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

Form 10-Q

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2021

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number: 000-56145

AMERGENT HOSPITALITY GROUP INC.

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**84-4842958** (IRS Employer Identification Number)
Post Office Box 470695 **Charlotte, NC** (Address of Principal Executive Offices)	**28247** (Zip Code)

(704) 366-5122
(Registrant's Telephone Number, Including Area Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered under Section 12(b) of the Act: **None**

Indicate by check mark whether the issuer (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 has 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's $0.0001 par value common stock as of August 5, 2021, was 15,656,736 shares.

Amergent Hospitality Group Inc. and Subsidiaries

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," and "will" and similar expressions and include references to assumptions and relate to our future prospects, developments and business strategies. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- the accuracy of our estimates regarding expenses, capital requirements and need for additional financing;
- our ability to operate our business and generate profits. We have not been profitable to date on a continuous basis;
- decline in global financial markets and economic downturn resulting from the coronavirus COVID-19 global pandemic,
- Business interruptions resulting from the coronavirus COVID-19 global pandemic;
- Our ability to remediate weaknesses we identified in our disclosure controls and procedures and our internal control over financial reporting in a timely enough manner to eliminate the risks posed by such material weaknesses in future periods;
- general risk factors affecting the restaurant industry, including current economic climate, costs of labor and food prices;
- intensive competition in our industry and competition with national, regional chains and independent restaurant operators;
- our rights to operate and franchise the Hooters-branded restaurants are dependent on the Hooters' franchise agreements;
- our ability, and our dependence on the ability of our franchisees, to execute on business plans effectively;
- actions of our franchise partners or operating partners which could harm our business;
- failure to protect our intellectual property rights, including the brand image of our restaurants;
- changes in customer preferences and perceptions;
- increases in costs, including food, rent, labor and energy prices;
- constraints could affect our ability to maintain competitive cost structure, including, but not limited to labor constraints;
- work stoppages at our restaurants or supplier facilities or other interruptions of production;
- the risks associated with leasing space subject to long-term non-cancelable leases;
- we may not attain our target development goals and aggressive development could cannibalize existing sales;
- negative publicity about the ingredients we use, or the potential occurrence of food-borne illnesses or other problems at our restaurants;
- breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions;
- whether or not we will be entitled to forgiveness of our Paycheck Protection Program loans;
- we may be unable to reach agreements with various taxing authorities on payment plans to pay off back taxes; and
- our debt financing agreements expose us to interest rate risks, contain obligations that may limit the flexibility of our operations, and may limit our ability to raise additional capital.

We undertake no obligation to update or revise the forward-looking statements included in this Report, whether as a result of new information, future events or otherwise, after the date of this Report. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Unless otherwise noted, references in this Report to the "Registrant," "Company," "Amergent," "Spin-Off Entity," "we," "our" or "us" means Amergent Hospitality Group Inc., a Delaware corporation and our subsidiaries.

PART I

ITEM 1: FINANCIAL STATEMENTS

Amergent Hospitality Group, Inc and Subsidiaries
Table of Contents

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Balance Sheets

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash	$ 2,083,119	$ 678,468
Restricted cash	440,557	1,250,336
Investments	292,809	413,268
Accounts and other receivables	156,581	314,043
Inventories	154,207	172,695
Prepaid expenses and other current assets	392,234	290,227
TOTAL CURRENT ASSETS	**3,519,507**	**3,119,037**
Property and equipment, net	2,908,066	3,702,894
Operating lease asset	8,395,200	9,529,443
Intangible assets, net	2,540,868	3,043,885
Goodwill	8,603,406	8,591,149
Investments	365,001	365,001
Deposits and other assets	267,770	295,930
TOTAL ASSETS	**$ 26,599,818**	**$ 28,647,339**
LIABILITIES, REDEEMABLE SHARES, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,168,244	$ 8,667,268
Current maturities of long-term debt and notes payable	6,377,550	2,338,978
Current operating lease liabilities	4,411,073	4,209,389
Derivative liabilities	66,136	184,800
TOTAL CURRENT LIABILITIES	**19,023,003**	**15,400,435**
Long-term operating lease liabilities	9,415,805	10,677,862
Contract liabilities	759,276	794,989
Deferred tax liabilities	108,809	108,809
Long-term debt and notes payable, net of current maturities	2,352,130	539,734
Convertible debt, net of current maturities	—	3,814,208
TOTAL LIABILITIES	**31,659,023**	**31,336,037**
Commitments and contingencies (see Note 10)		
Convertible Preferred Stock: Series 2: $1,000 stated value; authorized 1,500 shares; 100 and 787 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	58,400	459,608
Stockholders' Deficit:		
Common stock: $0.0001 par value; authorized 50,000,000 shares; 15,656,736 and 14,282,736 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	1,565	1,428
Additional paid-in-capital	92,834,415	92,433,344
Accumulated deficit	(96,869,182)	(94,587,482)
Accumulated other comprehensive loss	(10,322)	(25,916)
Total Amergent Hospitality Group, Inc., Stockholders' Deficit	**(4,043,524)**	**(2,178,626)**
Non-controlling interests	(1,074,081)	(969,680)
TOTAL STOCKHOLDERS' DEFICIT	**(5,117,605)**	**(3,148,306)**
TOTAL LIABILITIES, REDEEMABLE SHARES AND STOCKHOLDERS' DEFICIT	**$ 26,599,818**	**$ 28,647,339**

See accompanying notes to the condensed consolidated and combined financial statements

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Statements of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020 (Restated)	June 30, 2021	June 30, 2020 (Restated)
Revenue:				
Restaurant sales, net	$ 4,737,867	$ 3,880,841	$ 9,182,059	$ 9,372,298
Gaming income, net	111,008	29,463	168,038	129,212
Franchise income	106,196	8,166	198,424	98,198
Management fee income	—	—	—	—
Total revenue	4,955,071	3,918,470	9,548,521	9,599,708
Expenses:				
Restaurant cost of sales	1,435,192	1,162,291	2,751,114	2,960,061
Restaurant operating expenses	3,180,414	3,247,957	6,425,529	6,873,801
Restaurant pre-opening and closing expenses	—	—	—	20,730
General and administrative expenses	1,193,973	1,460,668	2,361,100	2,635,821
Asset impairment charge	—	152,470	1,287,579	152,470
Depreciation and amortization	362,350	415,778	730,005	831,609
Employee retention credit	(1,473,355)	—	(1,473,355)	—
Total expenses	4,698,574	6,439,164	12,081,972	13,474,492
Operating income (loss)	256,497	(2,520,694)	(2,533,451)	(3,874,784)
Other income (expense):				
Interest expense	(158,690)	(159,460)	(315,931)	(322,448)
Change in fair value of derivative liabilities	(66,136)	6,443,380	118,664	6,141,517
Change in the fair value of investment	(124,166)	(953,033)	(120,460)	(953,033)
Debt extinguishment expense	—	(11,808,111)	—	(11,808,111)
Other income (expense)	143,942	(70,748)	146,558	176,308
Gain on extinguished lease liabilities	275,164	—	318,519	—
Total other income (expense)	70,114	(6,547,972)	147,350	6,765,767
Income (Loss) before income taxes	326,611	(9,068,666)	(2,386,101)	(10,640,551)
Income tax expense	—	(7,352)	—	(3,676)
Consolidated net income (loss)	326,611	(9,076,018)	(2,386,101)	(10,644,227)
Less: Net (income) loss attributable to non-controlling interests	(59,884)	89,716	104,401	(113,689)
Net income (loss) attributable to Amergent Hospitality Group Inc.	266,727	(8,986,302)	(2,281,700)	(10,757,916)
Dividends on redeemable preferred stock	—	—	—	(28,219)
Net income (loss) attributable to common shareholders of Amergent Hospitality Group Inc.	$ 266,727	$ (8,986,302)	$ (2,281,700)	$ (10,786,135)
Net income (loss) attributable to Amergent Hospitality Group, Inc. per common share, basic:	**$ 0.02**	**$ (0.63)**	**$ (0.15)**	**$ (0.82)**
Net income (loss) attributable to Amergent Hospitality Group, Inc. per common share, diluted:	**$ 0.01**	**$ (0.63)**	**$ (0.15)**	**$ (0.82)**
Weighted average shares outstanding, basic	15,321,571	14,282,736	14,904,471	13,096,212
Weighted average shares outstanding, diluted	17,280,625	14,282,736	14,904,471	13,096,212

See accompanying notes to the condensed consolidated and combined financial statements

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Statements of Comprehensive Income (Loss)

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		(Restated)		(Restated)
Net income (loss) attributable to Amergent Hospitality Group	$ 266,727	$ (8,986,302)	$ (2,281,700)	$ (10,786,135)
Foreign currency translation gain/(loss)	6,802	(6,541)	15,594	(87,610)
Comprehensive income (loss)	$ 273,529	$ (8,992,843)	$ (2,266,106)	$ (10,873,745)

See accompanying notes to the condensed consolidated and combined financial statements

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Statements of Stockholders' Deficit
Three and Six Months Ended June 30, 2021

