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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2021

OR

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

Commission file number 001-38250

FAT Brands Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**82-1302696** **(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐

Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

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

As of November 3, 2021, there were 15,077,498 shares of Class A common stock and 1,270,805 shares of Class B common stock outstanding.

FAT BRANDS INC.
QUARTERLY REPORT ON FORM 10-Q
September 26, 2021

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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

	September 26, 2021 Unaudited	December 27, 2020
Assets		
Current assets		
Cash	$ 23,565	$ 3,944
Restricted cash	13,557	2,867
Accounts receivable, net of allowance for doubtful accounts of $2,208 and $739, as of September 26, 2021 and December 27, 2020, respectively	14,255	4,208
Trade and other notes receivable, net of allowance for doubtful accounts of $103 as of September 26, 2021 and December 27, 2020	224	208
Assets classified as held for sale	5,591	10,831
Other current assets	6,290	2,365
Total current assets	63,482	24,423
Noncurrent restricted cash	6,406	400
Notes receivable – noncurrent, net of allowance for doubtful accounts of $271, as of September 26, 2021 and December 27, 2020	2,054	1,622
Deferred income tax asset, net	15,069	30,551
Operating lease right of use assets	12,604	4,469
Goodwill	185,861	10,909
Other intangible assets, net	322,688	47,711
Property and equipment, net	10,227	483
Other assets	1,417	576
Total assets	$ 619,808	$ 121,144
Liabilities and Stockholders’ Deficit		
Liabilities		
Current liabilities		
Accounts payable	$ 12,859	$ 8,625
Accrued expenses and other liabilities	25,646	19,833
Deferred income, current portion	1,746	1,887
Accrued advertising	6,012	2,160
Accrued interest payable	5,644	1,847
Dividend payable on preferred shares	16	893
Liabilities related to assets classified as held for sale	4,906	9,892
Current portion of operating lease liability	4,784	748
Current portion of preferred shares, net	—	7,961
Current portion of long-term debt	605	19,314
Other	—	17
Total current liabilities	62,218	73,177

Deferred income – noncurrent	11,354	9,099
Acquisition purchase price payable	800	2,806
Operating lease liability, net of current portion	10,858	4,011
Long-term debt, net of current portion	485,470	73,852
Other liabilities	1,117	82
Total liabilities	571,817	163,027
Commitments and contingencies (Note 19)		
Redeemable preferred stock	66,810	—
Stockholders’ deficit		
Preferred stock, $0.0001 par value; 15,000,000 and 5,000,000 shares authorized; 1,643,272 and 1,183,272 shares issued and outstanding at September 26, 2021 and December 27, 2020, respectively; liquidation preference $25 per share	37,908	21,788
Class A and Class B common stock and additional paid-in capital as of September 26, 2021: $0.0001 par value per share: 51,600,000 shares authorized (Class A 50,000,000, Class B 1,600,000); 16,283,684 shares issued and outstanding (Class A 15,013,001, Class B 1,270,683). Common stock and additional paid-in capital as of December 27, 2020: $0.0001 par value; 25,000,000 shares authorized; 11,926,264 shares issued and outstanding.	(23,931)	(42,775)
Accumulated deficit	(32,875)	(20,896)
Stockholders’ deficit attributable to FAT Brands Inc.	(18,898)	(41,883)
Noncontrolling interests	79	—
Total stockholders’ deficit	(18,819)	(41,883)
Total liabilities and stockholders’ deficit	$ 619,808	$ 121,144

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

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

For the Thirteen and Thirty-nine Weeks Ended September 26, 2021 and September 27, 2020 (Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenue				
Royalties	$ 13,742	$ 3,156	$ 24,800	$ 8,678
Franchise fees	1,087	122	2,109	571
Advertising fees	5,483	803	8,043	2,347
Restaurant sales	3,879	—	4,113	—
Factory revenue	5,480	—	5,480	—
Management fees and other income	90	8	148	23
Total revenue	29,761	4,089	44,693	11,619
Costs and expenses				
General and administrative expense	12,966	2,990	23,375	10,626
Restaurant operating expenses	3,660	—	3,904	—
Factory operating expenses	3,473	—	3,473	—
Impairment of assets	—	753	—	3,927
Refranchising (gain) loss	(250)	325	(679)	1,869
Acquisition costs	2,053	503	2,985	633
Advertising expense	5,483	814	8,043	2,358
Total costs and expenses	27,385	5,385	41,101	19,413
Income (loss) from operations	2,376	(1,296)	3,592	(7,794)
Other income (expense), net				
Interest expense, net of interest income of $836 and $1,554 due from affiliates during the thirteen and thirty-nine weeks ended September 27, 2020, respectively. There was no interest income earned from affiliates in 2021.	(7,072)	(123)	(11,939)	(2,034)
Interest expense related to preferred shares	(173)	(323)	(725)	(1,251)
Net loss on extinguishment of debt	(13)	(88)	(6,418)	(88)
Change in fair value of derivative liability	—	(374)	—	887
Gain on contingent consideration payable adjustment	—	1,680	—	1,680
Other income (expense), net	64	(63)	189	6
Total other (expense) income, net	(7,194)	709	(18,893)	(800)
Loss before income tax expense	(4,818)	(587)	(15,301)	(8,594)
Income tax benefit	(1,183)	(19)	(3,303)	(1,405)
Net loss	(3,635)	(568)	(11,998)	(7,189)
Less: Net loss attributable to noncontrolling interest	(14)	—	(19)	—
Net loss attributable to FAT Brands Inc.	$ (3,621)	$ (568)	$ (11,979)	$ (7,189)
Basic and diluted loss per common share	$ (0.26)	$ (0.04)	$ (0.85)	$ (0.55)
Basic and diluted weighted average shares outstanding	14,144,857	13,101,791	14,094,772	13,077,480
Cash dividends declared per common share	$ 0.13	$ —	$ 0.39	$ —

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

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

For the Thirty-nine Weeks Ended September 26, 2021

	Common Stock						Preferred Stock						
	Class A Shares	Class B Shares	Class A par value	Class B par value	Additional paid-in capital	Total Common Stock	Shares	Par value	Additional paid-in capital	Total Preferred Stock	Non-controlling interest	Accum-ulated deficit	Total
Balance at December 27, 2020– audited	11,926,264	—	$ 1	$ —	$ (42,776)	$ (42,775)	1,183,272	$ —	$ 21,788	$ 21,788	$ —	$ (20,896)	$ (41,883)
Net loss	—	—	—	—	—	—	—	—	—	—	(19)	(11,979)	(11,998)
Issuance of common stock through exercise of warrants	464,643	—	—	—	1,799	1,799	—	—	394	394	—	—	2,193
Issuance of preferred stock	—	—	—	—	—	—	460,000	—	8,246	8246	—	—	8,246
Share-based compensation	300,000	—	—	—	488	488	—	—	—	—	—	—	488
Measurement period adjustment in accordance with ASU 2015-16	—	—	—	—	(1,381)	(1,381)	—	—	—	—	—	—	(1,381)
Stock contracted for issue in payment of debt	62,500	—	—	—	816	816	—	—	—	—	—	—	816
Sale of interest in operating restaurant	—	—	—	—	651	651	—	—	—	—	98	—	749
Dividends declared on common stock	—	—	—	—	(5,313)	(5,313)	—	—	—	—	—	—	(5,313)
Dividends declared on Series B preferred stock	—	—	—	—	—	—	—	—	(2,084)	(2084)	—	—	(2,084)
Issuance of common stock in connection with acquisition of LS GFG Holdings Inc. (1)	1,964,865	—	—	—	21,809	21,809	—	—	0	—	—	—	21,809
Stock dividend of Class B Shares	294,729	1,270,683	1	—	(26)	(25)	—	—	0	—	—	—	(25)
Series A Preferred shares retired through issuance of Series B Preferred shares	—	—	—	—	—	—	—	—	9,564	9564	—	—	9,564
Balance at September 26, 2021	15,013,001	1,270,683	$ 2	$ —	$ (23,933)	$ (23,931)	1,643,272	$ —	$ 37,908	$ 37,908	$ 79	$ (32,875)	$ (18,819)

(1) Excludes 3,089,245 shares of preferred stock classified as redeemable preferred stock as of September 26, 2021. (See Note 15)

For the Thirty-nine Weeks Ended September 27, 2020

	Common Stock						Preferred Stock						
	Class A Shares	Class B Shares	Class A par value	Class B par value	Additional paid-in capital	Total Common Stock	Shares	Par value	Additional paid-in capital	Total Preferred Stock	Non-controlling interest	Accum-ulated deficit	Total
Balance at December 29, 2019-audited	11,860,299	—	$ 1	$ —	$ 11,413	$ 11,414	—	$ —	$ —	$ —	$ —	$ (6,036)	$ 5,378
Net loss	—	—	—	—	—	—	—	—	—	—	—	(7,189)	(7,189)
Issuance of common stock in lieu of cash directors' fees payable	65,965	—	—	—	240	240	—	—	—	—	—	—	240
Issuance of Series B preferred stock	—	—	—	—	—	—	360,000	—	6,033	6,033	—	—	6,033
Exchange of original Series B preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	60,677	—	1,224	1,224	—	—	1,224
Exchange of Series A preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	74,449	—	1,861	1,861	—	—	1,861
Exchange of Series A-1 preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	168,001	—	4,200	4,200	—	—	4,200
Share-based compensation	—	—	—	—	61	61	—	—	—	—	—	—	61
Extinguishment of derivative liability	—	—	—	—	(887)	(887)	—	—	—	—	—	—	(887)
Grant of warrants to purchase stock	—	—	—	—	2,258	2,258	—	—	—	—	—	—	2,258
Repurchase of warrants	—	—	—	—	(330)	(330)	—	—	—	—	—	—	(330)
Dividends declared on Series B preferred stock	—	—	—	—	—	—	—	—	(277)	(277)	—	—	(277)
Correction of recorded conversion rights associated with Series A-1 preferred shares	—	—	—	—	(90)	(90)	—	—	—	—	—	—	(90)
Balance at September 27, 2020	11,926,264	$ —	$ 1	$ —	$ 12,665	$ 12,666	663,127	$ —	$ 13,041	$ 13,041	$ —	$ (13,225)	$ 12,482

For the Thirteen Weeks Ended September 26, 2021

	Common Stock						Preferred Stock						
	Class A Shares	Class B Shares	Class A par value	Class B par value	Additional paid-in capital	Total Common Stock	Shares	Par value	Additional paid-in capital	Total Preferred Stock	Non-controlling interest	Accum-ulated deficit	Total
Balance at June 27, 2021	12,491,528	—	$ 1	$ —	$ (45,087)	$ (45,086)	1,643,272	$ —	$ 29,092	$ 29,092	$ 93	$ (29,254)	$ (45,155)
Net loss	—	—	—	—	—	$ —	—	—	—	—	(14)	(3,621)	(3,635)
Issuance of common stock through exercise of warrants	199,379	—	—	—	659	659	—	—	151	151	—	—	810
Issuance of preferred stock	—	—	—	—		—	—	—	(35)	(35)	—	—	(35)
Share-based compensation	—	—	—	—	258	258	—	—	—	—	—	—	258
Measurement period adjustment in accordance with ASU 2015-16	—	—	—	—	70	70	—	—	—	—	—	—	70
Stock contracted for issue in payment of debt	62,500	—	—	—	—	—	—	—	—	—	—	—	—
Sale of interest in operating restaurant	—	—	—	—	500	500	—	—	—	—	—	—	500
Dividends declared on common stock	—	—	—	—	(2,116)	(2,116)	—	—	—	—	—	—	(2,116)
Dividends declared on Series B preferred stock	—	—	—	—	—	—	—	—	(864)	(864)	—	—	(864)
Issuance of common stock in connection with acquisition of LS GFG Holdings Inc. (1)	1,964,865	—	—	—	21,809	21,809	—	—	—	—	—	—	21,809
Stock dividend of Class B Shares	294,729	1,270,683	1	—	(26)	(25)	—	—	—	—	—	—	(25)
Series A Preferred shares retired through issuance of Series B Preferred shares	—	—	—	—	—	—	—	—	9,564	9,564	—	—	9,564
Balance at September 26, 2021	15,013,001	1,270,683	$ 2	$ —	$ (23,933)	$ (23,931)	1,643,272	$ —	$ 37,908	$ 37,908	$ 79	$ (32,875)	$ (18,819)

