Company's financial condition, cash flows, or results of operations.

NOTE 11 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 22, 2023, the date the consolidated financial statements were available to be issued.