	(Temporary equity) **Preferred Series 2**		Common Stock		Additional Paid-in	Accumulated	**Accumulated Other** Comprehensive	Non-Controlling	
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Interest	Total
Balance, December 31, 2020	787	$ 459,608	14,282,736	$ 1,428	$ 92,433,344	$ (94,587,482)	$ (25,916)	$ (969,680)	$ (3,148,306)
Conversion of preferred stock into common	(125)	(73,000)	250,000	25	72,975	—	—	—	73,000
Foreign currency translation	—	—	—	—	—	—	8,792	—	8,792
Net loss	—	—	—	—	—	(2,548,427)	—	(164,285)	(2,712,712)
Balance, March 31, 2021	662	$ 386,608	14,532,736	$ 1,453	$ 92,506,319	$ (97,135,909)	$ (17,124)	$ (1,133,965)	$ (5,779,226)
Conversion of preferred stock into common	(562)	(328,208)	1,124,000	112	328,096	—	—	—	328,208
Foreign currency translation	—	—	—	—	—	—	6,802	—	6,802
Net income (loss)	—	—	—	—	—	266,727	—	59,884	326,611
Balance, June 30, 2021	100	$ 58,400	15,656,736	$ 1,565	$ 92,834,415	$ (96,869,182)	$ (10,322)	$ (1,074,081)	$ (5,117,605)

See accompanying notes to the condensed consolidated and combined financial statements

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Statements of Stockholders' Deficit
Three and Six Months Ended June 30, 2020

	(Temporary equity) Preferred Series 2		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non-Controlling	
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Interest	Total
Balance, December 31, 2019	—	$ —	10,404,342	$ 1,041	$ 71,505,989	$ (75,068,385)	$ (46,437)	$ 455,781	$ (3,152,011)
Common stock and warrants issued for:									
Preferred unit dividend	—	—	37,518	4	19,519	(28,219)	—	—	(8,696)
Exercise of warrants	—	—	2,414,022	246	1,528,867	(325,366)	—	—	1,203,747
Preferred Shares - Series 2									
Issuance of shares, net of transaction costs of $95,000	1,500	1,405,000	—	—	—	—	—	—	—
Bifurcation of derivative liability	—	(529,000)	—	—	—	—	—	—	—
Beneficial conversion feature	—	(729,000)	—	—	729,000	—	—	—	729,000
Preferred stock deemed dividend	—	729,000	—	—	(729,000)	—	—	—	(729,000)
Conversion of Series 2 preferred to common	(713)	(416,392)	1,426,854	143	416,249	—	—	—	416,392
Foreign currency translation	—	—	—	—	—	—	(81,069)	—	(81,069)
Net loss	—	—	—	—	—	(1,771,614)	—	203,405	(1,568,209)
Balance, March 31, 2020	787	$ 459,608	14,282,736	$ 1,434	$ 73,470,624	$ (77,193,584)	$ (127,506)	$ 659,186	$ (3,189,846)
Reclassification of non-controlling interest	—	—	—	—	—	805,909	—	(805,909)	—
Cash contribution of merger consideration, net transaction costs of $588,255	—	—	—	—	5,411,745	—	—	—	5,411,745
Contribution of warrant portion of merger consideration	—	—	—	—	1,628,909	—	—	—	1,628,909
Foreign currency translation	—	—	—	—	—	—	(6,541)	—	(6,541)
Net loss	—	—	—	—	—	(8,986,302)	—	(89,716)	(9,076,018)
Balance, June 30, 2020	787	$ 459,608	14,282,736	$ 1,434	$ 80,511,278	$ (85,373,977)	$ (134,047)	$ (236,439)	$ (5,231,751)

See accompanying notes to the condensed consolidated and combined financial statements

Amergent Hospitality Group, Inc and Subsidiaries
Condensed Consolidated and Combined Statements of Cash Flows

	Six months ended	
	June 30, 2021	**June 30, 2020**
		(Restated)
Net loss	$ (2,386,101)	$ (10,644,227)
Cash flows from operating activities:		
Adjustments to reconcile net loss to net cash flows from operations		
Depreciation and amortization	730,005	831,609
Amortization of operating lease assets	429,121	629,010
Asset impairment charges	1,287,579	273,927
Gain from extinguished lease liabilities	(318,519)	—
Loss on investments	120,460	933,147
Amortization of debt discount	89,658	35,137
Loss on extinguishment of Series 1 Preferred	—	161,899
Loss on debt extinguishment	—	11,808,111
Derivative liabilities revaluation	(118,664)	(6,142,517)
Change in assets and liabilities		
Accounts and other receivables	157,556	182,587
Prepaid expenses and other assets	(71,842)	(393,321)
Inventories	18,825	9,787
Accounts payable and accrued expenses	(506,907)	220,904
Operating lease liabilities	(741,854)	(1,123,689)
Contract liabilities	(35,713)	(48,806)
Net cash flows from operating activities	(1,346,396)	(3,265,722)
Cash flows from investing activities:		
Purchase of property and equipment	(14,899)	(27,740)
Net cash flows used in investing activities	(14,899)	(27,740)
Cash flows from financing activities:		
Loan proceeds	2,000,000	2,689,540
Loan repayments	(52,898)	(2,482,474)
Proceeds from Series 2 Preferred	—	1,405,000
Proceeds from warrant exercises	—	885,046
Redemption of Series 1 Preferred	—	(880,289)
Merger	—	5,411,745
Net cash flows provided by financing activities	1,947,102	7,028,478
Effect of exchange rate of on cash	9,065	(34,628)
Net increase in cash and restricted cash	594,872	3,700,388
Cash and restricted cash, beginning of period	1,928,804	501,017
Cash and restricted cash, end of period	$ 2,523,676	$ 4,201,205
Supplemental cash flow information:		
Cash paid for interest and income taxes		
Interest	$ 293,610	$ 164,388
Income taxes	$ —	$ —
Non-cash investing and financing activities		
Conversion of Preferred stock - Series 2 to common stock	$ 401,208	$ 416,392
Preferred stock dividends paid through issuance of common stock	$ —	$ 19,523
Accrued interest paid through warrant exercise	$ —	$ 318,700
Bifurcation of derivative liability from Preferred Stock - Series 2	$ —	$ 529,000
Warrant portion of merger consideration	$ —	$ 1,628,909

See accompanying notes to the condensed consolidated and combined financial statements

1. NATURE OF BUSINESS

BASIS OF PRESENTATION

Amergent Hospitality Group, Inc. ("Amergent") was incorporated on February 18, 2020 as a wholly-owned subsidiary of Chanticleer Holdings, Inc. ("Chanticleer") for the purpose of conducting the business of Chanticleer and its subsidiaries after completion of the Spin-Off of Amergent to the shareholders of Chanticleer (Spin-Off"). The Spin-Off transaction was completed on April 1, 2020 in connection with the merger (the "Merger") of Chanticleer with Sonnet BioTherapeutics, Inc. ("Sonnet") on that date. Amergent is in the business of owning, operating and franchising fast casual dining concepts domestically and internationally.

On March 31, 2020, Chanticleer contributed all its assets and liabilities, including the stock interest in all its subsidiaries (other than Amergent), to Amergent. Based on this being a transaction between entities under common control the carryover basis of accounting was used to record the assets and liabilities contributed to Amergent. Further, as a common control transaction the condensed consolidated and combined financial statements of Amergent reflect the transaction as if the contribution had occurred as of the earliest period presented herein.

As such, the accompanying condensed consolidated and combined financial statements include the accounts of Amergent and its subsidiaries along with Chanticleer and its subsidiaries (collectively "we," "us," "our," or the "Company"). All intercompany and inter-entity balances have been eliminated in consolidation and combination.

GENERAL

The accompanying condensed consolidated and combined financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated and combined financial statements have not been audited. The condensed consolidated and combined balance sheet as of December 31, 2020 has been derived from the audited consolidated and combined financial statements as of December 31, 2020 and for the year then ended included in Amergent's annual report filed with the SEC on April 15, 2021. The results of operations for the three and six-month period ended June 30, 2021 are not necessarily indicative of the operating results for the full year ending December 31, 2021.

Certain information and footnote disclosures normally included in unaudited condensed consolidated and combined financial statements prepared in accordance with generally accepted accounting principles of the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the audited consolidated and combined financial statements and notes thereto included in Amergent's Annual Report for the year ended December 31, 2020 previously filed with the SEC.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity, Capital Resources and Going Concern

As of June 30, 2021, the Company's cash balance was $2,523,676, of which $440,557 was restricted cash, its working capital deficiency was $15,503,496 and it had significant near-term commitments and contractual obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next 12 months will be influenced primarily by the following factors:

- our ability to access the capital and debt markets to satisfy current obligations and operate the business;
- our ability to qualify for and access financial stimulus programs available through federal and state government programs;
- our ability to refinance or otherwise extend maturities of current debt obligations;
- our ability to manage our operating expenses and maintain gross margins;
- popularity of and demand for our fast-casual dining concepts; and
- general economic conditions and changes in consumer discretionary income.

We have typically funded our operating costs, acquisition activities, working capital requirements and capital expenditures with proceeds from the issuances of our common stock, government tax credits and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, and other forms of external financing.

The Company plans to seek additional capital in the future through equity and/or debt financings or other sources in order to sustain operations. We may seek to work with vendors and suppliers on payment plans, settle certain obligations at a discount, seek forgiveness of Paycheck Protection Program loans and look for other government stimulus programs. Additionally, the Company has significant debt due within the next twelve months that will need to be refinanced and/or settled. In the event that capital is not available, Amergent may then have to scale back or freeze its growth plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage its liquidity and capital resources.

On March 10, 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The COVID-19 outbreak in the United States has resulted in a significant impact throughout the hospitality industry that have continued through June 30, 2021. The Company has been impacted due to restrictions placed by state and local governments that caused temporary restaurant closures or significantly reduced the Company's ability to operate. It is difficult to estimate the length or severity of this outbreak; however, the Company has made operational changes, as needed, to reduce the impact.

The Company's history of operating losses, combined with its working capital deficit which includes substantial near term debt repayment obligations and uncertainties regarding the impact of COVID-19, raise substantial doubt about our ability to continue as a going concern.