(1) Excludes 3,089,245 shares of preferred stock classified as redeemable preferred stock as of September 26, 2021. (See Note 15)

For the Thirteen Weeks Ended September 27, 2020

	Common Stock						Preferred Stock						
	Class A Shares	Class B Shares	Class A par value	Class B par value	Additional paid-in capital	Total Common Stock	Shares	Par value	Additional paid-in capital	Total Preferred Stock	Non-controlling interest	Accum-ulated deficit	Total
Balance at June 28, 2020	11,894,895	—	$ 1	$ —	$ 9,068	$ 9,069	—	$ —	$ —	$ —	$ —	$ (12,657)	$ (3,588)
Net loss	—	—	—	—	—	—	—	—	—	—	—	(568)	(568)
Issuance of common stock in lieu of cash directors’ fees payable	31,369	—	—	—	105	105	—	—	—	—	—	—	105
Issuance of Series B preferred stock	—	—	—	—	—	—	360,000	—	6,033	6,033	—	—	6,033
Exchange of original Series B preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	60,677	—	1,224	1,224	—	—	1,224
Exchange of Series A preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	74,449	—	1,861	1,861	—	—	1,861
Exchange of Series A-1 preferred stock for newly issued Series B preferred stock	—	—	—	—	—	—	168,001	—	4,200	4,200	—	—	4,200
Share-based compensation	—	—	—	—	45	45	—	—	—	—	—	—	45
Extinguishment of derivative liability	—	—	—	—	1,516	1,516	—	—	—	—	—	—	1,516
Grant of warrants to purchase stock	—	—	—	—	2,261	2,261	—	—	—	—	—	—	2,261
Repurchase of warrants	—	—	—	—	(330)	(330)	—	—	—	—	—	—	(330)
Dividends declared on Series B preferred stock	—	—	—	—	—	—	—	—	(277)	(277)	—	—	(277)
Balance at September 27, 2020	11,926,264	—	$ 1	$ —	$ 12,665	$ 12,666	663,127	$ —	$ 13,041	$ 13,041	$ —	$ (13,225)	$ 12,482

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

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

For the Thirty-nine Weeks Ended September 26, 2021 and September 27, 2020

	2021	2020
Cash flows from operating activities		
Net loss	$ (11,998)	$ (7,189)
Adjustments to reconcile net loss to net cash used in operations:		
Deferred income taxes	(3,384)	(1,633)
Net loss on extinguishment of debt	4,872	88
Depreciation and amortization	3,161	763
Share-based compensation	488	61
Change in operating right of use assets	1,662	750
Accretion of loan fees and interest	1,249	589
Accretion of preferred shares	26	47
Accretion of purchase price liability	72	381
Gain on sale of refranchised assets	(869)	55
Change in fair value of derivative liability	—	(887)
Impairment of assets	—	3,927
Provision for bad debts	225	900
Gain on adjustment of contingent consideration payable	—	(1,680)
Change in:		
Accounts receivable	(3,023)	130
Accrued interest receivable from affiliate	—	(2,613)
Tax Sharing Agreement liability	—	(158)
Other current assets	(768)	(295)
Deferred income	1,244	(446)
Accounts payable	1,646	312
Accrued expense	(3,672)	(87)
Accrued advertising	646	(382)
Accrued interest payable	3,797	(404)
Dividend payable on preferred shares	699	(809)
Other	(79)	74
Total adjustments	7,992	(1,317)
Net cash used in operating activities	(4,006)	(8,506)
Cash flows from investing activities		
Change in due from affiliates	—	(10,103)
Acquisition of subsidiary, net of cash acquired	(346,484)	(23,944)
Payments received on loans receivable	140	69
Net proceeds from sale of refranchised restaurants	1,942	1,093
Purchases of property and equipment	(1,661)	(239)
Other	(87)	—
Net cash provided by (used in) investing activities	(346,150)	(33,124)

Cash flows from financing activities				
Proceeds from borrowings, net of issuance costs		479,721		74,045
Repayments of borrowings		(93,046)		(24,224)
Issuance of preferred shares, net		8,246		8,021
Change in operating lease liabilities		(1,441)		(464)
Payments made on acquisition purchase price liability		(1,075)		(500)
Exercise of warrants		2,192		—
Repurchase of warrants		—		(330)
Redemption of preferred stock		—		(500)
Dividends paid on redeemable preferred stock		(690)		—
Dividends paid on common shares		(5,337)		—
Dividends paid on preferred shares		(2,097)		(175)
Net cash provided by financing activities		386,473		55,873
Net increase in cash and restricted cash		36,317		14,243
Cash and restricted cash at beginning of the period		7,211		25
Cash and restricted cash at end of the period	$	43,528	$	14,268
Supplemental disclosures of cash flow information:				
Cash paid for interest	$	5,874	$	5,420
Cash paid for income taxes	$	639	$	84
Supplemental disclosure of non-cash financing and investing activities:				
Director fees converted to common stock	$	—	$	240
Issuance of preferred stock in lieu of cash preferred dividends payable	$	—	$	450
Income taxes receivable included in amounts due from affiliates	$	—	$	(158)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND RELATIONSHIPS

Organization and Nature of Business

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

As of September 26, 2021, the Company owns and franchises fourteen restaurant brands through various wholly owned subsidiaries: Round Table Pizza, Fatburger, Marble Slab Creamery, Johnny Rockets, Great American Cookies, Hot Dog on a Stick, Buffalo's Cafe & Express, Hurricane Grill & Wings, Pretzelmaker, Elevation Burger, Yalla Mediterranean, Ponderosa and Bonanza Steakhouses. Combined, these brands have approximately 2,000 locations, including units under construction, and more than 200 under development.

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

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

COVID-19

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

Liquidity

The Company recognized income from operations of $3.6 million during the thirty-nine weeks ended September 26, 2021 compared to a loss from operations of $7.8 million for the thirty-nine weeks ended September 27, 2020. The Company recognized a net loss of $12.0 million during the thirty-nine weeks ended September 26, 2021 compared to a net loss of $7.2 million during the thirty-nine weeks ended September 27, 2020. A one-time net charge of $6.4 million relating to the refinance of the Company's debt was included in the net loss for 2021. Net cash used in operations totaled $4.0 million for the thirty-nine weeks ended September 26, 2021 compared to $8.5 million for thirty-nine weeks ended September 27, 2020. As of September 26, 2021, the Company's total liabilities exceeded total assets by $18.8 million compared to $41.9 million as of December 27, 2020.

In the Company's 2020 Annual Report on Form 10-K ("2020 Form 10-K"), the Company disclosed that the combination of the operating performance during the twelve months ended December 27, 2020 and the Company's financial position as of December 27, 2020 raised substantial doubt about the Company's ability to continue as a going concern as assessed under the framework of FASB's Accounting Standard Codification ("ASC") 205 for the twelve months following the date of the issuance of the 2020 Form 10-K.

On April 26, 2021, the Company completed the issuance and sale in a private offering (the "Offering") of three tranches of fixed rate secured notes. Proceeds of the Offering were used to repay in full its 2020 Securitization Notes as well as fees and expenses related to the Offering, resulting in net proceeds to the Company of approximately $57.0 million (see Note 11).

The Company utilized a portion of the net proceeds from the Offering to repay approximately $12.5 million of indebtedness assumed as a result of the Merger (see Note 11). The Company has successfully completed other subsequent debt and equity transactions which demonstrate its ability to raise capital for acquisitions and working capital. (See Notes 3, 11 and 12)

The change in the Company's financial position reflects operating improvements as the effects of COVID-19 began to stabilize. In addition to the liquidity provided by the successful completion of the Offering, the Company has experienced improvement in its operating performance subsequent to December 27, 2020 as COVID-19 vaccinations have become more prevalent in the United States and federal, state and local restrictions have eased in many of the markets where its franchisees operate. Management believes that the Company will be in compliance with its debt covenants and has sufficient sources of cash to meet its liquidity needs for the next twelve months.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The operations of Johnny Rockets have been included since its acquisition on September 21, 2020; the operations of FCCG have been included since the merger on December 24, 2020; and the operations of LS GFG Holdings, Inc. (See Note 3) have been included since its acquisition on July 22, 2021. All intercompany accounts and transactions have been eliminated in consolidation. The Company operates its business as one operating and reportable segment.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of the Company, all adjustments considered necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature.

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

Use of estimates in the preparation of the condensed consolidated financial statements – The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement reclassification – Certain account balances from prior periods have been reclassified in these condensed consolidated financial statements to conform to current period classifications including measurement period adjustments to the preliminary purchase price allocations relating to the acquisition of Johnny Rockets and the Merger in accordance with ASU 2015-16. During 2021, adjustments were made to provisional amounts reclassifying $1.4 million between goodwill and additional paid in capital on the condensed consolidated balance sheet. These adjustments did not impact the Company's condensed consolidated statement of operations during the current or prior periods.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments,* and later amended the ASU in 2019, as described below. This guidance replaces the current incurred loss impairment methodology. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates (“ASU 2019-10”)*. The purpose of this amendment is to create a two-tier rollout of major updates, staggering the effective dates between larger public companies and all other entities. This granted certain classes of companies, including Smaller Reporting Companies (“SRCs”), additional time to implement major FASB standards, including ASU 2016-13. Larger public companies will have an effective date for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities are permitted to defer adoption of ASU 2016-13, and its related amendments, until the earlier of fiscal periods beginning after December 15, 2022. Under the current SEC definitions, the Company meets the definition of an SRC and is adopting the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company does not expect the adoption of this standard will have a material impact on its condensed consolidated financial statements.

NOTE 3. MERGERS AND ACQUISITIONS

Acquisition of GFG Holdings Inc.

On July 22, 2021, the Company completed the acquisition of LS GFG Holdings Inc. (“GFG”), for a total purchase price of $444.5 million paid by the Company in the form of $355.2 million in cash, 3,089,245 shares of the Company’s Series B Cumulative Preferred Stock and 1,964,865 shares of the Company’s Common Stock. (the “GFG Acquisition”). Additionally, on July 22, 2021, the Company entered into a put/call agreement with the GFG Sellers, pursuant to which the Company may purchase, or the GFG Sellers may require the Company to purchase 3,089,245 shares of Series B Cumulative Preferred Stock for $67.5 million plus any accrued but unpaid dividends on or before April 22, 2022. (See Note 15)

GFG is a franchisor of five franchised brands. GFG’s brands (Great American Cookies, Marble Slab Creamery, Pretzelmaker, Hot Dog on a Stick and Round Table Pizza) are in the quick service restaurant (QSR) industry. The franchise network, across all of the Company’s brands, consists of approximately 1,450 retail stores in ten countries.

The preliminary assessment of the fair value of the net assets and liabilities acquired by the Company through the acquisition of GFG was estimated at $444.5 million. This preliminary assessment of fair value of the net assets and liabilities as well as the final purchase price were estimated at closing and are subject to change. Under Sections 382 and 383 of the Internal Revenue Code, if an ownership change occurs with respect to a “loss corporation,” as defined, there are annual limitations on the amount of the NOLs and certain other deductions and credits which are available to the Company (the “Section 382 and 383 Limitations”). The portion of the NOLs and other tax benefits accumulated by GFG prior to the Acquisition are subject to these Section 382 and 382 Limitations. Analysis of these Section 382 and 383 Limitations are ongoing.

The preliminary allocation of the consideration to the net tangible and intangible assets acquired is presented in the table below (in thousands):

Cash	$	8,693
Accounts receivable		7,246
Prepaid and other current assets		3,818
Other intangible assets, net		277,700
Goodwill		176,155
Right of use assets		6,514
Fixed assets		8,380
Other assets		1,229
Accounts payable		(2,408)
Accrued expenses		(10,168)
Accrued Advertising		(3,207)
Deferred income		(869)
Operating lease liability		(8,744)
Deferred tax liability		(18,867)
Other liabilities		(985)
Total net identifiable assets	$	444,487

The values of goodwill and other intangible assets were initially considered as of the acquisition date. Descriptions of the Company's subsequent assessments of impairment of the goodwill and other intangible assets acquired in this acquisition related to COVID-19 are in Note 6 and Note 7.

Merger with Fog Cutter Capital Group Inc.

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

Pursuant to the Merger Agreement, FCCG agreed to merge with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of the Company (the "Merger"). Upon closing of the Merger on December 24, 2020, the former stockholders of FCCG became direct stockholders of the Company holding, in the aggregate, 9,679,288 shares of the Company's common stock (the same number of shares of common stock held by FCCG immediately prior to the Merger) and received certain limited registration rights with respect to the shares received in the Merger. As a result of the Merger, FCCG and certain of its wholly owned subsidiaries, Homestyle Dining, LLC, Fog Cap Development LLC, Fog Cap Acceptance Inc. and BC Canyon LLC, became indirect wholly owned subsidiaries of the Company (the "Merged Entities").

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

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

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

The Merger is treated under ASC 805-50-30-6, which provides that when there is a transfer of assets or exchange of shares between entities under common control, the receiving entity shall recognize those assets and liabilities at their net carrying amounts at the date of transfer. As such, on the date of the Merger, all of the transferred assets and assumed liabilities of the Merged Entities were recorded on the Company's books at the Merged Entities' book value. The consolidation of the operations of the Merged Entities with the Company is presented on a prospective basis from the date of transfer.

The Merger resulted in the following assets and liabilities being included in the condensed consolidated financial statements of the Company as of the Merger date (in thousands):

Prepaid assets	$	33
Deferred tax assets		20,402
Other assets		100
Accounts payable		(926)
Accrued expense		(6,973)
Current portion of debt		(12,486)
Litigation reserve		(3,980)
Due to affiliates		(43,653)
Total net identifiable liabilities (net deficit)	$	(47,483)

Acquisition of Johnny Rockets

On September 21, 2020, the Company completed the acquisition of Johnny Rockets Holding Co., a Delaware corporation ("Johnny Rockets") for a cash purchase price of approximately $24.7 million. The transaction was funded with proceeds from an increase in the Company's securitization facility (See Note 11).

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

The assessment of the fair value of the net assets and liabilities acquired by the Company through the acquisition of Johnny Rockets was $24.7 million. The allocation of the consideration to the valuation of net tangible and intangible assets acquired is presented in the table below (in thousands):

Cash	$	812
Accounts receivable		1,452
Assets held for sale		10,765
Goodwill		258
Other intangible assets		26,900
Deferred tax assets		4,039
Other assets		438
Accounts payable		(1,113)
Accrued expenses		(3,740)
Deferred franchise fees		(4,988)
Operating lease liability		(10,028)
Other liabilities		(65)
Total net identifiable assets	$	24,730

The values of goodwill and other intangible assets were initially considered as of the acquisition date. Descriptions of the Company's subsequent assessments of impairment of the goodwill and other intangible assets acquired in this acquisition related to COVID-19 are in Note 6 and Note 7.

Proforma Information

The table below presents the combined proforma revenue and net loss of the Company and GFG, FCCG and Johnny Rockets (the "Acquired Entities"), for the thirteen and thirty-nine weeks ended September 26, 2021 and September 27, 2020, assuming the acquisition of the Acquired Entities had occurred on December 30, 2019 (the beginning of the Company's 2020 fiscal year), pursuant to ASC 805-10-50 (in thousands). Actual consolidated results are presented in the proforma information for any period in which an Acquired Entity was actually a consolidated subsidiary of the Company. This proforma information does not purport to represent what the actual results of operations of the Company would have been had the acquisition of the Acquired Entities occurred on this date nor does it purport to predict the results of operations for future periods.

	Thirteen Weeks Ended September 26, 2021	Thirty-nine Weeks Ended September 26, 2021	Thirteen Weeks Ended September 27, 2020	Thirty-nine Weeks Ended September 27, 2020
Revenue	$ 36,517	$ 109,997	$ 36,563	$ 113,942
Net loss	$ (3,839)	$ (8,439)	$ (5,550)	$ (23,578)

The proforma information above reflects the combination of the Company's unaudited results as disclosed in the accompanying condensed consolidated statements of operations for the thirteen and thirty-nine weeks ended September 26, 2021 and September 27, 2020, together with the unaudited results of each of the Acquired Entities for the thirteen and thirty-nine weeks ended September 26, 2021 and September 27, 2020, with the following adjustments:

For the acquisition of GFG:

- Amortization of intangible assets has been adjusted to reflect the preliminary fair value at the assumed acquisition date.
- The proforma interest expense has been adjusted to exclude actual GFG interest expense incurred prior to the acquisition. All interest-bearing liabilities were paid off at closing.
- The proforma interest expense has been adjusted to include proforma interest expense that would have been incurred relating to the acquisition financing obtained by the Company.
- Income tax effect is based on an assumed statutory income tax rate of 26%.

For the merger with FCCG:

- FCCG historically made loan advances to Andrew A. Wiederhorn, its CEO and significant stockholder (the "Stockholder Loan"). Prior to the Merger, the Stockholder Loan was cancelled, and the balance recorded as a loss by FCCG on forgiveness of loan to stockholder. Had the Merger been completed as of the assumed proforma date of December 30, 2019 (the beginning of the Company's 2020 fiscal year), the Stockholder Loan would have been cancelled prior to that date and there would have been no further advances made. As a result, the proforma information above eliminates the loss by FCCG on forgiveness of loan to stockholder and the related interest income recorded by FCCG in its historical financial statements.

For the acquisition of Johnny Rockets:

- The unaudited proforma revenue and net (loss) income present franchise fee revenue and advertising revenue in accordance with ASC 606 in a manner consistent with the Company's application thereof. As a non-public company, Johnny Rockets had not yet been required to adopt ASC 606.
- Overhead allocations from the former parent company have been adjusted to the estimated amount the Company would have allocated.
- Former parent company management fees have been eliminated from the proforma.

- Amortization of intangible assets has been adjusted to reflect the preliminary fair value at the assumed acquisition date.
- Depreciation on assets treated as held for sale by the Company has been eliminated.
- The proforma adjustments include advertising expenses in accordance with ASC 606.
- The proforma interest expense has been adjusted to exclude actual Johnny Rockets interest expense incurred prior to the acquisition. All interest-bearing liabilities were paid off at closing.
- The proforma interest expense has been adjusted to include proforma interest expense that would have been incurred relating to the acquisition financing obtained by the Company.
- Non-recurring gains and losses have been eliminated from the proforma statements.

NOTE 4. REFRANCHISING

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

The Company meets all of the criteria requiring that acquired assets used in the operation of certain restaurants be classified as held for sale. As a result, the following assets have been classified as held for sale on the accompanying condensed consolidated balance sheets as of September 26, 2021 and December 27, 2020 (in thousands):

	September 26, 2021	December 27, 2020
Property, plant and equipment	$ 776	$ 1,352
Operating lease right of use assets	$ 4,815	$ 9,479
Total	$ 5,591	$ 10,831

Operating lease liabilities related to the assets classified as held for sale in the amount of $4.9 million and $9.9 million have been classified as current liabilities on the accompanying condensed consolidated balance sheets as of September 26, 2021 and December 27, 2020, respectively.

Refranchising gains in the thirty-nine weeks ended September 26, 2021 were comprised of $1.6 million in net gains related to refranchised restaurants, partially offset by $0.9 million of restaurant operating costs, net of food sales. Refranchising losses in the thirty-nine weeks ended September 27, 2020 were comprised of $1.1 million of restaurant operating costs, net of food sales, plus $0.8 million in net losses related to the sale or closure of refranchised restaurants.

Refranchising gains for the thirteen weeks ended September 26, 2021 were comprised of $0.5 million in net gains related to refranchised restaurants, partially offset by $0.2 million of restaurant operating costs, net of food sales. Refranchising losses in the thirteen weeks ended September 27, 2020 were comprised of $0.3 million of restaurant operating costs, net of food sales.

During the thirty-nine weeks ended September 26, 2021, two restaurant locations were sold to two entities which are 49% owned by a subsidiary of the Company. The 51% owners of these entities are not affiliated with the Company. In addition to its significant equity interests in the two restaurants, the Company provides virtually all of the management functions associated with the operation of the businesses. As a result, the assets, liabilities and operating results of the restaurants are included in the Company's condensed consolidated financial statements, subject to the noncontrolling interests of the non-affiliated investors.

NOTE 5. NOTE RECEIVABLE

The Elevation Buyer Note was funded in connection with the purchase of Elevation Burger in 2019. The Company loaned $2.3 million in cash to the Seller under a subordinated promissory note bearing interest at 6.0% per year and maturing in August 2026 . The balance owing to the Company under the Elevation Buyer Note may be used by the Company to offset amounts owing to the Seller under the Elevation Note under certain circumstances (See Note 11). As part of the total consideration for the Elevation acquisition, the Elevation Buyer Note was recorded at a carrying value of $1.9 million, which was net of a discount of $0.4 million. As of September 26, 2021 and December 27, 2020, the balance of the Elevation Note was $1.7 million and $1.8 million, respectively, which were net of discounts of $0.2 million and $0.3 million, respectively. During the thirteen and thirty-nine weeks ended September 26, 2021, the Company recognized $49,000 and $151,000 in interest income on the Elevation Buyer Note, respectively. During the thirteen and thirty-nine weeks ended September 27, 2020, the Company recognized $52,000 and $158,000, respectively, in interest income on the Elevation Buyer Note.

NOTE 6. GOODWILL

Goodwill consisted of the following (in thousands):

	September 26, 2021	December 27, 2020
Goodwill:		
Fatburger	$ 529	$ 529
Global Franchise Group	176,155	—
Buffalo's	5,365	5,365
Hurricane	2,772	2,772
Yalla	261	261
Elevation Burger	521	521
Johnny Rockets	258	1,461
Total goodwill	$ 185,861	$ 10,909

A review of the carrying value of goodwill as of September 26, 2021 did not result in any impairment charges for the thirty-nine weeks ended as of that date. When considering the available facts, assessments and judgments, as of September 27, 2020, the Company recorded goodwill impairment charges of $1.5 million relating to the Ponderosa and Bonanza brands for the thirty-nine weeks ended as of that date.

Because of the risks and uncertainties related to the COVID-19 pandemic events, the negative effects on the operations of the Company's franchisees could prove to be worse than currently estimated and result in the need to record additional goodwill impairment charges in future periods.

NOTE 7. OTHER INTANGIBLE ASSETS

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

	September 26, 2021	December 27, 2020
Trademarks:		
Fatburger	$ 2,135	$ 2,135
Global Franchise Group	149,800	—
Buffalo's	27	27
Hurricane	6,840	6,840
Ponderosa	300	300
Yalla	776	776
Elevation Burger	4,690	4,690
Johnny Rockets	20,300	20,300
Total trademarks	184,868	35,068
Franchise agreements:		
Hurricane – cost	4,180	4,180
Hurricane – accumulated amortization	(1,045)	(804)
Global Franchise Group - cost	43,300	—
Global Franchise Group - accumulated amortization	(601)	—
Ponderosa – cost	1,477	1,477
Ponderosa – accumulated amortization	(414)	(337)
Elevation Burger – cost	2,450	2,450
Elevation Burger – accumulated amortization	(1,135)	(761)
Johnny Rockets – cost	6,600	6,600
Johnny Rockets – accumulated amortization	(507)	(162)
Total franchise agreements	54,305	12,643
Customer relationships:		
Global Franchise Group - cost	84,600	—
Global Franchise Group - accumulated amortization	(1,085)	—
Total customer relationships	83,515	—
Total Other Intangible Assets	$ 322,688	$ 47,711

The Company reviewed the carrying value of its other intangible assets as of September 26, 2021 and September 27, 2020. During the thirty-nine weeks ended September 26, 2021, no impairment charges for other intangible assets were deemed necessary. As a result of these analyses, when considering the available facts, assessments and judgments, during the thirty-nine weeks ended September 27, 2020, the Company recorded goodwill impairment charges of $1.5 million and tradename impairment charges of $2.5 million relating to the Ponderosa, Yalla and Bonanza brands.

Because of the risks and uncertainties related to the COVID-19 pandemic events, the negative effects on the operations of the Company's franchisees could prove to be worse than currently estimated and result in the need to record additional other intangible asset impairment charges in future periods.

The expected future amortization of the Company’s franchise agreements and customer relationships as of September 26, 2021 is as follows (in thousands):

Fiscal year:	
Remaining 2021	$ 2,909
2022	11,638
2023	11,638
2024	11,333
2025	11,139
Thereafter	89,163
Total	$ 137,820

NOTE 8. DEFERRED INCOME

Deferred income was as follows (in thousands):

	September 26, 2021	December 27, 2020
Deferred franchise fees	$ 12,328	$ 10,003
Deferred royalties	160	291
Deferred vendor incentives	611	692
Total	$ 13,099	$ 10,986

NOTE 9. INCOME TAXES

The following table presents the Company’s benefit for income taxes (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Benefit for income taxes	$ (1,183)	$ (19)	$ (3,303)	$ (1,405)
Effective tax rate	24.6 %	3.2 %	21.6 %	16.3 %

The difference between the statutory tax rate of 21% and the effective tax rate in the thirty-nine weeks ended September 26, 2021 was primarily due to the impact of state income taxes.