The accompanying condensed consolidated and combined financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies described in the annual report for the year ended December 31, 2020 filed with the SEC on April 15, 2021, that would have had a significant impact on these unaudited condensed consolidated and combined financial statements and related notes.

BASIS OF PRESENTATION

The accompanying condensed consolidated and combined financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") promulgated by the Financial Accounting Standards Board ("FASB").

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include analysis of the recoverability of goodwill and long-lived assets. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures and records certain financial assets and liabilities at fair value on a recurring basis. U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority, referred to as Level 1, to quoted prices in active markets for identical assets and liabilities. The next priority, referred to as Level 2, is given to quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active; that is, markets in which there are few transactions for the asset or liability. The lowest priority, referred to as Level 3, is given to unobservable inputs. The table below reflects the level of the inputs used in the Company's fair value calculations:

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
June 30, 2021				
Assets (Note 3)				
Common stock of Sonnet	$ 292,809	—	$ —	$ 292,809
Liabilities (Note 9)				
True-up provision of Convertible Preferred Series 2	$ —	$ —	$ 66,136	$ 66,136

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
December 31, 2020				
Assets (Note 3)				
Common stock of Sonnet	$ 413,268	—	$ —	$ 413,268
Liabilities (Note 9)				
True-up provision of Convertible Preferred Series 2	$ —	$ —	$ 184,800	$ 184,800

Inputs used in the Company's Level 3 calculation of fair value are discussed in Note 9.

The Company is required to disclose fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company's cash, accounts receivable, other receivables, accounts payable, other current liabilities, convertible notes payable and notes payable approximate fair value due to the short-term maturities of these financial instruments and/or because related interest rates offered to the Company approximate current rates.

CASH

Cash consists of deposits held at financial institutions and is stated at fair value. The Company limits its credit risk associated with cash by maintaining its bank accounts at major financial institutions. At June 30, 2021, the Company held cash of $307,090 in excess of insured limits in these banks.

RESTRICTED CASH

As of June 30, 2021 and December 31, 2020, the Company maintained restricted cash of $440,557 and $1,250,336, respectively. The restricted cash is maintained in a segregated bank account.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization, which includes amortization of assets held under capital leases, are recorded generally using the straight-line method over the estimated useful lives of the respective assets or, if shorter, the term of the lease for certain assets held under a capital lease. Leasehold improvements are amortized over the lesser of the expected lease term or the estimated useful lives of the related assets using the straight-line method. Maintenance and repairs that do not improve or extend the useful lives of the assets are not considered assets and are charged to expense when incurred.

The estimated useful lives used to compute depreciation and amortization are as follows:

Leasehold improvements	5-15 years
Restaurant furnishings and equipment	3-10 years
Furniture and fixtures	3-10 years
Office and computer equipment	3-7 years

INTANGIBLE ASSETS

Trade Name/Trademark

The fair value of trade name/trademarks are estimated and compared to the carrying value. The Company estimates the fair value of trademarks using the relief-from-royalty method, which requires assumptions related to projected sales from its annual long-range plan; assumed royalty rates that could be payable if the Company did not own the trademarks; and a discount rate. Certain of the Company's trade name/trademarks have been determined to have a definite-lived life and are being amortized on a straight-line basis over estimated useful lives of 10 years. The amortization expense of these definite-lived intangibles is included in depreciation and amortization in the Company's condensed consolidated and combined statements of operations and comprehensive income (loss). Certain of the Company's trade name/trademarks have been classified as indefinite-lived intangible assets and are not amortized, but instead are reviewed for impairment at least annually or more frequently if indicators of impairment exist.

LONG-LIVED ASSETS

Long-lived assets, such as property and equipment, operating lease assets, and purchased intangible assets subject to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some of the events or changes in circumstances that would trigger an impairment test include, but are not limited to:

- significant under-performance relative to expected and/or historical results (negative comparable sales growth or operating cash flows for two consecutive years);
- significant negative industry or economic trends;
- knowledge of transactions involving the sale of similar property at amounts below the Company's carrying value; or
- the Company's expectation to dispose of long-lived assets before the end of their estimated useful lives, even though the assets do not meet the criteria to be classified as "Held for Sale."

If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

During the third quarter of 2019 and continuing in 2020 and 2021, the Company determined that triggering events occurred some of which were related to the COVID-19 outbreak requiring management to review the certain long-lived assets for impairment. Due to the continued impact of this pandemic on the Company's business, management has performed an impairment analysis of its long-lived assets at each quarter end in 2020 and through June 30, 2021 and determined that the carrying value of the Company's trade name/trademark intangible asset, property and equipment and operating lease assets (see Notes 4, 5, and 10 for further discussion) were impaired. The determination was based on the best judgment of management for the future of the asset and on information known at the time of the assessment.

GOODWILL

Goodwill, which is not subject to amortization, is evaluated for impairment annually as of the end of the Company's year-end, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of store closures, that would indicate an impairment may exist. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit. Management determined that the Company has one reporting unit.

Due to the continued impact of the COVID-19 pandemic on the Company's business, management has performed an impairment analysis of goodwill as of beginning in the first quarter of 2020 and quarterly thereafter through June 2021.

When evaluating goodwill for impairment, the Company may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If the Company does not perform a qualitative assessment or determines that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, a quantitative assessment is performed to calculate the estimated fair value of the reporting unit. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. The Company's decision to perform a qualitative impairment assessment is influenced by a number of factors, including the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, and the price of our common stock.

Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. The Company performed a quantitative assessment at June 30, 2021 and determined that goodwill was not impaired due to the excess fair value of the reporting unit over its carrying value based on the best judgement of management for the future of the reporting unit and on information known at the time of the assessment.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in local currency are translated to U.S. dollars using the exchange rates as in effect at the balance sheet date. Results of operations are translated using average exchange rates prevailing throughout the period. Adjustments resulting from the process of translating foreign currency financial statements from functional currency into U.S. dollars are included in accumulated other comprehensive loss within stockholders' equity. Foreign currency transaction gains and losses are included in current earnings. The Company has determined that local currency is the functional currency for its foreign operations.

LEASES

We determine if a contract contains a lease at inception. Our material operating leases consist of restaurant locations and office space. Our leases generally have remaining terms of 1-20 years and most include options to extend the leases for additional 5-year periods. Generally, the lease term is the minimum of the non-cancelable period of the lease or the lease term inclusive of reasonably certain renewal periods up to a term of 20 years. If the estimate of our reasonably certain lease term was changed, our depreciation and rent expense could differ materially.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental borrowing rates corresponding to the reasonably certain lease term. We estimated this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgment. If the estimate of our incremental borrowing rate was changed, our operating lease assets and liabilities could differ materially.

EMPLOYEE RETENTION AND OTHER CREDITS

The Employee Retention Credit ("ERC") under the CARES Act is a refundable tax credit which encourages businesses to keep employees on the payroll during the COVID-19 pandemic. Eligible employers can qualify for up to $7,000 of credit for each employee based on qualified wages paid after December 31, 2020 and before January 1, 2022. Qualified wages are the wages paid to an employee during an economic hardship, specifically, either (1) a full or partial suspension of operations by order of a governmental authority due to COVID-19, or (2) a significant decline in gross receipts. The Company recognized $1,473,355 of ERC as a contra-expense in the condensed consolidated and combined statements of operations for the three and six months ended June 30, 2021.

In addition to the ERC, the Company received credits under other government/government agency programs of $67,918 and $128,364 for the three and six months ended June 30, 2021, of which $26,518 and $41,400 and $84,798 and $43,566 were recorded as an offset to restaurant operating expenses and as other income, respectively, in the condensed consolidated and combined statements of operations.

INCOME TAXES

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company has provided a valuation allowance for the full amount of the deferred tax assets in the accompanying consolidated and combined financial statements.

As of June 30, 2021 and December 31, 2020, the Company had no accrued interest or penalties relating to any income tax obligations. The Company currently has no federal or state examinations in progress, nor has it had any federal or state tax examinations since its inception. The last three years of the Company's tax years are subject to federal and state tax examination.

INCOME (LOSS) PER COMMON SHARE

The Company computes net income (loss) per share using the weighted-average number of common shares outstanding during the period. For periods with a net loss, basic and diluted net loss per share are the same because the conversion, exercise or issuance of all potential common stock equivalents, which comprise the entire amount of the Company's outstanding warrants, as described in Note 8, and the potential conversion of the convertible debt, as described in Note 6, would be anti-dilutive.

For the three months ended June 30, 2021, the Company used the two-class method to compute basic net income per common share . Under this method, undistributed earnings are allocated to common stock, the Series 2 Preferred Stock, and the convertible debt to the extent that the Series 2 Preferred Stock and convertible debt may share in earnings. In periods of net loss, losses are not allocated to participating securities as the holders of such securities have no obligation to fund losses. The total earnings allocated to common stock is then divided by the weighted average common shares outstanding to determine the basic earnings per share.

For purposes of calculating diluted loss per common share, the denominator includes both the weighted average common shares outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants using the treasury stock method. In addition, the Company considers the potential dilutive impact of its Series 2 Preferred Stock and convertible debt using the treasury stock and if-converted methods, if either is more dilutive than the two-class method. The two-class method was more dilutive for the three months ended June 30, 2021.