The Company's net deferred income tax asset decreased $15.5 million during the thirty-nine weeks ended September 26, 2021 primarily due to the acquisition and consolidation of GFG. The preliminary assessment of the fair value of the net assets and liabilities acquired in the GFG transaction included a net deferred tax liability of $18.9 million. This preliminary assessment of fair value of the net assets and liabilities of GFG was estimated at closing and is subject to change (See Note 3).

NOTE 10. LEASES

As of September 26, 2021, the Company has forty-seven operating leases for corporate offices, thirty-six Company owned stores and for certain restaurant properties that are in the process of being refranchised. The leases have remaining terms ranging from 0.5 to 7.7 years. The Company recognized lease expense of $1.4 million and $0.4 million for the thirteen weeks ended September 26, 2021 and September 27, 2020, respectively. For the thirty-nine weeks ended September 26, 2021 and September 27, 2020, the Company recognized lease expense of $2.8 million and $1.1 million, respectively. The weighted average remaining lease term of the operating leases as of September 26, 2021 was 4.8 years.

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

	September 26, 2021	December 27, 2020
Right of use assets	$ 17,419	$ 13,948
Lease liabilities	$ 20,548	$ 14,651

The weighted average discount rate used to calculate the carrying value of the right of use assets and lease liabilities was 9.3% in each case, which was based on the Company's incremental borrowing rate at the time the lease was acquired.

The contractual future maturities of the Company's operating lease liabilities as of September 26, 2021, including anticipated lease extensions, are as follows (in thousands):

Fiscal year:	
2021	$ 3,943
2022	5,119
2023	4,212
2024	3,975
2025	3,262
Thereafter	3,901
Total lease payments	24,412
Less imputed interest	3,864
Total	$ 20,548

The current portion of the operating lease liability as of September 26, 2021 was $4.8 million.

Supplemental cash flow information for the thirty-nine weeks ended September 26, 2021 related to leases was as follows (in thousands):

Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows from operating leases	$ 2,282
Operating lease right of use assets obtained in exchange for new lease obligations:	
Operating lease liabilities	$ —

NOTE 11. DEBT

2021 GFG Royalty Securitization

In connection with the acquisition of GFG, on July 22, 2021, FAT Brands GFG Royalty I, LLC ("GFG Royalty"), a special purpose, wholly-owned subsidiary of the Company, completed the issuance and sale in a private offering (the "GFG Offering") of three tranches of fixed rate senior secured notes (the "GFG Securitization Notes"). The GFG Securitization Notes were issued in a securitization transaction and had the following terms:

Closing Date	Class	Seniority	Principal Balance	Coupon	Weighted Average Life (Years)	Non-Call Period (Months)	Anticipated Call Date	Final Legal Maturity Date
7/22/2021	A-2	Senior	$ 209,000,000	6.00 %	2.01	6	7/25/2023	7/25/2051
7/22/2021	B-2	Senior Subordinated	$ 84,000,000	7.00 %	2.01	6	7/25/2023	7/25/2051
7/22/2021	M-2	Subordinated	$ 57,000,000	9.50 %	2.01	6	7/25/2023	7/25/2051

Net proceeds from the issuance of the GFG Securitization Notes totaled $338.9 million, which consisted of the combined face amount of $350.0 million, net of debt offering costs of $6.0 million and original issue discount of $5.1 million. Substantially all of the proceeds were used to acquire GFG.

As of September 26, 2021, the carrying value of the GFG Securitization Notes was $339.3 million (net of debt offering costs of $5.8 million and original issue discount of $4.9 million). The Company recognized interest expense on the GFG Securitization Notes of $4.6 million for the thirteen and thirty-nine weeks ended September 26, 2021, which includes $0.2 million for amortization of debt offering costs and $0.2 million for amortization of the original issue discount. The average annualized effective interest rate of the GFG Securitization Notes, including the amortization of debt offering costs and original issue discount, was 7.5% for the time the debt was outstanding during the thirty-nine weeks ended September 26, 2021.

The GFG Securitization Notes require that the principal (if any) and interest obligations be segregated to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of monthly cash flow that exceeds the required monthly interest reserve is generally remitted to the Company. Interest payments are required to be made on a quarterly basis and, unless repaid on or before July 25, 2023 additional interest equal to 1.0% per annum will accrue on each tranche. The material terms of the GFG Securitization Notes also include, among other things, the following financial covenants: (i) debt service coverage ratio, (ii) leverage ratio and (iii) senior leverage ratio. As of September 26, 2021, the Company was in compliance with these covenants.

Immediately following the closing of the acquisition of GFG, the Company contributed the franchising subsidiaries of GFG to GFG Royalty, pursuant to a Contribution Agreement. The GFG Securitization Notes are generally secured by a security interest in substantially all the assets of GFG Royalty and its subsidiaries.

2021 FB Royalty Securitization

On April 26, 2021, FAT Brands Royalty I, LLC (“FB Royalty”), a special purpose, wholly-owned subsidiary of FAT Brands, completed the Offering of three tranches of fixed rate senior secured notes (collectively, the “2021 Securitization Notes”) as follows:

Closing Date	Class	Seniority	**Principal Balance**	Coupon	**Weighted Average Life (Years)**	**Non-Call Period (Months)**	**Anticipated Call Date**	**Final Legal Maturity Date**
4/26/2021	A-2	Senior	$ 97,104,000	4.75 %	2.25	6	7/25/2023	4/25/2051
4/26/2021	B-2	Senior Subordinated	$ 32,368,000	8.00 %	2.25	6	7/25/2023	4/25/2051
4/26/2021	M-2	Subordinated	$ 15,000,000	9.00 %	2.25	6	7/25/2023	4/25/2051

Net proceeds from the issuance of the 2021 Securitization Notes totaled $140.8 million, which consisted of the combined face amount of $144.5 million, net of debt offering costs of $3.0 million and original issue discount of $0.7 million. As of September 26, 2021, the carrying value of the 2021 Securitization Notes was $141.1 million (net of debt offering costs of $2.7 million and original issue discount of $0.7 million). The Company recognized interest expense on the 2021 Securitization Notes of $2.3 million and $3.9 million for the thirteen and thirty-nine weeks ended September 26, 2021, respectively, which includes $0.1 million and $0.2 million for amortization of debt offering costs, respectively, and $35,000 and $69,000 for amortization of the original issue discount, respectively. The average annualized effective interest rate of the 2021 Securitization Notes, including the amortization of debt offering costs and original issue discount, was 6.6% for the time the debt was outstanding during the thirty-nine weeks ended September 26, 2021.

The 2021 Securitization Notes require that the principal (if any) and interest obligations be segregated monthly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of monthly cash flow that exceeds the required monthly interest reserve is generally remitted to the Company. Interest payments are required to be made on a quarterly basis and, unless repaid on or before July 25, 2023 additional interest equal to 1.0% per annum will accrue on each tranche. The material terms of the 2021 Securitization Notes also include, among other things, the following financial covenants: (i) debt service coverage ratio, (ii) leverage ratio and (iii) senior leverage ratio. As of September 26, 2021, the Company was in compliance with these covenants.

The 2021 Securitization Notes are generally secured by a security interest in substantially all the assets of FB Royalty and its subsidiaries.

A portion of the proceeds of the 2021 Securitization Notes were used to repay and retire the following notes issued in 2020 under the Base Indenture:

Note	Public Rating	Seniority	Issue Amount	Coupon	First Call Date	Final Legal Maturity Date
Series A-2	BB	Senior	$ 20,000,000	6.50 %	4/27/2021	4/27/2026
Series B-2	B	Senior Subordinated	$ 20,000,000	9.00 %	4/27/2021	4/27/2026
Series M-2	N/A	Subordinated	$ 40,000,000	9.75 %	4/27/2021	4/27/2026

The payoff amount totaled $83.7 million, which included principal of $80.0 million, accrued interest of $2.2 million and prepayment premiums of $1.5 million. FB Royalty recognized a loss on extinguishment of debt of $7.8 million in connection with the refinance.

The Company recognized interest expense on the 2020 Securitization Notes of $0 and $0.9 million for the thirteen weeks ended September 26, 2021 and September 27, 2020, respectively. The Company recognized interest expense related to the 2020 Securitization Notes of $2.6 million and $2.1 million for the thirty-nine weeks ended September 26, 2021 and September 27, 2020, respectively.

Elevation Note

On June 19, 2019, the Company completed the acquisition of Elevation Burger. A portion of the purchase price included the issuance to the Seller of a convertible subordinated promissory note (the “Elevation Note”) with a principal amount of $7.5 million, bearing interest at 6.0% per year and maturing in July 2026. The Elevation Note is convertible under certain circumstances into shares of the Company’s common stock at $12.00 per share. In connection with the valuation of the acquisition of Elevation Burger, the Elevation Note was recorded on the condensed consolidated financial statements of the Company at $6.2 million (net of a loan discount of $1.3 million and debt offering costs of $30,000).

As of September 26, 2021, the carrying value of the Elevation Note was $5.8 million (net of the loan discount of $0.7 million and debt offering costs of $48,000). As of December 27, 2020, the carrying value of the Elevation Note was $5.9 million (net of the loan discount of $0.9 million and debt offering costs of $56,000). The Company recognized interest expense relating to the Elevation Note during the thirteen and thirty-nine weeks ended September 26, 2021 in the amount of $165,000 and $504,000, respectively, which included amortization of the loan discount of $62,000 and $192,000, and amortization of $3,000 and $8,000 in debt offering costs, respectively. The Company recognized interest expense relating to the Elevation Note during the thirteen and thirty-nine weeks ended September 27, 2020 in the amount of $153,000 and $517,000, respectively, which included amortization of the loan discount of $69,000 and $210,000, and amortization of $3,000 and $8,000 in debt offering costs, respectively.

The annualized effective interest rate for the Elevation Note during the thirty-nine weeks ended September 26, 2021 was 11.4%.

The Elevation Note is a general unsecured obligation of Company and is subordinated in right of payment to all senior indebtedness of the Company.

Assumed Debt from Merger

In connection with the Merger, certain debts of FCCG totaling $12.5 million (the "FCCG Debt") were assumed by Fog Cutter Acquisition LLC.

During June 2021, the FCCG Debt was paid in full in the amount of $12.5 million, including accrued interest. The Company recognized interest expense relating to the FCCG Debt of $241,000 during the thirty-nine weeks ended September 26, 2021.

Paycheck Protection Program Loans

During 2020, the Company received loan proceeds in the amount of approximately $1.5 million under the PPP Loans and Economic Injury Disaster Loan Program (the "EIDL Loans"). The Paycheck Protection Program, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

At inception, the PPP Loans and EIDL Loans related to FAT Brands Inc. and five restaurant locations that were part of the Company's refranchising program. As of December 27, 2020, the balance remaining on the PPP Loans and EIDL Loans had been reduced to $1.2 million due to the closure or refranchising of the five restaurant locations during the second and third quarters of 2020. During the thirty-nine weeks ended September 26, 2021, the Company received confirmation that the entire balance remaining on the PPP Loans, plus accrued interest, had been forgiven under the terms of the program. The Company recognized interest expense of $4,000 and a gain on extinguishment of debt in the amount of $1.2 million relating to the PPP Loans and EIDL Loans during the thirty-nine weeks ended September 26, 2021.

NOTE 12. PREFERRED STOCK

Series B Cumulative Preferred Stock

On July 13, 2020, the Company entered into an underwriting agreement (the "Underwriting Agreement") to issue and sell in a public offering (the "Offering") 360,000 shares of 8.25% Series B Cumulative Preferred Stock ("Series B Preferred Stock") and 1,800,000 warrants to purchase common stock at $5.00 per share, plus 99,000 additional warrants pursuant to the underwriter's overallotment option (the "2020 Series B Offering Warrants").

The Offering closed on July 16, 2020 with net proceeds to the Company of $8.1 million (net of $0.9 million in underwriting and offering costs).

In addition to the shares issued in the Offering, the Company concurrently engaged in the following transactions:

- The holders of the outstanding 57,140 shares of Original Series B Preferred became subject to the new terms of the Certificate of Designation and received an additional 3,537 shares of Series B Preferred stock in payment of previously accrued dividends.