The following table summarizes the computation of basic and diluted net (loss) income per share for the three and six months ended June 30, 2021 and 2020, respectively:

	Three Months Ended		Six Months Ended	
	June 30, 2021	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Basic net income (loss) per common share calculation:				
Net income (loss) attributable to common shareholders	$ 266,727	$ (8,986,302)	$ (2,281,700)	$ (10,786,135)
Less: undistributed earnings to participating securities	(179,013)	—	—	—
Net income (loss) attributable to common shareholders - basic	87,714	(8,986,302)	(2,281,700)	(10,757,916)
Weighted average common shares outstanding - basic	15,321,571	14,282,736	14,904,471	13,096,212
Net income (loss) per share - basic	$ 0.02	$ (0.63)	$ (0.15)	$ (0.82)
Diluted net income (loss) per common share calculation:				
Net income (loss) attributable to common shareholders	$ 266,727	$ (8,986,302)	$ (2,281,700)	$ (10,757,916)
Less: undistributed earnings to participating securities	(179,013)	—	—	—
Net income (loss) attributable to common shareholders - diluted	87,714	(8,986,302)	(2,281,700)	(10,757,916)
Weighted average common shares outstanding - basic	15,321,571	14,282,736	14,904,471	13,096,212
Warrants	1,959,054	—	—	—
Weighted average common shares outstanding - diluted	17,280,625	14,282,736	14,904,471	13,096,212
Net income (loss) per share - diluted	$ 0.01	$ (0.63)	$ (0.15)	$ (0.82)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). The objective of the standard is to improve areas of GAAP by removing certain exceptions permitted by Accounting Standards Codification 740 and clarifying existing guidance to facilitate consistent application. The standard was effective for the Company beginning on January 1, 2021. The adoption of ASU 2019-12 as of January 1, 2021 did not have a material impact on the condensed consolidated and combined financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2020, the FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options*"* to address the complexity associated with applying U.S. GAAP to certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 includes amendments to the guidance on convertible instruments and the derivative scope exception for contracts in an entity's own equity and simplifies the accounting for convertible instruments which include beneficial conversion features or cash conversion features by removing certain separation models in Subtopic 470-20. Additionally, ASU 2020-06 will require entities to use the "if-converted" method when calculating diluted earnings per share for convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 (fiscal year 2022 for the Company), including interim periods within those fiscal years. The Company is currently evaluating the new standard to determine the potential impact on its financial condition, results of operations, cash flows, and financial statement disclosures.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the condensed consolidated and combined financial statements.

3. INVESTMENTS

Investments consist of the following:

	June 30, 2021	December 31, 2020
Common stock of Sonnet, at fair value	$ 292,809	$ 413,268
Chanticleer Investors, LLC, at cost	365,001	365,001
Total	$ 657,809	$ 778,269

Common stock of Sonnet

In 2020 the Company received warrants to purchase Sonnet common stock as part of consideration for the Merger with Sonnet (See Note 1). On November 17, 2020, the Company exercised the warrants and holds common stock of Sonnet.

Chanticleer Investors LLC

The Company invested $800,000 during 2011 and 2012 in exchange for a 22% ownership stake in Chanticleer Investors, LLC, which in turn held a 3% interest in Hooters of America, the operator and franchisor of the Hooters Brand worldwide. As a result, the Company's effective economic interest in Hooters of America was approximately 0.6%. Effective June 28, 2019, Hooters of America closed on the sale of a controlling interest in the company. The consideration paid in the sale transaction was a combination of cash proceeds and equity in the newly formed company. The Company netted approximately $48,000 in cash upon the transaction and retained a non-controlling interest in the equity of the newly-formed company.

In June 2019, an analysis of the transaction and the value of the cash received and retained non-controlling interest was performed. The Company concluded that its investment was impaired as of June 30, 2019 and recorded a $435,000 write down of the investment during the year ended December 31, 2019. No further impairment charges were recognized since that time.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	June 30, 2021	December 31, 2020
Leasehold improvements	$ 6,929,994	$ 7,301,908
Restaurant furniture and equipment	1,979,814	2,132,726
Construction in progress	650	5,450
Office and computer equipment	112,073	125,535
Office furniture and fixtures	61,328	59,635
	9,083,859	9,625,254
Accumulated depreciation and amortization	(6,175,793)	(5,922,360)
	$ 2,908,066	$ 3,702,894

The COVID-19 outbreak in the United States has resulted in a significant impact throughout the hospitality industry. The impact has varied by state/geographical area within the United States at various intervals since the pandemic has been declared. Accordingly, the operating results and cash flows at the store level have varied significantly leading to an analysis of impairment at the store level for each quarter end beginning at the end of the first quarter of 2020 and continuing through June 30, 2021. Several stores were permanently or temporarily closed during 2020 and 2021 while others are operating at reduced capacity. Based on the assessment of recoverability, an impairment charge of approximately $255,115 was recorded for property and equipment during the six months ended June 30, 2021. During the three and six months ended June 30, 2020, the Company recorded an impairment charge of $129,631 for property and equipment and $13,374 for other assets

Depreciation expense was $276,777 and $554,330 for the three and six months ended June 30, 2021 and 2021, respectively. Depreciation expense was $324,212 and $649,084 for the three and six months ended June 30, 2020 and 2020, respectively.

5. INTANGIBLE ASSETS, NET

GOODWILL

A roll-forward of goodwill is as follows:

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Beginning balance	$ 8,591,149	$ 8,567,888
Foreign currency translation gain	12,257	23,261
Ending balance	$ 8,603,406	$ 8,591,149

OTHER INTANGIBLE ASSETS

Franchise and trademark/tradename intangible assets consist of the following:

		June 30, 2021	December 31, 2020
Trademark, Tradenames:			
American Roadside Burger	10 years	$ 561,191	$ 1,786,930
BGR: The Burger Joint	Indefinite	739,245	739,245
Little Big Burger	Indefinite	1,550,000	1,550,000
		2,850,436	4,076,175
Acquired Franchise Rights:			
BGR: The Burger Joint	7 years	827,757	827,757
Franchise License Fees:			
Hooters Pacific NW	20 years	—	74,507
Hooters UK	5 years	12,073	11,001
		12,073	85,508
Total intangibles at cost		3,690,266	4,989,440
Accumulated amortization		(1,149,398)	(1,945,555)
Intangible assets, net		$ 2,540,868	$ 3,043,885

An analysis of the recoverability of the carrying value was performed at each quarter end beginning at the end of the first quarter of 2020 and continuing through June 30, 2021. Based on that analysis, an impairment charge of approximately $327,342 was recorded to trademarks/tradenames for ABC: American Burger Company during the six months ended June 30, 2021.

Amortization of intangible assets was $84,915 and $175,675 for the three and six months ended June 30, 2021 and $91,566 and $182,525 for the three and six months ended June 30, 2020, respectively.

6. DEBT AND NOTES PAYABLE

Debt and notes payable are summarized as follows at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Notes payable (a)	$ —	$ 25,850
Notes payable (b)	—	27,048
Contractor note (c)	348,269	348,269
PPP loans (d)	4,109,400	2,109,400
UK Bounce Back loan (e)	68,245	68,245
EIDL loans (f)	299,900	299,900
Convertible debt (g)	4,037,889	4,037,889
Total Debt	**8,863,703**	**6,916,601**
Less: discount on convertible debt (g)	(134,023)	(223,681)
Total Debt, net of discount	**$ 8,729,680**	**$ 6,692,920**
Current portion of long-term debt	$ 6,377,550	$ 2,338,978
Long-term debt, less current portion	$ 2,352,130	$ 4,353,942

(a) In connection with the assets acquired from the two BGR franchisees, the Company entered into notes payable of $9,600 and $187,000 during 2018. The notes bore interest at 4% and were due within 12 months of each acquisition date. Principal and interest payments were due monthly.

(b) During September 2019 and October 2019, the Company entered into two merchant capital advances in the amount of $46,000 and $84,700, respectively. The Company agreed to repay these advances through daily payments until those amounts were repaid with the specified interest rate per those agreements.

(c) The Company entered into a promissory note to repay a contractor for the build-out of a new Little Big Burger location. The note has a balance of $348,269, and a stated interest rate of 12% per year. In connection with and prior to the Merger and Spin-Off, on April 1, 2020, this note was assumed by Amergent. The Company is currently in default on this loan and a writ of garnishment was ordered against the Company in 2020 for approximately $445,000. The additional $95,000 is included in accounts payable and accrued expenses at June 30, 2021 and December 31, 2020.

(d) On April 27, 2020, Amergent received a $2.1 million loan under the first round of the Payment Protection Program (PPP Loan). The note bears interest at 1% per year, matures in April 2022, and requires monthly interest and principal payments of approximately $119,000 beginning in November 2020 and through maturity. The currently issued guidelines of the program allow for the loan proceeds to be forgiven if certain requirements are met. Any loan proceeds not forgiven will be repaid in full. The Company has currently applied for loan forgiveness in the full amount of the loan, but no assurance can be given as to the amount, if any, of forgiveness. The application for forgiveness allowed the Company to defer the timing of repayment until the forgiveness assessment is completed. See Note 10 for additional information.

On February 25, 2021, the Company received a second PPP Loan of $2.0 million. The note bears interest at 1% per year, matures on February 25, 2026, and requires monthly principal and interest payments of approximately $44,660 beginning June 25, 2022 through maturity. The loan may be forgiven if certain criteria are met. No assurance can be given as to the amount, if any, of forgiveness.

(e) On November 24, 2020, Amergent received approximately $68,200 through the Bounce Back Loan Scheme in the United Kingdom. The loan has a term of six years that can be extended to 10 years. No payments are required and no interest is accrued for the first twelve months after the loan is received. After the first year, the loan accrues interest at 2.5% per year.

(f) On August 4, 2020, the Company obtained two loans under the Economic Injury Disaster Loan ("EIDL") assistance program from the Small Business Administration ("SBA") in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the loans is approximately $300,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per year. Total installment payments, including principal and interest, are due monthly beginning August 4, 2021 in the amount of $1,762. The balance of principal and interest is payable over the next thirty years from the date of the promissory note (August 2050). There are no penalties for prepayment. Based upon guidance issued by the SBA on June 19, 2020, the EIDL loans are not required to be refinanced by the PPP Loan.

(g) On April 1, 2020, pursuant to an agreement among Chanticleer, Oz Rey and certain original holders of the 8% non-convertible debentures previously outstanding, the Company issued a 10% secured convertible debenture to Oz Rey in exchange for the 8% non-convertible debentures. The principal amount of the 10% secured convertible debenture is $4,037,889, payable in full on April 1, 2022, subject to extension by the holders in two-year intervals for up to 10 years from the issuance date upon Amergent meeting certain conditions. Interest is payable quarterly in cash. Prior to August 17, 2020, the 10% secured convertible debenture was convertible at any time by Oz Rey into common stock at the lower of $0.10 per share and the volume weighted average price on the last 10 trading days immediately prior to conversion. The 10% secured convertible debenture is also subject to adjustment if Amergent sells securities below this price (down round protection), among other triggers. In connection with the exchange of the debentures, Amergent issued warrants to Oz Rey and the original 8% non-convertible debenture holders to purchase 2,925,200 shares of common stock. The exercise price is $0.125 for 2,462,600 warrants and $0.50 for 462,500 warrants. The warrants can be exercised on a cashless basis and expire 10 years from the issuance date. The warrants were equity classified at June 30, 2021 and December 31, 2020.

The Company recorded a debt discount of approximately $358,000 for the difference between the face value of the 10% secured convertible debenture and the estimated fair value at the April 1, 2020 issuance date and is amortizing this discount over the two-year period of the notes. Amortization of $44,922 and $89,658 was recorded as interest expense during the three and six months ended June 30, 2021, respectively.

The Company's various loan agreements contain financial and non-financial covenants and provisions providing for cross-default. The evaluation of compliance with these provisions is subject to interpretation and the exercise of judgment. The Company's lender has provided a waiver of certain financial covenants through June 30, 2021.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	June 30, 2021	December 31, 2020
Accounts payable	$ 3,232,188	$ 3,752,036
Accrued expenses	1,982,431	1,436,679
Accrued taxes (VAT, Sales, Payroll, etc.)	2,810,872	3,356,496
Accrued interest	142,753	122,057
	$ 8,168,244	$ 8,667,268

As of June 30, 2021 and December 31, 2020, approximately $2.5 million and $3.0 million, respectively, of employee and employer payroll taxes and associated interest and penalties have been accrued but not remitted to certain taxing authorities by the Company. These accruals are for periods prior to 2019 for cash compensation paid and are reflected as a component of the accrued taxes line above. As a result, the Company is liable for such payroll taxes and any related penalties and interest. Tax authorities have placed liens on certain of the Company's cash accounts, which accounts had a total balance of $36,905 at June 30, 2021.

8. STOCKHOLDER'S EQUITY

2020 Bridge Financing

Pursuant to a Securities Purchase Agreement dated February 7, 2020, the Company sold 1,500 shares of a new series of convertible preferred stock of Chanticleer (the "Series 2 Preferred Stock") to an institutional investor for gross proceeds to the Company of $1,500,000 less transaction costs of $95,000. In addition, pursuant to the original agreement with the investors, the Company issued 5-year warrants to purchase an aggregate of 350,000 shares of common stock to the investors at $1.25 per share. Each share of Series 2 Preferred has a stated value of $1,000. Upon issuance, the Company bifurcated and recorded, as a liability, an embedded derivative (more fully described below and in Note 9) in the amount of $529,000. The effective conversion price of the Series 2 Preferred Stock after the bifurcation of the derivative resulted a beneficial conversion feature of $729,000, which was then immediately recorded as a deemed dividend as the preferred stock is immediately convertible. In March 2020, an aggregate of 713 shares of Series 2 Preferred Stock were converted into 1,426,854 shares of common stock. In connection with the Merger (see Note 1), all remaining outstanding shares of the Series 2 Preferred Stock were automatically cancelled and exchanged for substantially similar shares of preferred stock in Amergent, the shareholders of Chanticleer common stock received shares of Amergent on a 1 for 1 basis (Spin-Off shares) and received 1 share of Sonnet common stock for 26 shares of Chanticleer common stock held at the time of the Merger.

On August 17, 2020, the Company and the holders of the Series 2 Preferred Stock entered into a Waiver, Consent, and Amendment to the Certificate of Designations (the "Extension Agreement") which included provisions for an extension of the true-up payment discussed below from August 7, 2020 to December 10, 2020 and permitted the shares of Amergent obtained by the investor in the Spin-Off to be included in the determination of the True-Up Payment discussed below, with the Company paying all expenses incurred by the institutional investor in connection with the Extension Agreement and certain consideration for the institutional in investor's willingness to extend the date of the true-up payment. The consideration included $66,000 of cash and warrants to purchase 134,000 shares of the Company'scommon stock with a value of $28,060 (see below).

On February 16, 2021, the Company and the holders of the Series 2 Preferred Stock entered into a Waiver, Consent and Amendment to the Certificate of Designations (the "Waiver"). Pursuant to the Waiver, the Company filed the Second Amendment and Restated Certificate of Designations of Series 2 Convertible Preferred Stock ("Amended COD") with the Delaware Secretary of State (i) providing for the extension of the True-Up Payment to April 1, 2021, (ii) providing for the deduction of proceeds to the original holders from sales of Series 2 Preferred for the True-Up Payment, and (iii) providing for a reduction in amount of cash subject to restriction as discussed below from $1,250,000 to $850,000.

During the six months ended June 30, 2021, the investors converted 637 shares of the Series 2 Preferred Stock into 1,274,000 common shares and sold those common shares in the market. In addition, the investors sold their remaining 150 Series 2 Preferred Stock to other investors. The new investors converted 50 shares of Series 2 Preferred Stock into common stock during May 2021, and 100 Series 2 Preferred Stock remain outstanding at June 30, 2021.

The Series 2 Preferred Stock is classified in the accompanying condensed consolidated and combined balance sheet at June 30, 2021 as temporary equity due to certain contingent redemption features which are outside the control of the Company.

Designations, rights and preferences of Series 2 Preferred Stock:

Stated value*:* Each share of Series 2 Preferred Stock had a stated value of $1,000.

True-Up Payment: Amergent was required to pay the original holder an amount in cash equal to the dollar value of 125% of the stated value of the Series 2 Preferred Stock less the proceeds previously realized by the holder from the sale of all conversion and spin-off shares received by the original holder in Amergent, net of brokerage commissions and any other fees incurred by the holder in connection with the sale of any conversion shares or spin-off shares on April 1, 2021 (which period was extended). The True-Up Payment was settled in July 2021 with a payment of $66,136, and the cash account is no longer subject to restriction for this matter.

Redemption: If the Merger was not completed within six months of issuance of the Series 2 Preferred Stock, the Company would have been required to redeem all the outstanding Series 2 Preferred Stock for 125% of the aggregate stated value of the Series 2 Preferred Stock then outstanding plus any default interest and any other fees or liquidated damages then due and owing thereon under the Certificate of Designations. Additionally, there are other triggering events, as defined, that can cause the Series 2 Preferred Stock to be redeemable at the option of the holder of which some are outside of the control of the Company.

Conversion at option of holder/ beneficial ownership limitation The Series 2 Preferred Stock is convertible at the option of holder at the lesser of (i) $1.00 (subject to adjustment for forward and reverse stock splits, recapitalizations and the like) or (ii) 90% of the five-day average volume weighted average price of the common, provided the conversion price has a floor of $0.50 (subject to adjustment for forward and reverse stock splits, recapitalizations and the like). Conversion is subject to a beneficial ownership limitation of 4.99%. This limitation was increased by the holder to 9.99% prior to the Merger.

Forced conversion: The Company had the right to require the holder to convert up to 1,400 shares of Series 2 Preferred Stock upon delivery of notice three days prior to the Merger, subject to the beneficial ownership limitation and applicable Nasdaq rules. Unconverted shares of Series 2 Preferred Stock automatically were exchanged for an equal number of shares of Series 2 Preferred Stock in Amergent on substantially the same terms.

Liquidation preference Upon any liquidation, dissolution or winding-up of the Company, the holder is entitled to receive out of the assets, whether capital or surplus, an amount equal to 125% of the stated value plus any default interest and any other fees or liquidated damages then due and owing thereon under the Certificate of Designations, for each share of Series 2 Preferred Stock before any distribution or payment to the holders of common stock.

Voting rights: The holder of Series 2 Preferred Stock has the right to vote together with the holders of common stock as a single class on an as-converted basis on all matters presented to the holders of common stock and shall vote as a separate class on all matters presented to the holders of Series 2 Preferred Stock. In addition, without the approval of the holder, the Company is required to obtain the approval of Series 2 Preferred Stock, as is customary, for certain events and transactions not contemplated by the Merger.

Triggering Events: Breach of Company's obligations will trigger a redemption event.

Anti-Dilution: Customary adjustments in the event of dividends or stock splits and anti-dilution protection.

Concurrently with the Preferred Securities Purchase Agreement, the parties entered into a registration rights agreement (the "Preferred Registration Rights Agreement"). Pursuant to the Preferred Registration Rights Agreement, the Company was required to file a registration statement registering the conversion shares no later than 15 days from the closing of this transaction.