- The Company entered into an agreement to exchange 15,000 shares of Series A Fixed Rate Cumulative Preferred Stock owned by FCCG, including accrued dividends thereon, for 74,449 shares of Series B Preferred Stock.

- The Company exchanged all of the outstanding shares of Series A-1 Fixed Rate Cumulative Preferred Stock for 168,001 shares of Series B Preferred Stock.

In December 2020, in connection with the acquisition of FCCG by the Company, the Company declared a special stock dividend (the "Special Dividend") payable only to holders of the Company's Common Stock, other than FCCG, on the record date, consisting of 0.2319998077 shares of Series B Cumulative Preferred Stock for each outstanding share of Common Stock held by such stockholders. The Special Dividend was paid on December 23, 2020 and resulted in the issuance of 520,145 additional shares of Series B Preferred Stock with a market value on the payment date of approximately $8.9 million.

On June 22, 2021, the Company closed a second underwritten public offering of 460,000 shares of 8.25% Series B Cumulative Preferred Stock at a price to the public of $20.00 per share. The net proceeds to the Company totaled $8.3 million (net of $0.9 million in underwriting discounts and other offering expenses).

On July 22, 2021, the Company completed the acquisition of GFG, for a total purchase price of $444.5 million. A portion of the consideration paid included 3,089,245 newly issued shares of the Company's Series B Preferred Stock (the "GFG Preferred Stock Consideration"). Additionally, on July 22, 2021, the Company entered into a put/call agreement with the GFG sellers, pursuant to which the Company may purchase, or the GFG Sellers may require the Company to purchase the GFG Preferred Stock Consideration for $67.5 million plus any accrued but unpaid dividends on or before April 22, 2022. As a result of the effect of the put/call agreement, which may require the Company to pay the counterparty in cash, which may require the Company to pay the counterparty in cash, the GFG Preferred Stock Consideration has been classified as redeemable preferred stock on the Company's condensed consolidated balance sheet. (See Note 15)

On August 25, 2021, the Company redeemed 80,000 outstanding Series A Preferred Stock, with a redemption value of $8.0 million, plus accrued dividends thereon in the amount of $1.6 million, held by Trojan Investments, LLC in exchange for 478,199 shares of Series B Preferred Stock valued at $20 per share. The Company recognized a loss on extinguishment of debt in the amount of $13,000 resulting from the redemption of the Series A Preferred Stock.

As of September 26, 2021, the Series B Preferred Stock consisted of 1,643,272 shares outstanding with a book value of $37.9 million and 3,089,245 redeemable shares outstanding with a book value of $66.8 million. The Company paid preferred dividends to the holders of the Series B Preferred Stock totaling $0.9 million and $2.1 million during the thirteen and thirty-nine weeks ended September 26, 2021.

Series A Fixed Rate Cumulative Preferred Stock

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

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

(i) On June 7, 2018, the Company entered into a Subscription Agreement for the issuance and sale (the "Series A Offering") of 800 units (the "Units"), with each Unit consisting of (i) 100 shares of the Company's newly designated Series A Fixed Rate Cumulative Preferred Stock (the "Series A Preferred Stock") and (ii) warrants (the "Series A Warrants") to purchase 127 shares of the Company's common stock at $7.83 per share. The sales price of each Unit was $10,000, resulting in gross proceeds to the Company from the initial closing of $8.0 million and the issuance of 80,000 shares of Series A Preferred Stock and Series A Warrants to purchase 102,125 shares of common stock (the "Subscription Warrants").

(ii) On June 27, 2018, the Company entered into a Note Exchange Agreement, as amended, under which it agreed with FCCG to exchange $2.0 million of the remaining balance of the Company's outstanding Promissory Note issued to the FCCG on October 20, 2017 for 200 Units consisting of 20,000 shares of Series A Fixed Rate Cumulative Preferred Stock of the Company at $100 per share and Series A Warrants to purchase 25,530 of the Company's common stock at an exercise price of $7.83 per share (the "Exchange Warrants").

The Company classified the Series A Preferred Stock as debt in the condensed consolidated balance sheets.

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

1. The Company entered into an agreement to redeem 80,000 outstanding shares of the Series A Preferred Stock, plus accrued dividends thereon, held by Trojan Investments, LLC pursuant to a Stock Redemption Agreement that provides for the redemption at face value of a portion of such shares for cash from the proceeds of the Offering and the balance to be redeemed in $2 million tranches every six months, with the final payment due by December 31, 2021.

2. The Company redeemed 5,000 outstanding shares of Series A Preferred Stock held by Ridgewood Select Value Fund LP and its affiliate, plus accrued dividends thereon, at face value for cash from the proceeds of the Offering.

3. The Company exchanged 15,000 outstanding shares of Series A Preferred Stock, plus accrued dividends thereon, held by FCCG at face value for shares of Series B Preferred Stock.

On August 25, 2021, the Company redeemed the remaining 80,000 outstanding Series A Preferred Stock, with a redemption value of $8.0 million, plus accrued dividends thereon in the amount of $1.6 million, held by Trojan Investments, LLC in exchange for 478,199 shares of Series B Preferred Stock valued at $20 per share. The Company recognized a loss on extinguishment of debt in the amount of $13,000 resulting from the redemption of the Series A Preferred Stock.

As of September 26, 2021, there were no remaining shares of Series A Preferred Stock outstanding. The Company recognized interest expense on the Series A Preferred Stock of $0.2 million and $0.4 million for the thirteen weeks ended September 26, 2021 and September 27, 2020, respectively. The Company recognized interest expense on the Series A Preferred Stock of $0.7 million and $1.1 million for the thirty-nine weeks ended September 26, 2021 and September 27, 2020.

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

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

On June 8, 2020, the Conversion Option became exercisable. As of that date, the Company calculated the estimated fair value of the Conversion Option to be $2.4 million and recorded a derivative liability in that amount, together with an offsetting reduction in Additional Paid-In Capital.

As described above, on July 13, 2020, the Company entered into agreements with each of the holders of the Series A Preferred Stock regarding the redemption of their shares. Holders of 85,000 of the outstanding shares agreed to a full redemption in periodic cash payments. FCCG, the holder of the remaining 15,000 outstanding shares, agreed to redeem its Series A Preferred Stock in exchange for newly issued Series B Preferred Stock of the Company. As a result of these agreements, the Conversion Option was terminated for all holders as of July 13, 2020. Immediately prior to the termination, the fair value of the Conversion Option was determined to be $1.5 million and resulted in the recognition of $0.9 million in income from the decrease in the value of the derivative liability. With the termination of the Conversion Option, the $1.5 million remaining balance in derivative liability was written off with an offsetting credit to Additional Paid-in Capital.

NOTE 13. ACQUISITION PURCHASE PRICE PAYABLE

On June 21, 2021, the Company settled in full, the acquisition purchase price payable relating to the acquisition of Yalla Mediterranean. At the time of the settlement, the payable had a book value of $2.1 million.The Company paid cash of $1.1 million and agreed to issue 62,500 shares of its common stock, with a market value of $0.8 million ($13.05 per share) in satisfaction of the obligation. The Company recognized a gain on the extinguishment of the debt in the amount of $0.2 million during the thirty-nine weeks ended September 26, 2021.

NOTE 14. RELATED PARTY TRANSACTIONS

During the thirty-nine weeks ended September 26, 2021, there were no reportable related party transactions. For the thirty-nine weeks ended September 27, 2020, the Company reported the following:

Due from Affiliates

On April 24, 2020, the Company entered into an Intercompany Revolving Credit Agreement with FCCG ("Intercompany Agreement"). The Company had previously extended credit to FCCG pursuant to a certain Intercompany Promissory Note (the "Original Note"), dated October 20, 2017, with an initial principal balance of $11,906,000. Subsequent to the issuance of the Original Note, the Company and certain of its direct or indirect subsidiaries made additional intercompany advances. Pursuant to the Intercompany Agreement, the revolving credit facility bears interest at a rate of 10% per annum, has a five-year term with no prepayment penalties, and has a maximum capacity of $35,000,000. All additional borrowings under the Intercompany Agreement are subject to the approval of the Board of Directors, in advance, on a quarterly basis and may be subject to other conditions as set forth by the Company. The initial balance under the Intercompany Agreement totaled $21,067,000 including the balance of the Original Note, borrowings subsequent to the Original Note, accrued and unpaid interest income, and other adjustments through December 29, 2019. As of September 27, 2020, the balance receivable under the Intercompany Agreement was $33,382,000.

Effective July 5, 2018, the Company made a preferred capital investment in Homestyle Dining LLC, a Delaware limited liability corporation ("HSD") in the amount of $4.0 million (the "Preferred Interest"). FCCG owns all of the common interests in HSD. The holder of the Preferred Interest is entitled to a 15% priority return on the outstanding balance of the investment (the "Preferred Return"). Any available cash flows from HSD on a quarterly basis are to be distributed to pay the accrued Preferred Return and repay the Preferred Interest until fully retired. On or before the five-year anniversary of the investment, the Preferred Interest is to be fully repaid, together with all previously accrued but unpaid Preferred Return. FCCG has unconditionally guaranteed repayment of the Preferred Interest in the event HSD fails to do so. As of September 27, 2020, the balance receivable, including accrued and unpaid interest income, under the Preferred Interest was $5,350,000.

During the thirty-nine weeks ended September 27, 2020, the Company recorded receivables from FCCG in the amount of $158,000 under the Tax Sharing Agreement, which was added to the intercompany receivable.

NOTE 15. REDEEMABLE PREFERRED STOCK

In satisfaction of a portion of the purchase price in connection with the acquisition of GFG, the Company issued 3,089,245 shares of its Series B Preferred Stock (the "GFG Preferred Stock Consideration"). Additionally, on July 22, 2021, the Company entered into a put/call agreement with the GFG sellers, pursuant to which the Company may purchase, or the GFG Sellers may require the Company to purchase in cash, the GFG Preferred Stock Consideration for $67.5 million, plus any accrued but unpaid dividends, on or before April 22, 2022. The parties valued the GFG Preferred Stock Consideration and the put/call agreement at $67.5 million and the Company has classified them as redeemable preferred stock in its condensed consolidated balance sheets.

As of September 26, 2021, the carrying value of the redeemable preferred stock was $66.8 million. The Company declared dividends in the amount of $0.7 million relating to the GFG Preferred Stock Consideration for the thirteen and thirty-nine weeks ended September 26, 2021.

NOTE 16. STOCKHOLDERS' EQUITY

On August 16, 2021, the Company filed its Second Amended and Restated Certificate of Incorporation (the "Amended Certificate") with the Secretary of State of the State of Delaware, which among other things, (i) authorized 50,000,000 shares of Class A Common Stock and 1,600,000 shares of Class B Common Stock, and (ii) reclassified the Company's outstanding shares of Common Stock as Class A Common Stock as of such date (the "Recapitalization"). Prior to the Recapitalization, the Company's authorized common shares totaled 25,000,000 in a single class.

The terms of the Amended Certificate require equal or better treatment for the Class A Common Stock to the Class B Common Stock in transactions such as distributions, mergers, dissolution or recapitalization. Generally, each holder of shares of Class A Common Stock shall be entitled to one vote for each share of Class A Common Stock held as of the applicable date on any matter that is submitted to a vote or for the consent of the stockholders of the Corporation, while each holder of shares of Class B Common Stock shall be entitled to two thousand votes for each share of Class B Common Stock held as of the applicable date on any matter that is submitted to a vote or for the consent of the stockholders of the Corporation. The foregoing is qualified in its entirety by reference to the full text of the Amended Certificate, which is filed as Exhibit 3.1 on the Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 19, 2021 and incorporated by reference herein.

On October 15, 2021, the Board of Directors of the Company approved an amendment and restatement (the "Amendment") of the Company's Bylaws, effective as of the same date. The Amendment revised the stockholder voting provisions of the Bylaws to reflect the dual class common stock structure adopted by the Company in August 2021. In addition, the Amendment revised the provisions in the Bylaws for stockholder voting by written consent and the procedure for fixing the size of the Board of Directors and made certain other conforming changes.

As of September 26, 2021 and December 27, 2020, the total number of authorized shares of common stock was 51,600,000 and 25,000,000, respectively. There were 15,013,001 shares of Class A common stock and 1,270,683 shares of Class B common stock outstanding at September 26, 2021 and 11,926,264 shares of Class A common stock issued and outstanding at December 27, 2020.

Below are the changes to the Company's common stock during the thirty-nine weeks ended September 26, 2021:

- Upon the effective date of the Recapitalization, each share of Common Stock outstanding as of June 29, 2021 was reclassified as Class A Common Stock, and on August 23, 2021, the Company distributed a dividend of 0.10 shares of Class B Common Stock for each outstanding share to holders of Class A Common Stock. This resulted in the issuance of 1,270,683 shares of Class B Common Stock.
- Warrants to purchase 464,643 shares of common stock were exercised during the thirty-nine weeks ended September 26, 2021. The proceeds to the Company from the exercise of the warrants totaled $2.2 million.
- Between April 6, 2021 and May 18, 2021, the Company granted 300,000 restricted shares of common stock to certain senior executives of the Company. The shares vest over three years in equal installments at the anniversary date of grant. The value of the restricted stock grant was $2.8 million and will be amortized as compensation expense over the vesting period.
- On June 21, 2021, the Company entered into an agreement to issue 62,500 shares of common stock with a market value of 0.8 million in partial payment of the acquisition purchase price payable relating to the acquisition of Yalla Mediterranean (See Note 13).
- On April 20, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on May 7, 2021 to stockholders of record as of May 3, 2021, for a total of $1.6 million.
- On June 1, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on June 21, 2021 to stockholders of record as of June 14, 2021, for a total of $1.6 million.
- On July 22, 2021, the Company completed the acquisition of GFG and issued 1,964,865 shares of the Company's Common Stock with a value of $21.8 million.
- On August 24, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on September 15, 2021 to stockholders of record as of September 6, 2021, for a total of $2.1 million.

NOTE 17. SHARE-BASED COMPENSATION

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

The Company has periodically issued stock options under the Plan. All of the stock options issued by the Company to date have included a vesting period of three years, with one-third of each grant vesting annually. As of September 26, 2021, there were 658,605 stock options outstanding with a weighted average exercise price of $7.47 per share (adjusted for the effect of the Class B common stock dividend (See Note 16)).

During the thirty-nine weeks ended September 26, 2021 the Company granted a total of 300,000 shares of its common stock to three employees (the "Grant Shares"). The Grant Shares vest one-third each year on the anniversary date of the grant. The grantees are entitled to any common dividends relating to the Grant Shares during the vesting period. The Grant Shares were valued at $2.8 million as of the date of grant. The related compensation expense will be recognized over the vesting period.

The Company recognized share-based compensation expense in the amount of $0.3 million and $45,000, during the thirteen weeks ended September 26, 2021 and September 27, 2020, respectively. The Company recognized share-based compensation expense in the amount of $0.5 million and $0.1 million, during the thirty-nine weeks ended September 26, 2021 and September 27, 2020, respectively. As of September 26, 2021, there remains $2.4 million of related share-based compensation expense relating to non-vested grants, which will be recognized over the remaining vesting period, subject to future forfeitures.

NOTE 18. WARRANTS

The Company's warrant activity for the thirty-nine weeks ended September 26, 2021 was as follows:

	Number of Shares	Weighted Average Exercise Price (1)	Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 27, 2020	2,273,533	$ 4.60	3.5
Grants	8,184	$ 3.88	3.8
Exercised	(475,853)	$ 3.88	3.7
Cancelled	(2,849)	$ 3.88	3.8
Warrants outstanding at September 26, 2021	1,803,015	$ 4.76	3.5
Warrants exercisable at September 26, 2021	1,803,015	$ 4.76	3.5

(1) Pricing adjusted for dividends and Class B stock dividend.

During the thirty-nine weeks ended September 26, 2021, 475,853 warrants were exercised in exchange for 464,643 shares of common stock with net proceeds to the Company of $2.2 million.

NOTE 19. DIVIDENDS ON COMMON STOCK

On April 20, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on May 7, 2021 to stockholders of record as of May 3, 2021, for a total of $1.6 million.

On June 1, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on June 21, 2021 to stockholders of record as of June 14, 2021, for a total of $1.6 million.

On August 24, 2021, the Board of Directors declared a cash dividend of 0.13 per share of common stock, payable on September 15, 2021 to stockholders of record as of September 6, 2021, for a total of $2.1 million.

NOTE 20. COMMITMENTS AND CONTINGENCIES

Litigation

James Harris and Adam Vignola v. Squire Junger, James Neuhauser, Edward Rensi, Andrew Wiederhorn, Fog Cutter Holdings, LLC, and Fog Cutter Capital Group, Inc., and FAT Brands Inc., nominal defendant (Delaware Chancery Court, Case No. 2021-0511)

On June 10, 2021, plaintiffs James Harris and Adam Vignola, putative stockholders of the Company, filed a derivative action in Delaware nominally on the Company's behalf against the Company's current directors and our current and former majority stockholders alleging claims of breach of fiduciary duty, unjust enrichment and waste arising out of the Company's December 2020 merger with Fog Cutter Capital Group, Inc. Mr. Vignola was previously involved in litigation against the Company, having filed a putative class action lawsuit relating to the Company's 2017 initial public offering, which lawsuit was voluntarily dismissed by stipulation in 2020. The defendants dispute the allegations of the new lawsuit and intend to vigorously defend against the claims. However, this matter is in the early stages and we cannot predict the outcome of this lawsuit. Subject to certain limitations, we are obligated to indemnify our directors in connection with the lawsuit and any related litigation or settlements amounts, which may be time-consuming, result in significant expense and divert the attention and resources of our management. An unfavorable outcome may exceed coverage provided under our insurance policies, could have an adverse effect on our financial condition and results of operations and could harm our reputation.

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

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

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

SBN FCCG LLC (which we refer to as "SBN") filed a complaint against Fog Cutter Capital Group, Inc. (which we refer to as "FCCG") in New York state court for an indemnification claim (which we refer to as the "NY case") stemming from an earlier lawsuit in Georgia regarding a certain lease portfolio formerly managed by a former FCCG subsidiary. In February 2018, SBN obtained a final judgment in the NY case for a total of $0.7 million, which included $0.2 million in interest dating back to March 2012. SBN then obtained a sister state judgment in Los Angeles Superior Court, Case No. BS172606 (which we refer to as the "California case"), which included the $0.7 million judgment from the NY case, plus additional statutory interest and fees, for a total judgment of $0.7 million. In May 2018, SBN filed a cost memo, requesting an additional $12,411 in interest to be added to the judgment in the California case, for a total of $0.7 million. In May 2019, the parties agreed to settle the matter for $0.6 million, which required the immediate payment of $0.1 million, and the balance to be paid in August 2019. FCCG wired $0.1 million to SBN in May 2019, but has not yet paid the remaining balance of $0.5 million. The parties have not entered into a formal settlement agreement and they have not yet discussed the terms for the payment of the remaining balance.

The Company is involved in other claims and legal proceedings from time-to-time that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on its business, financial condition, results of operations, liquidity or capital resources.

NOTE 21. GEOGRAPHIC INFORMATION AND MAJOR FRANCHISEES

Revenue by geographic area was as follows (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
United States	$ 26,264	$ 3,500	$ 37,411	$ 9,773
Other countries	3,497	589	7,282	1,846
Total revenue	$ 29,761	$ 4,089	$ 44,693	$ 11,619

Revenue is shown based on the geographic location of our franchisees' restaurants. All assets are located in the United States.

During the thirty-nine weeks ended September 26, 2021 and September 27, 2020, no individual franchisee accounted for more than 10% of the Company's revenue.

NOTE 22. SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred subsequent to September 26, 2021 through the date of issuance of these condensed consolidated financial statements. During this period, the Company did not have any significant subsequent events, except as follows:

Acquisition of Twin Peaks

On October 1, 2021, the Company completed the acquisition of Twin Peaks Buyer, LLC ("Twin Peaks") from Twin Peaks Holdings, LLC (the "Seller"). Twin Peaks is the franchisor and operator of a chain of sports lodge themed restaurants. The purchase price totaled $300.0 million, comprised of $222.1 million in cash, a note payable in the amount of $10.4 million and 2,847,393 shares of the Company's Series B Cumulative Preferred Stock (the "Preferred Stock Consideration") valued at $67.5 million. The final purchase price is subject to certain customary adjustments, including with respect to working capital, to be finalized no later than 90 days after closing.

The Company agreed to register the Preferred Stock Consideration for resale and maintain the effectiveness of the registration for up to six years. The Seller has agreed to a lock-up period with respect to the Preferred Stock Consideration, during which time the Seller may not offer, sell or transfer any interest in such shares. The lock-up provisions restrict sales until March 31, 2022 for 1,793,858 shares (the "Initial Put/Call Shares") and September 30, 2022 for the remaining 1,053,535 shares (the "Secondary Put/Call Shares"), subject to certain exceptions set forth in the Put/Call Agreement (as defined below).

On October 1, 2021, the Company and the Seller entered into a Put/Call Agreement (the "Put/Call Agreement") pursuant to which the Company was granted the right to call from the Seller, and the Seller was granted the right to put to the Company, the Initial Put/Call Shares at any time until March 31, 2022 for a cash payment of $42.5 million, and the Secondary Put/Call Shares at any time until September 30, 2022 for a cash payment of $25.0 million, plus any accrued but unpaid dividends on such shares. If the Company does not deliver the applicable cash proceeds to the Seller when due, the amounts then due will accrue interest at the rate of 10.0% per annum. On October 7, 2021, the Company received a put notice on the Initial Put/Call Shares and the Secondary Put/Call Shares.

2021 Twin Peaks Securitization

In connection with the acquisition of Twin Peaks on October 1, 2021, FAT Brands Twin Peaks I, LLC ("FB Twin Peaks"), a special purpose, wholly-owned subsidiary of the Company, completed the issuance and sale in a private offering (the "Twin Peaks Offering") of three tranches of fixed rate senior secured notes (the Twin Peaks Securitization Notes") and have the following terms:

Closing Date	Class	Seniority	Principal Balance	Coupon	Weighted Average Life (Years)	Non-Call Period (Months)	Anticipated Call Date	Final Legal Maturity Date
10/1/2021	A-2	Senior	$ 150,000,000	7.00 %	1.82	6	7/25/2023	7/25/2051
10/1/2021	B-2	Senior Subordinated	$ 50,000,000	9.00 %	1.82	6	7/25/2023	7/25/2051
10/1/2021	M-2	Subordinated	$ 50,000,000	10.00 %	1.82	6	7/25/2023	7/25/2051

The Twin Peaks Securitization Notes were issued in a securitization transaction in which substantially all of the franchising and operating assets of Twin Peaks are pledged as collateral to secure the Twin Peak Notes.

Acquisition of Fazoli's

On November 1, 2021, the Company entered into a merger agreement with Fazoli Holdings, LLC ("Fazoli's"), pursuant to which the Company agreed to acquire Fazoli's, a quick-service Italian chain, for $130.0 million, payable by the Company in cash at the closing, which is expected to occur on or about December 15, 2021.

Issuance of Series B Preferred Stock

On November 1, 2021, the Company closed an underwritten offering of 1.0 million shares of 8.25% Series B Cumulative Preferred Stock in an underwritten offering. The net proceeds to the Company totaled $16.5 million (net of $1.5 million in underwriting discounts and other offering expenses).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our results of operations, financial condition and liquidity and capital resources should be read in conjunction with our financial statements and related notes for the thirty-nine weeks ended September 26, 2021 and September 27, 2020, as applicable. Certain statements made or incorporated by reference in this report and our other filings with the Securities and Exchange Commission, in our press releases and in statements made by or with the approval of authorized personnel constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the safe harbor created thereby. Forward-looking statements reflect intent, belief, current expectations, estimates or projections about, among other things, our industry, management's beliefs and future events and financial trends affecting us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Although we believe the expectations reflected in any forward-looking statements are reasonable, such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, including but not limited to, COVID-19. These differences can arise as a result of the risks described in the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K filed on March 29, 2021 "Item 1A. Risk Factors" and elsewhere in this report, as well as other factors that may affect our business, results of operations, or financial condition. Forward-looking statements in this report speak only as of the date hereof, and forward-looking statements in documents incorporated by reference speak only as of the date of those documents. Unless otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking statements contained in this report will, in fact, transpire.