Options and Warrants

A summary of the warrant activity during the six months ended June 30, 2021 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding at December 31, 2020	3,409,200	$ 0.34	8.6
Granted	—	—	—
Exercised	—	—	—
Forfeited/Other Adjustments	—	—	—
Outstanding at June 30, 2021	3,409,200	$ 0.34	8.1
Exercisable June 30, 2021	3,409,200	$ 0.34	8.1

At June 30, 2021, the outstanding warrants consisted of the following:

Date issued	Number of warrants		Exercise Price	Expiration Date
April 1, 2020	2,462,600	$	0.125	April 1, 2030
April 1, 2020	462,600	$	0.500	April 1, 2030
March 30, 2020	350,000	$	1.250	March 30, 2025
August 17, 2020	134,000	$	1.250	August 17, 2025
	3,409,200			

9. DERIVATIVE LIABILITIES

The derivative liabilities at December 31, 2020 consisted of a True-Up Payment provision of the Series 2 Preferred Stock (See Note 8). The True-Up payment was valued at June 30, 2021 and was determined to have a value of $66,136 based on the instruments known settlement value. The liability was subsequently settled in July 2021 for the $66,136.

The table presented below is a summary of changes in the fair market value of the Company's Level 3 valuations for the six months ended June 30, 2021.

		True-Up Payment
Balance at December 31, 2020	$	184,800
Change in fair value during the period		(118,664)
Balance at June 30, 2021	$	66,136

10. COMMITMENTS AND CONTINGENCIES

Legal proceedings

Indemnification agreement and tail policy

On March 25, 2020, pursuant to the requirements of the Merger Agreement, Chanticleer, Sonnet and Amergent entered into an indemnification agreement ("Indemnification Agreement") providing that Amergent will fully indemnify and hold harmless each of Chanticleer and Sonnet, and each of their respective, directors, officers, stockholders and managers who assumes such role upon or following the closing of the merger against all actual or threatened claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements, incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, administrative, investigative or otherwise, related to the Spin-Off Business prior to or in connection with its disposition to Amergent.

In addition, pursuant to Merger Agreement, prior to closing of the Merger, the Spin-Off Entity acquired a tail insurance policy in a coverage amount of $3.0 million, prepaid in full by the Spin-Off Entity, at no cost to the indemnitees, and effective for at least six years following the consummation of the disposition, covering the Spin-Off Entity's indemnification obligations to the indemnitees (referred to herein as the "Tail Policy"). The Company does not anticipate that any potential liability would exceed the insured amount.

Litigation related to leased properties

During 2020 and 2021 the Company was in arrears on rent due on several of its leases as a result of the COVID-19 pandemic. As a result, the Company has pending litigation related to 10 sites of which 5 have permanently closed. The outcome of this litigation could result in the permanent closure of additional restaurant locations as well as the possibility of the Company being required to pay interest and damages, modify certain leases on unfavorable terms and could result in material impairments to the Company's assets.

No amounts have been accrued as of June 30, 2021 and December 31, 2020 in the accompanying condensed consolidated and combined balance sheets as management does not believe the outcome will result in additional liabilities to the Company; however, there can be no guarantees.

From time to time, the Company may be involved in other legal proceedings and claims that have arisen in the ordinary course of business are generally covered by insurance. As of June 30, 2021, the Company does not expect the amount of ultimate liability with respect to these matters to be material to the Company's financial condition, results of operations or cash flows.

Leases

The Company's leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce our right-of-use asset related to the lease. These incentives are amortized through the right-of-use asset as reductions of expense over the lease term.

Some of the Company's leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As part of the lease agreements, the Company is also responsible for payments regarding non-lease components (common area maintenance, operating expenses, etc.) and percentage rent payments based on monthly or annual restaurant sales amounts which are considered variable costs and are not included as part of the lease liabilities.

Related to the adoption of Leases Topic 842, our policy elections were as follows:

Separation of lease and non-lease components

The Company elected this expedient to account for lease and non-lease components as a single component for the entire population of operating lease assets.

Short-term policy

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

Supplemental balance sheet information related to leases was as follows:

Operating Leases	Classification	June 30, 2021	December 31, 2020
Right-of-use assets	Operating lease assets	$ 8,395,200	$ 9,529,443
Current lease liabilities	Current operating lease liabilities	$ 4,411,073	$ 4,209,389
Non-current lease liabilities	Long-term operating lease liabilities	9,415,805	10,667,862
		$ 13,826,878	$ 14,877,251

Lease term and discount rate were as follows:

	June 30, 2021	December 31, 2020
Weighted average remaining lease term (years)	7.68	7.70
Weighted average discount rate	10%	10%

COVID-19 has negatively impacted operating results and cash flows at significantly varying amounts at the store level. Several stores were permanently closed during the year ended December 31, 2020 while others operated at a reduced capacity. Based on an assessment of the recoverability of the right-of-use asset as of June 30, 2021, an impairment charge of $705,122 was recorded during the six-months then ended. Based on an assessment of the recoverability of the right-of-use asset as of June 30, 2020, an impairment charge of $9,465 was recorded during the three and six months then ended.

During the three and six months ended June 30, 2021 $275,164 and $318,519 of lease liabilities were derecognized due to the Company negotiating the cancellation of its obligations under certain lease agreements. The cancellations resulted from the COVID-19 pandemic. The Company had lease liabilities of $2,819,059 related to abandoned leases. These lease liabilities are presented as part of current operating lease liabilities.

Rent expense of approximately $0.6 million and $1.2 million was incurred during the three and six months ended June 30, 2021, respectively, of which approximately $0.1 million was variable. Rent expense of approximately $0.6 million and $1.2 million was recognized during the three and six months ended June 30, 2020, respectively, of which approximately $0.1 million was variable.

PPP Loan

The Company received two PPP loans for amounts of $2.1 million and $2.0 million. The PPP loan program was established under the CARES Act and administered by the Small Business Administration ("SBA"). The application for PPP loans requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Company. This certification further requires the Company to take into account current business activity and the Company's ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of funds from the PPP loans and forgiveness of the PPP loans is dependent on the Company having initially qualified for the PPP loans and qualifying for the forgiveness of such PPP loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans. There is no assurance that the Company's obligation under the PPP loans will be forgiven. If the PPP loans are not forgiven, the Company will need to repay the PPP loans over the applicable deferral period.

Presently, the SBA and other governmental communications have indicated that all loans in excess of $2.0 million will be subject to audit and that those audits could take up to seven years to complete. If the SBA determines that the PPP loans were not properly obtained and/or expenditures supporting forgiveness were not appropriate, the Company will need to repay some or all of the PPP loans and record additional expense which could have a material adverse impact on the business, financial condition and results of operations in a future period.

11. Restatement of Previously Issued Condensed Consolidated and Combined Financial Statements (Unaudited)

The Company, while undergoing the audit of its consolidated and combined financial statements as of December 31, 2020 and for the year then ended, re-evaluated the lease term for three restaurants that were permanently closed in 2020 due to the pandemic and determined that the lease terms should no longer have included periods subject to renewal options. Impairment charges had been recorded for these restaurants during the respective quarter that the restaurants were closed, but the 2020 interim unaudited financial statements did not reflect the revised lease terms. This impacted the previously reported amounts for operating lease assets, operating lease liabilities, and rent expense, among other line items in the condensed consolidated and combined interim financial statements.

The following table sets forth the effects of the adjustments on the affected items within the Company's previously reported Condensed Consolidated and Combined Interim Balance Sheet as of June 30, 2020:

	June 30, 2020		
	As reported	Adjustment	As restated
Operating lease assets	$ 11,007,038	$ (98,944)	$ 10,908,094
Long-term operating lease liabilities	$ 13,832,826	$ (458,154)	$ 13,374,672
Accumulated deficit	$ (85,658,825)	$ 284,848	$ (85,373,977)
Non-controlling interests	$ (310,801)	$ 74,362	$ (236,439)

The following tables sets forth the effects of the adjustments on affected items within the Company's previously reported Condensed Consolidated and Combined Interim Statements of Operations for the three and six months ended June 30, 2020:

	Three Months Ended June 30, 2020		
	As reported	Adjustment	As restated
Restaurant operating expenses	$ 3,261,393	$ (13,346)	$ 3,247,957
Asset impairment charges	$ 273,927	$ (121,457)	$ 152,470
Operating loss	$ (2,655,587)	$ 134,893	$ (2,520,694)
Other income	$ (70,748)	$ —	$ (70,748)
Consolidated and combined net loss	$ (9,210,911)	$ 134,893	$ (9,076,018)
Net loss attributable to non-controlling interests	$ 89,716	$ —	$ 89,716
Net loss attributable to Amergent Hospitality Group Inc	$ (9,121,195)	$ 134,893	$ (8,986,302)
Net loss per common share, basic and diluted	$ (0.64)	$ 0.01	$ (0.63)

	Six Months Ended June 30, 2020		
	As reported	Adjustment	As restated
Restaurant operating expenses	$ 6,887,237	$ (13,346)	$ 6,873,801
Asset impairment charges	$ 273,927	$ (121,457)	$ 152,470
Operating loss	$ (4,009,677)	$ 134,893	$ (3,874,784)
Other income (expense)	$ (48,009)	$ 224,317	$ 176,308
Consolidated and combined net loss	$ (11,003,437)	$ 359,210	$ (10,644,227)
Net income attributable to non-controlling interests	$ (39,327)	$ (74,362)	$ (113,689)
Net loss attributable to Amergent Hospitality Group Inc	$ (11,042,764)	$ 284,848	$ (10,757,916)
Net loss per common share, basic and diluted	$ (0.85)	$ 0.03	$ (0.82)

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through the date at which the condensed consolidated and combined financial statements were available to be issued, and there are no other items requiring disclosure except the following:

In July 2021 the Company entered into an at-will amended and restated employment agreement with its President, which extended the term of his employment agreement to June 2024.