COVID-19

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

Executive Overview

Business overview

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

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

As of September 26, 2021, the Company owns 14 restaurant brands: Round Table Pizza, Fatburger, Marble Slab Creamery, Johnny Rockets, Great American Cookies, Hot Dog on a Stick, Buffalo's Cafe & Express, Hurricane Grill & Wings, Pretzelmaker, Elevation Burger, Yalla Mediterranean, Ponderosa and Bonanza Steakhouses. Combined, these brands franchise approximately 2,000 restaurant locations, including units under construction.

Results of Operations

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

Results of Operations of FAT Brands Inc.

The following table summarize key components of our condensed consolidated results of operations for the thirteen and thirty-nine weeks ended September 26, 2021 and September 27, 2020.

(In thousands)

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Statements of operations data:				
Revenue				
Royalties	$ 13,742	$ 3,156	$ 24,800	$ 8,678
Franchise fees	1,087	122	2,109	571
Advertising fees	5,483	803	8,043	2,347
Restaurant sales	3,879	—	4,113	—
Factory revenue	5,480	—	5,480	—
Management fees and other income	90	8	148	23
Total revenue	29,761	4,089	44,693	11,619
Costs and expenses				
General and administrative expense	12,966	2,990	23,375	10,626
Restaurant operating expenses	3,660	—	3,904	—
Factory operating expenses	3,473	—	3,473	—
Impairment of assets	—	753	—	3,927
Refranchising (gain) loss	(250)	325	(679)	1,869
Acquisition costs	2,053	503	2,985	633
Advertising expense	5,483	814	8,043	2,358
Total costs and expenses	27,385	5,385	41,101	19,413
Income (loss) from operations	2,376	(1,296)	3,592	(7,794)
Total other (expense) income, net	(7,194)	709	(18,893)	(800)
Loss before income tax expense	(4,818)	(587)	(15,301)	(8,594)
Income tax benefit	(1,183)	(19)	(3,303)	(1,405)
Net loss	(3,635)	(568)	(11,998)	(7,189)
Less: Net loss attributable to noncontrolling interest	(14)	—	(19)	—
Net loss attributable to FAT Brands Inc.	$ (3,621)	$ (568)	$ (11,979)	$ (7,189)

For the thirty-nine weeks ended September 26, 2021 and September 27, 2020:

Revenue - Revenue consists of royalties, franchise fees, advertising fees, restaurant sales, factory revenue and other revenue. Total revenue increased $33.1 million, or 285%, in the first three quarters of 2021, to $44.7 million compared to $11.6 million in the same period of 2020. The increase reflects revenue from Johnny Rockets, which was acquired during the third quarter of

2020; revenue from the acquisition of GFG, which occurred in July 2021; and the continuing recovery from the negative effects of the COVID-19 pandemic on royalties from restaurant sales.

Costs and Expenses – Costs and expenses consist of general and administrative costs, restaurant operating expenses, factory operating expenses, impairment charges, refranchising restaurant net gains or losses, and advertising expense. Costs and expenses increased $21.7 million, or 112%, in the first three quarters of 2021 to $41.1 million compared to the same period in the prior year.

General and administrative expenses increased $12.7 million, or 120%, in the first three quarters of 2021 compared to the same period in the prior year, primarily due to the acquisition of GFG during the third quarter and increased professional fees.

Advertising expenses increased $5.7 million, or 241%, in the first three quarters of 2021 compared to the prior year. These expenses vary in relation to the advertising revenue and reflect the addition of advertising expenses from GFG and Johnny Rockets and the increase in customer activity as the recovery from COVID continues.

Acquisition costs during the first three quarters of 2021 totaled $3.0 million, primarily representing costs incurred for the acquisition of GFG, which closed during the third quarter, and Twin Peaks, which closed during the fourth quarter.

We recorded non-cash goodwill and tradename impairment charges of $3.9 million during the first three quarters of 2020. There were no impairment charges recorded during the comparable period of 2021.

Refranchising gains in the first three quarters of 2021 were comprised of $1.6 million in net gains related to the sale of refranchised restaurants, partially offset by restaurant operating costs, net of food sales, of $0.9 million. Refranchising losses in the first three quarters of 2020 were comprised of restaurant operating costs, net of food sales, of $1.1 million, plus $0.8 million in net losses related to the sale or closure of refranchised restaurants.

Other (Expense) Income – Other expense for the first three quarters of 2021 was $18.9 million and consisted primarily of $12.7 million in net interest expense and a $6.4 million net loss on the extinguishment of debt. Other expense for the first three quarters of 2020 was $0.8 million and consisted primarily of $3.3 million of net interest expense, partially offset by a $1.7 million gain on the adjustment of contingent acquisition consideration payable.

Income Tax Benefit – The effective rate was 21.6% for the first three quarters of 2021 compared to 16.3% for the comparable period in 2020.

For the thirteen weeks ended September 26, 2021 and September 27, 2020:

Revenue – Total revenue increased $25.7 million, or 628%, in the third quarter of 2021, to $29.8 million compared to $4.1 million in the same period of 2020. The increase reflects revenue from Johnny Rockets, which was acquired during the third quarter of 2020; revenue from the acquisition of GFG, which occurred in July 2021; and the continuing recovery from the negative effects of the COVID-19 pandemic on royalties from restaurant sales.

Costs and Expenses – Costs and expenses increased $22.0 million, or 409%, to $27.4 million in the third quarter of 2021 compared to the prior year period.

General and administrative expenses increased $10.0 million, or 334%, in the third quarter of 2021 compared to the prior year period, primarily due to the acquisition of GFG during the third quarter and increased professional fees.

Advertising expenses increased $4.7 million, or 574%, in the third quarter of 2021 compared to the prior year. These expenses vary in relation to the advertising revenue and reflect the addition of advertising expenses from GFG and Johnny Rockets and the increase in customer activity as the recovery from COVID continues.

Acquisition costs during the third quarter of 2021 totaled $2.1 million, primarily representing costs incurred for the acquisition of GFG, which closed during the third quarter, and Twin Peaks, which closed during the fourth quarter.

We recorded non-cash tradename impairment charges of $0.8 million during the third quarter of 2020. There were no impairment charges recorded during the third quarter of 2021.

Refranchising gains in the third quarter of 2021 were comprised of $0.5 million in net gains related to the sale of refranchised restaurants, partially offset by restaurant operating costs, net of food sales, of $0.2 million. Refranchising losses in the third quarter of 2020 were comprised of restaurant operating costs, net of food sales in the amount of $0.3 million.

Other (Expense) Income – Other expense for the third quarter of 2021 was $7.2 million and consisted primarily of interest expense of $7.2 million. Other income for the third quarter of 2020 was $0.7 million and consisted primarily of a $1.7 million gain on the adjustment of contingent acquisition consideration payable; partially offset by net interest expense of $0.4 million and a $0.4 million change in fair value of the derivative liability relating to the conversion feature of the Series A Preferred Stock.

Income Tax Benefit – The effective tax rate was 24.6% for the third quarter of 2021 compared to 3.2% for the comparable period in 2020.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund business operations, acquisitions and expansion of franchised restaurant locations and for other general business purposes. Our primary sources of funds for liquidity during the thirty-nine weeks ended September 26, 2021 consisted of net proceeds from financing activities.

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

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

On April 26, 2021, we completed the issuance and sale in a private offering (the “Offering”) of three tranches of fixed rate secured notes. Proceeds of the Offering were used to repay in full its 2020 Securitization Notes as well as fees and expenses related to the Offering, resulting in net proceeds to the Company of approximately $57 million. We have completed similar financings relating to the acquisition of Global Franchise Group and Twin Peaks.

On June 22, 2021, we closed a second underwritten public offering of 460,000 shares of 8.25% Series B Cumulative Preferred Stock at a price to the public of $20.00 per share. The net proceeds to the Company totaled $8.3 million, after deducting $0.9 million in underwriting discounts and other offering expenses.

In addition to the liquidity provided by these capital market transactions, we have seen improvement in our operating performance subsequent to December 27, 2020, as COVID-19 vaccinations have become more prevalent in the United States and federal, state and local restrictions have eased in many, but not all, of the markets where our franchisees operate. We believe that we will be in compliance with our debt covenants and have sufficient sources of cash to meet our liquidity needs for the next twelve months.

Comparison of Cash Flows

Our cash and restricted cash balance was $43.5 million as of September 26, 2021, compared to $7.2 million as of December 27, 2020.

The following table summarize key components of our condensed consolidated cash flows for the thirty-nine weeks ended September 26, 2021 and September 27, 2020:

For the Thirty-nine Weeks Ended
(In thousands)

	September 26, 2021		September 27, 2020	
Net cash used in operating activities	$	(4,006)	$	(8,506)
Net cash provided by (used in) investing activities	$	(346,150)	$	(33,124)
Net cash provided by financing activities	$	386,473	$	55,873
Increase in cash flows	$	36,317	$	14,243

Operating Activities

Net cash used in operating activities decreased $4.5 million in the first three quarters of 2021 compared to 2020. There were variations in the components of the cash from operations between the two periods. Our net loss in 2021 was $12.0 million compared to $7.2 million in 2020. The net positive adjustments to reconcile these net losses to net cash used in operations were $8.0 million in 2021 compared to a negative adjustment of $1.3 million in 2020. The primary components of the adjustments to reconcile the net loss to net cash used in operations for each year were as follows:

For the first three quarters of 2021:

- A positive adjustment to reconcile cash used in operations due to a net loss on extinguishment of debt in the amount of $4.9 million,
- A negative adjustment to reconcile cash used in operations due to an increase in deferred income taxes of $3.4 million,
- A negative adjustment to reconcile cash used in operations due to a decrease in accrued expense of $3.7 million,
- A positive adjustment to reconcile cash used in operations due to an increase in interest payable in the amount of $3.8 million and
- A negative adjustment to reconcile cash used in operations due to an increase in accounts receivable of $3.0 million.

For the first three quarters of 2020:

- A positive adjustment to reconcile cash used in operations due to non-cash impairment charges in the amount of $3.9 million,
- A negative adjustment to reconcile cash used in operations due to an increase in accrued interest receivable from affiliates in the amount of $2.6 million,
- A positive adjustment to reconcile cash used in operations due to a provision for bad debt in the amount of $0.9 million,
- A negative adjustment to reconcile cash used in operations due to a gain on the recalculation of contingent consideration payable on an acquisition in the amount of $1.7 million and
- A negative adjustment to reconcile cash used in operations due to an increase in deferred tax assets of $1.6 million.

Investing Activities

Net cash used in investing activities was $346.2 million year to date in 2021, compared to net cash used in investing activities of $33.1 million in the comparable period of 2020. This was primarily due to the acquisition of GFG.

Financing Activities

Net cash from financing activities was $386.5 million year to date in 2021, primarily as a result of the two securitization transactions and a preferred stock offering we completed in the first three quarters of 2021.

Dividends

On April 20, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on May 7, 2021 to stockholders of record as of May 3, 2021, for a total of $1.6 million.

On June 1, 2021, the Board of Directors declared a cash dividend of $0.13 per share of common stock, payable on June 21, 2021 to stockholders of record as of June 14, 2021, for a total of $1.6 million.

On August 24, 2021, the Board of Directors declared a cash dividend of 0.13 per share of common stock, payable on September 15, 2021 to stockholders of record as of September 6, 2021, for a total of $2.1 million.

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

2021 GFG Royalty Securitization

In connection with the acquisition of GFG, on July 22, 2021, FAT Brands GFG Royalty I, LLC (“GFG Royalty”), a special purpose, wholly-owned subsidiary of the Company, completed the issuance and sale in a private offering (the “GFG Offering”) of three tranches of fixed rate senior secured notes (the "GFG Securitization Notes"). The GFG Securitization Notes were issued in a securitization transaction and had the following terms:

Closing Date	Class	Seniority	Principal Balance	Coupon	Weighted Average Life (Years)	Non-Call Period (Months)	Anticipated Call Date	Final Legal Maturity Date
7/22/2021	A-2	Senior	$ 209,000,000	6.00 %	2.01	6	7/25/2023	7/25/2051
7/22/2021	B-2	Senior Subordinated	$ 84,000,000	7.00 %	2.01	6	7/25/2023	7/25/2051
7/22/2021	M-2	Subordinated	$ 57,000,000	9.50 %	2.01	6	7/25/2023	7/25/2051

Net proceeds from the issuance of the GFG Securitization Notes totaled $338.9 million, which consisted of the combined face amount of $350.0 million, net of debt offering costs of $6.0 million and original issue discount of $5.1 million. Substantially all of the proceeds were used to acquire GFG.