In August 2021, the Company adopted the 2021 Inducement Plan ("the Plan"). Under the 2021 Inducement Plan, the Company can grant stock options and stock awards. There are 500,000 shares of common stock reserved for issuance under the Plan. During August 2021, the Company issued 50,000 unrestricted shares of common stock; fully vested five-year stock options to purchase 150,000 shares at an exercise price of $2.50 per share; and five-year stock options to purchase an aggregate of 300,000 shares, 100,000 of which are exercisable at $0.56 per share, 100,000 of which are exercisable at $0.81 per share and 100,000 of which are exercisable at $1.08 per share.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report on Form 10-Q ("Report"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Report, particularly those under "Risk Factors."

Overview

As of June 30, 2021, we operated and franchised a system-wide total of 35 fast casual restaurants, of which 26 were company-owned and 9 were owned and operated by franchisees under franchise agreements. During the six months ended June 30, 2021, there was one company-owned restaurants that was permanently closed because of the COVID-19 pandemic. During the six-month period ended June 30, 2020, no company owned restaurants had been temporarily or permanently closed but 8 stores were permanently closed during the year ended 2020 .

American Burger Company ("ABC") is a fast-casual dining chain consisting of 3 locations in North Carolina and New York. ABC is known for its diverse menu featuring fresh salads, customized burgers, milk shakes, sandwiches, and beer and wine.

BGR: The Burger Joint ("BGR") was acquired in March 2015 and consists of 7 company-owned locations in the United States and 9 franchisee-operated locations in the United States and the Middle East.

Little Big Burger ("LBB") was acquired in September 2015 and consists of 15 company-owned locations in the Portland, Oregon, Seattle, Washington, and Charlotte, North Carolina areas. Of the company-owned restaurants, 8 of those locations are operated under partnership agreements with investors where we control the management and operations of the stores, and the partner supplied the capital to open the store in exchange for a non-controlling interest.

As of June 30, 2021, we operated 1 Hooters full-service restaurant in the United Kingdom. Hooters restaurants, which are casual beach-themed establishments featuring music, sports on large flat screens, and a menu that includes seafood, sandwiches, burgers, salads, and of course, Hooters original chicken wings and the "nearly world famous" Hooters Girls. The Company started initially as an investor in corporate owned Hooters and, subsequently, evolved into a franchisee operator. We hold a minority investment stake in Hooters of America.

Recent Developments

PPP Loan

On March 27, 2020, Congress passed "The Coronavirus Aid, Relief, and Economic Security Act" (CARES Act), which included the "Paycheck Protection Program" (PPP) for small businesses. On April 27, 2020, Amergent received a PPP loan of $2.1 million. Due to the Spin-Off and Merger, Amergent was not publicly traded at the time of the loan application or funding. The note bears interest at 1% per year, matures in April 2022, and requires monthly interest and principal payments of approximately $119,000 beginning in November 2020 and through maturity.

On February 25, 2021, the Company received a second loan of $2.0 million under the Paycheck Protection Program . The note bears interest at 1% per year, matures on February 25, 2026, and requires monthly principal and interest payments of approximately $44,660 beginning June 25, 2022 through maturity.

The currently issued guidelines of the program allow for the loan proceeds to be forgiven if certain requirements are met. Any loan proceeds not forgiven will be repaid in full. The Company applied for forgiveness of the first loan and the application is under review by the government agency administering the PPP. No assurance can be given as to the amount, if any, of forgiveness. The application for forgiveness allowed the Company to defer the timing of repayment until the forgiveness assessment is completed.

Employee Retention Credit

The Employee Retention Credit ("ERC") under the CARES Act is a refundable tax credit which encourages businesses to keep employees on the payroll during the COVID-19 pandemic. Eligible employers can qualify for up to $7,000 of credit for each employee based on qualified wages paid after December 31, 2020 and before January 1, 2022. Qualified wages are the wages paid to an employee for the time that the employee is not providing services due to an economic hardship, specifically, either (1) a full or partial suspension of operations by order of a governmental authority due to COVID-19, or (2) a significant decline in gross receipts. The Company recognized $1.5 million of ERC as a contra-expense in the condensed consolidated and combined statements of operations for the three and six months ended June 30, 2021.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

Our results of operations are summarized below:

	Three Months Ended				
	June 30, 2021		June 30, 2020		
	Amount	% of Revenue*	Amount	% of Revenue*	% Change
Restaurant sales, net	$ 4,737,867	95.6%	$ 3,880,841	99.0%	22.1%
Gaming income, net	111,108	2.2%	29,463	0.8%	277.1%
Franchise income	106,196	2.2%	8,166	0.2%	1200.5%
Total revenue	4,955,071		3,918,470		
Expenses					
Restaurant cost of sales	1,435,192	30.3%	1,162,291	29.9%	23.5%
Restaurant operating expenses	3,180,414	67.1%	3,247,957	83.7%	(2.1)%
Restaurant pre-opening and closing expenses	—	—%	—	—%	—%
General and administrative expenses	1,193,973	24.1%	1,460,668	37.3%	(18.3)%
Asset impairment charge	—	—%	152,470	3.9%	(100.0)%
Depreciation and amortization	362,350	7.3%	415,778	10.6%	(12.9)%
Employee retention credit	(1,473,355)	(29.7)%	—	—%	(100.0)%
Total expenses	4,698,574	94.8%	6,439,164	164.3%	(27.0)%
Operating income (loss)	256,497		(2,520,694)		
Other (expense) income:					
Interest expense	(158,690)	(3.2)%	(159,460)	(4.1)%	(0.5)%
Change in fair value of derivative liabilities	(66,136)	(1.3)%	6,443,380	164.4%	(101.0)%
Change in fair value of investment	(124,166)	(2.5)%	(953,033)	(24.3)%	(87.0)%
Debt extinguishment expense	—	—%	(11,808,111)	(301.3)%	(100.0)%
Other income (expense)	143,942	2.9%	(70,748)	(1.8)%	(303.5)%
Gain on extinguished lease liabilities	275,164	5.6%	—	—%	100%
Total other income (expense)	70,114		(6,547,972)		
Income (Loss) before income taxes	326,611		(9,068,666)		
Income tax expense	—	—%	(7,352)	0.2%	(100.0)%
Consolidated net income (loss)	$ 326,611		$ (9,076,018)		

	Six Months Ended				
	June 30, 2021		June 30, 2020		
	Amount	% of Revenue*	Amount	% of Revenue*	% Change
Restaurant sales, net	$ 9,182,059	96.2%	$ 9,372,298	97.6%	(2.0)%
Gaming income, net	168,038	1.8%	129,212	1.4%	30.0%
Franchise income	198,424	2.0%	98,198	1.0%	102.1%
Total revenue	9,548,521		9,599,708		
Expenses					
Restaurant cost of sales	2,751,114	30.0%	2,960,061	31.6%	(7.1)%
Restaurant operating expenses	6,425,529	70.0%	6,873,801	73.3%	(6.5)%
Restaurant pre-opening and closing expenses	—	—%	20,730	0.2%	(100.0)%
General and administrative expenses	2,361,100	24.7%	2,635,821	27.5%	(10.4)%
Asset impairment charge	1,287,579	13.5%	152,470	1.6%	(744.5)%
Depreciation and amortization	730,005	7.6%	831,609	8.7%	(12.2)%
Employee retention credit	(1,473,355)	(15.4)%	—	—%	(100.0)%
Total expenses	12,081,972	126.5%	13,474,492	140.4%	(10.3)%
Operating loss	(2,533,451)		(3,874,784)		
Other (expense) income:					
Interest expense	(315,931)	(3.3)%	(322,448)	(3.4)%	(2.0)%
Change in fair value of derivative liabilities	118,664	1.2%	6,141,517	64.0%	(98.1)%
Change in fair value of investment	(120,460)	(1.3)%	(953,033)	(9.9)%	(87.4)%
Debt extinguishment expense	—	—%	(11,808,111)	(123.0)%	(100.0)%
Other income (expense)	146,558	1.5%	176,308	(1.8)%	(16.9)%
Gain on extinguished lease liabilities	318,519	3.3%	—	—%	100%
Total other income (expense)	147,350		(6,765,767)		
Income (Loss) before income taxes	(2,386,101)		(10,640,551)		
Income tax expense	—	—%	(3,676)	0.1%	(100.0)%
Consolidated net income (loss)	$ (2,386,101)		$ (10,644,227)		

** Restaurant cost of sales, operating expenses and closing expense percentages are based on restaurant sales, net. Other percentages are based on total revenue.*

Revenue

Total revenue increased to $5.0 million for the three months ended June 30, 2021 from $3.9 million for the three months ended June 30, 2020.

	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
	Amount	**% of Revenue***	**Amount**	**% of Revenue***
Restaurant sales, net	$ 4,737,867	95.6%	$ 9,182,059	96.2%
Gaming income, net	111,108	2.2%	168,038	1.8%
Franchise income	106,196	2.2%	198,424	2.0%
Total revenue	$ 4,955,071	100%	$ 9,548,521	100%

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Amount	**% of Revenue***	**Amount**	**% of Revenue***
Restaurant sales, net	$ 3,808,841	99.0%	9,372,298	97.6%
Gaming income, net	29,463	0.8%	129,212	1.4%
Franchise income	8,166	0.2%	98,198	1.0%
Total revenue	$ 3,918,470	100%	$ 9,599,708	100%

- Revenue from restaurant sales increased 22.1% to $4.7 million for the three months ended June 30, 2021, compared to $3.8 million for the three months ended June 30, 2020. The primary reasons for the increase were due to increased occupancy and declining hesitancy from the public to dine in public locations as a result of the rebound from the COVID-19 pandemic. Revenue from restaurant sales decreased 2.0% to $9.2 million for the six months ended June 30, 2021, compared to $9.4 million for the six months ended June 30, 2020. The primary reasons for the decline were due to the permanent closure of 8 stores in 2020, occupancy limitations and ongoing hesitancy for the public to dine in public locations as a result of the ongoing COVID-19 pandemic. The closed stores accounted for $548,859 of revenue during the six months ended June 30, 2020.