The GFG Securitization Notes require that the principal and interest obligations have first priority and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of weekly cash flow that exceeds the required weekly interest reserve is generally remitted to the Company. Interest payments are required to be made on a quarterly basis and, unless repaid on or before July 25, 2023 additional interest equal to 1.0% per annum will accrue on each tranche. The material terms of the GFG Securitization Notes also include, among other things, the following financial covenants: (i) debt service coverage ratio, (ii) leverage ratio and (iii) senior leverage ratio. As of September 26, 2021, we were in compliance with these covenants.

The GFG Securitization Notes are generally secured by a security interest in substantially all the assets of GFG Royalty and its subsidiaries.

2021 FB Royalty Securitization

On April 26, 2021, FAT Brands Royalty I, LLC ("FB Royalty"), a special purpose, wholly-owned subsidiary of FAT Brands, completed the Offering of three tranches of fixed rate senior secured notes (collectively, the "2021 Securitization Notes") as follows:

Closing Date	Class	Seniority	**Principal Balance**	Coupon	**Weighted Average Life (Years)**	**Non-Call Period (Months)**	**Anticipated Call Date**	**Final Legal Maturity Date**
4/26/2021	A-2	Senior	$ 97,104,000	4.75 %	2.25	6	7/25/2023	4/25/2051
4/26/2021	B-2	Senior Subordinated	$ 32,368,000	8.00 %	2.25	6	7/25/2023	4/25/2051
4/26/2021	M-2	Subordinated	$ 15,000,000	9.00 %	2.25	6	7/25/2023	4/25/2051

Net proceeds from the issuance of the 2021 Securitization Notes totaled $140.8 million, which consisted of the combined face amount of $144.5 million, net of debt offering costs of $3.0 million and original issue discount of $0.7 million.

The 2021 Securitization Notes require that the principal and interest obligations have first priority and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of weekly cash flow that exceeds the required weekly interest reserve is generally remitted to the Company. Interest payments are required to be made on a quarterly basis and, unless repaid on or before July 25, 2023, additional interest equal to 1.0% per annum will accrue on each tranche. The material terms of the 2021 Securitization Notes also include, among other things, the following financial covenants: (i) debt service coverage ratio, (ii) leverage ratio and (iii) senior leverage ratio. As of September 26, 2021, we were in compliance with these covenants.

The 2021 Securitization Notes are generally secured by a security interest in substantially all the assets of FB Royalty and its subsidiaries.

A portion of the proceeds of the 2021 Securitization Notes were used to repay and retire the following notes issued in 2020 under the Base Indenture:

Note	Public Rating	Seniority	Issue Amount	Coupon	First Call Date	Final Legal Maturity Date
Series A-2	BB	Senior	$ 20,000,000	6.50 %	4/27/2021	4/27/2026
Series B-2	B	Senior Subordinated	$ 20,000,000	9.00 %	4/27/2021	4/27/2026
Series M-2	N/A	Subordinated	$ 40,000,000	9.75 %	4/27/2021	4/27/2026

The payoff amount totaled $83.7 million, which included principle of $80.0 million, accrued interest of $2.2 million and prepayment premiums of $1.5 million. FB Royalty recognized a loss on extinguishment of debt of $7.8 million in connection with the refinance.

Capital Expenditures

As of September 26, 2021, we do not have any material commitments for capital expenditures.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in our Annual Report on Form 10-K for the year ended December 27, 2020. Critical accounting estimates are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. Our critical accounting estimates are identified and described in our annual consolidated financial statements and the related notes included in our Annual Report on Form 10-K for our fiscal year ended December 27, 2020

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Required.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities and Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of September 26, 2021, have concluded that, in regard to the segregation of duties and the financial close process, our disclosure controls and procedures were not effective.

Recognizing these deficiencies, we are continuing to review our compensating controls and implement additional procedures in our efforts to remediate the above-mentioned weaknesses as well as identifying additional financial accounting staff and third-party consultants to help remedy the weaknesses outlined above.

Changes in internal control over financial reporting

There were no significant changes in our internal control over financial reporting in connection with an evaluation that occurred during the thirty-nine weeks ended September 26, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations Over Internal Controls

We do not expect that our disclosure controls and procedures will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedures are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

James Harris and Adam Vignola v. Squire Junger, James Neuhauser, Edward Rensi, Andrew Wiederhorn, Fog Cutter Holdings, LLC, and Fog Cutter Capital Group, Inc., and FAT Brands Inc., nominal defendant (Delaware Chancery Court, Case No. 2021-0511)

On June 10, 2021, plaintiffs James Harris and Adam Vignola, putative stockholders of the Company, filed a derivative action in Delaware nominally on the Company's behalf against the Company's current directors and our current and former majority stockholders alleging claims of breach of fiduciary duty, unjust enrichment and waste arising out of the Company's December 2020 merger with Fog Cutter Capital Group, Inc. Mr. Vignola was previously involved in litigation against the Company, having filed a putative class action lawsuit relating to the Company's 2017 initial public offering, which lawsuit was voluntarily dismissed by stipulation in 2020. The defendants dispute the allegations of the new lawsuit and intend to vigorously defend against the claims. However, this matter is in the early stages and we cannot predict the outcome of this lawsuit. Subject to certain limitations, we are obligated to indemnify our directors in connection with the lawsuit and any related litigation or settlements amounts, which may be time-consuming, result in significant expense and divert the attention and resources of our management. An unfavorable outcome may exceed coverage provided under our insurance policies, could have an adverse effect on our financial condition and results of operations and could harm our reputation.

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

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

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

SBN FCCG LLC (which we refer to as "SBN") filed a complaint against Fog Cutter Capital Group, Inc. (which we refer to as "FCCG") in New York state court for an indemnification claim (which we refer to as the "NY case") stemming from an earlier lawsuit in Georgia regarding a certain lease portfolio formerly managed by a former FCCG subsidiary. In February 2018, SBN obtained a final judgment in the NY case for a total of $0.7 million, which included $0.2 million in interest dating back to March 2012. SBN then obtained a sister state judgment in Los Angeles Superior Court, Case No. BS172606 (which we refer to as the "California case"), which included the $0.7 million judgment from the NY case, plus additional statutory interest and fees, for a total judgment of $0.7 million. In May 2018, SBN filed a cost memo, requesting an additional $12,411 in interest to be added to the judgment in the California case, for a total of $0.7 million. In May 2019, the parties agreed to settle the matter for $0.6 million, which required the immediate payment of $0.1 million, and the balance to be paid in August 2019. FCCG wired $0.1 million to SBN in May 2019, but has not yet paid the remaining balance of $0.5 million. The parties have not entered into a formal settlement agreement, and they have not yet discussed the terms for the payment of the remaining balance.

The Company is involved in other claims and legal proceedings from time-to-time that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on its business, financial condition, results of operations, liquidity or capital resources.

ITEM 1A. RISK FACTORS

You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" and elsewhere in our Annual Report on Form 10-K filed on March 29, 2021, which could materially affect our business, financial condition, cash flows or future results. There have been no material changes in such factors discussed in our Annual Report. The risks described in our Annual Report are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

On July 22, 2021, the Company completed the acquisition of GFG and, as part of the purchase consideration, issued to the sellers 1,964,865 shares of Common Stock, which shares were reclassified as Class A Common Stock effective August 16, 2021, and 3,089,245 shares of Series B Cumulative Preferred Stock. On August 23, 2021, the Company issued another 294,729 shares of Class A Common Stock to the sellers in satisfaction of the Company's obligations under the purchase agreement for GFG. All issuances of such securities were exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(a)(2) thereunder and Rule 506 promulgated under Regulation D thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated By Reference to			Filed Herewith
		Form	Exhibit	Filing Date	
2.1	Stock Purchase Agreement, dated June 26, 2021, by and among FAT Brands Inc., LS GFG Holdings Inc., and LS Global Franchise L.P.	8-K	2.1	06/28/2021	
2.2	Unit Purchase Agreement, dated August 31, 2021, by and among FAT Brands Inc., Twin Peaks Holdings, LLC, and Twin Peaks Buyer, LLC	8-K	2.1	09/02/2021	
3.1	Second Amended and Restated Certificate of Incorporation, filed with the Delaware Secretary of State on August 16, 2021	8-K	3.1	08/19/2021	
3.2	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation, filed with the Delaware Secretary of State on August 24, 2021	8-K	3.1	08/30/2021	
3.3	Certificate of Increase of Series B Cumulative Preferred Stock, filed with the Delaware Secretary of State on September 15, 2021	8-K	3.1	09/16/2021	
3.4	Certificate of Elimination of Series A Fixed Rate Cumulative Preferred Stock, filed with the Delaware Secretary of State on September 16, 2021	8-K	3.2	09/16/2021	
3.5	Certificate of Increase of Series B Cumulative Preferred Stock, filed with the Delaware Secretary of State on October 28, 2021	8-K	3.1	10/28/2021	
3.6	Amended and Restated Bylaws, effective October 15, 2021	8-K	3.1	10/18/2021	
4.1	Base Indenture, dated July 22, 2021, by and between FAT Brands GFG Royalty I, LLC, and UMB Bank, N.A., as trustee and securities intermediary	8-K	4.1	07/26/2021	
4.2	Series 2021-1 Supplement to the Base Indenture, dated July 22, 2021, by and between FAT Brands GFG Royalty I, LLC, and UMB Bank, N.A., as trustee and securities intermediary	8-K	4.2	07/26/2021	

4.3	Base Indenture, dated October 1, 2021, by and between FAT Brands Twin Peaks I, LLC, and UMB Bank, N.A., as trustee and securities intermediary	8-K	4.1	10/06/2021	
4.4	Series 2021-1 Supplement to the Base Indenture, dated October 1, 2021, by and between FAT Brands Twin Peaks I, LLC, and UMB Bank, N.A., as trustee and securities intermediary	8-K	4.2	10/06/2021	
10.1	Guarantee and Collateral Agreement, dated July 22, 2021, by and among the Guarantors named therein in favor of UMB Bank, N.A., as trustee	8-K	10.1	07/26/2021	
10.2	Management Agreement, dated July 22, 2021, by and among FAT Brands Inc., FAT Brands GFG Royalty I, LLC, each of the Franchise Entities named therein, and UMB Bank, N.A., as trustee	8-K	10.2	07/26/2021	
10.3	Put/Call Agreement, dated July 22, 2021, by and between FAT Brands Inc. and LS Global Franchise L.P.	8-K	10.3	07/26/2021	
10.4	Guarantee and Collateral Agreement, dated October 1, 2021, by and among the Guarantors named therein in favor of UMB Bank, N.A., as trustee	8-K	10.1	10/06/2021	
10.5	Management Agreement, dated October 1, 2021, by and among FAT Brands Inc., FAT Brands Twin Peaks I, LLC, each of the Securitization Entities named therein, and UMB Bank, N.A., as trustee	8-K	10.2	10/06/2021	
10.6	Put/Call Agreement, dated October 1, 2021, by and between FAT Brands Inc. and Twin Peaks Holdings, LLC	8-K	10.3	10/06/2021	
10.7	Preferred Stock Exchange Agreement, dated August 25, 2021, by and between FAT Brands Inc. and Trojan Investments, LLC	8-K	10.1	08/30/2021	
10.8	Put Option Agreement, dated August 25, 2021, by and between FAT Brands Inc. and Trojan Investments, LLC and Fog Cutter Holdings, LLC	8-K	10.2	08/30/2021	
10.9	Amended and Restated 2017 Omnibus Equity Incentive Plan	Schedule 14A (proxy statement)	Appendix A	09/09/2021	
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document				X (Furnished)
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X (Furnished)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X (Furnished)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X (Furnished)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X (Furnished)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X (Furnished)

SIGNATURES

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

FAT BRANDS INC.

November 8, 2021

By *\/s/ Kenneth J. Kuick*

Kenneth J. Kuick
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Andrew A. Wiederhorn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FAT Brands Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Kenneth J. Kuick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FAT Brands Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

/s/ Kenneth J. Kuick
Kenneth J. Kuick
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of FAT Brands Inc., that, to his or her knowledge, the Quarterly Report of FAT Brands Inc. on Form 10-Q for the period ended September 26, 2021 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the company.

November 8, 2021	By	*/s/ Andrew A. Wiederhorn*
		Andrew A. Wiederhorn
		President and Chief Executive Officer
		(Principal Executive Officer)
November 8, 2021	By	*/s/ Kenneth J. Kuick*
		Kenneth J. Kuick
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

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