- Gaming income increased 277.1% to $111,108 for the three months ended June 30, 2021, compared to $29,463 for the three months ended June 30, 2020. Gaming income increased 30.0% to $168,038 for the six months ended June 30, 2021, compared to $129,212 for the six months ended June 30, 2020. The primary reason for this increase was due the effect of the COVID-19 pandemic recovery.

- Franchise Income increased 1200.5% to $106,196 for the three months ended June 30, 2021, compared to $8,166 during the three months ended June 30, 2020. Franchise Income increased 102.1% to $198,424 for the six months ended June 30, 2021, compared to $98,198 during the six months ended June 30, 2020. The primary reason for this increase was due to our franchise stores recovering from the effects of the COVID-19 pandemic during the second quarter of 2021 based on declining hesitancy from the public to dine in public locations.

Restaurant cost of sales

Restaurant cost of sales increased to $1.4 million for the three months ended June 30, 2021 from $1.2 million for the three months ended June 30, 2020. The percent of restaurant sales increased to 30.3% for the three months ended June 30, 2021 from 29.9% for the three months ended June 30, 2020. The overall increase in cost of sales was due to the 22.1% increase in restaurant revenue to $4.7 million for the three months ended June 30, 2021 compared to $3.9 million for the three months ended June 30, 2020.

Restaurant cost of sales decreased to $2.8 million for the six months ended June 30, 2021 from $3.0 million for the six months ended June 30, 2020. The percent of restaurant sales decreased to 30.0% for the six months ended June 30, 2021 from 31.6% for the six months ended June 30, 2020. The overall decrease in cost of sales was due to the 2.0% decline in restaurant revenue to $9.2 million for the six months ended June 30, 2021 compared to $9.4 million for the six months ended June 30, 2020.

Restaurant operating expenses

Restaurant operating expenses remained flat at $3.2 million for the three months ended June 30, 2021 and 2020. The overall percentage of restaurant operating expenses dropped from 83.7% in 2020 to 67.1% in 2021 and was driven by the overall increase of revenue as described in the revenue section above, and the corresponding adjustment of labor at the store level and tighter controls of store level operating expenses.

Restaurant operating expenses decreased to $6.5 million for the six months ended June 30, 2021 from $6.9 million for the six months ended June 30, 2020. The decrease of restaurant operating expenses was driven by the overall improvement in cost of goods sold, direct labor and other general and administrative expenses.

Restaurant pre-opening and closing expenses

There were no restaurant pre-opening and closing expenses for the three months ended June 30, 2021 and 2020 as no stores were opened or closed during the three months ended June 30, 2021 and 2020. There were no restaurant pre-opening and closing expenses for the six months ended June 30, 2021 compared with $20,730 for the six months ended June 30, 2020. The decrease is primarily due to limited restaurant openings and closings in the six months ended June 30, 2020 and no openings or closings during the six months ended June 30, 2021.

General and administrative expense ("G&A")

G&A expenses decreased to $1.2 million and $2.4 million for the three and six months ended June 30, 2021, respectively, from $1.5 million and $2.6 million for the three and six months ended June 30, 2020. During the three and six months ended June 30, 2021, audit, legal and professional services increased by $161,026 and $503,985 due to the first year-end audit subsequent to being spun-off from Chanticleer, professional services and professional fees related to lease related legal and accounting matters. This increase was offset by a $278,464 and $400,434 decrease in salary and benefits due to the departure of two senior management personnel and a $127,543 and $160,073 decrease in shareholder services and fees due to spin-off from Chanticleer. Advertising, Insurance and other expenses decreased by $37,969 and $215,691 due to less need during the covid pandemic. Significant components of G&A are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Audit, legal and other professional services	$ 612,464	$ 451,438	$ 1,227,467	$ 723,482
Salary and benefits	549,710	828,174	987,761	1,388,195
Advertising, Insurance and other	8,755	46,724	117,741	333,432
Shareholder services and fees	3,587	131,130	7,639	167,712
Travel and entertainment	19,457	3,202	25,492	23,000
Total G&A Expenses	$ 1,193,973	$ 1,460,668	$ 2,361,100	$ 2,635,821

Asset impairment charges

Asset impairment charges of $1.3 million were recorded during the six months ended June 30, 2021. The impairment was comprised of $0.3 million, $0.7 million and $0.3 million of impairment on property and equipment, right of use asset and intangible assets, respectively, and was due to ongoing cash flow implications resulting from the ongoing COVID-19 pandemic. These changes were recorded in the first quarter of 2021 and no asset impairment charges were recorded during the three months ended June 30, 2021 as store operating performance began to improve.

There was an asset impairment charge of $152,470 for the three and six months ended June 30, 2020 as a result of the impairment of assets of one location and the charge was recorded in the three months ended June 30, 2020.

Depreciation and amortization

Depreciation and amortization expense was $362,350 and $730,005 for the three and six months ended June 30, 2021, compared to $415,778 and $831,609 for the three and six months ended June 30, 2020. Impairments of property and equipment and intangible assets during 2020 and year to date in 2021 caused a decrease in the gross value of the underlying assets thereby resulting in a decrease in depreciation and amortization.

Other (expense) income

Interest expense for the three and six months ended June 30, 2021, of $158,690 and $315,931, respectively, was comparable to the comparative periods in 2020 of $159,460 and $322,448.

During the three months ended June 30, 2021, the change in the fair value of derivative liabilities was expense of $66,136 and during the six months ended June 30, 2021, the change in fair value of derivative liabilities was income of $118,664, which was related to the True-Up Payment derivative. Derivative liabilities and warrants are marked to market on a quarterly basis and fluctuation in value are reflective of the fair market value at the point in time that the instruments are measured. During the three and six months ended June 30, 2020, the change in fair value of derivative liabilities and warrants was income of $6.4 million and $6.1 million, respectively. The income in the three months ended June 30, 2020, was primarily due to a decrease in the Company's stock price at June 30, 2020 compared to March 31, 2020, thus driving a decrease in the value of the derivative instruments. The True-Up Payment was settled in July 2021 with a payment of $66,136.

On April 1, 2020, the Company exchanged the then existing 8% non-convertible notes for 10% convertible notes. Warrants to purchase common stock were also issued in connection with the issuance of the new notes. The Company recorded a $11.8 million loss on the extinguishment of the 8% notes based on the difference in the carrying value of the old notes and the fair value of the new notes and warrants issued.

In connection with the Merger, the Company obtained warrants to purchase 186,101 shares of Sonnet at $0.001 per share. The share price of Sonnet has decreased since the Merger and a loss on investment of $124,166 and $120,460 was recognized for the three and six month periods ended June 30, 2021, respectively. The Company also recognized a loss on investment of $953,033 during the three and six month periods ended June 30, 2020. This instrument will continue to be recorded at fair value until the warrants are exercised and the underlying common stock security is sold.

During the three and six months ended June 30, 2021, the Company recognized gains of $275,164 and $318,519 on the extinguishment of lease liabilities. No such gains were recorded in the comparable 2020 periods.

Other income was $143,942 and $146,558 for the three and six months ended June 30, 2021, respectively, compared to other expense of $70,748 and other income of $176,308 during the three and six month comparative periods in 2020. Other income for the three and six months ended June 30, 2021, includes the reversal of liabilities of approximately $180,609 from accounts no longer deemed payable. During the three and six months ended June 30, 2020, other income and expense was driven by a change in impairment valuation of operating lease assets and operating lease liabilities in the amount of a decrease of $70,748 and an increase of $224,317.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2021, COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2020

	Six Months Ended	
	June 30, 2021	June 30, 2020
Net cash used in operating activities	$ (1,346,396)	$ (3,265,722)
Net cash used in investing activities	(14,899)	(27,740)
Net cash provided by financing activities	1,947,102	7,028,478
Effect of foreign currency exchange rates	9,065	(34,628)
	$ 594,872	$ 3,700,388

Cash used in operating activities was approximately $1.3 million for the six months ended June 30, 2021. The use of cash in the six months ended June 30, 2021, was primarily attributable to the net loss of $2.4 million and non-cash income of $0.3 million from a gain on extinguished lease liabilities and a fair value adjustment to a derivative of $0.1 million offset by non-cash charges to operations of $1.3 million for asset impairments and $1.2 million for depreciation and amortization. Additionally, the Company recognized a loss on investments of $0.1 million and non-cash expense of $0.1 million related to the amortization of debt discounts. The balance of the change in cash flows from operating activities was related to net movements in asset and liability accounts.

Cash used in operating activities was approximately $3.3 million for the six months ended June 30, 2020. This use of cash was driven by a significant reduction in accounts payable and accrued expenses, the paydown of payroll tax liabilities, and the prepayment of insurance premiums for 2020 as a result of the Merger with Sonnet.

Cash used in investing activities in the six months ended June 30, 2021, and June 30, 2020, was attributable to expenditures on property and equipment.

Cash provided by financing activities for the six months ended June 30, 2021, was approximately $2.0 million compared to cash provided by financing activities of approximately $7.0 million for the six months ended June 30, 2020. Cash provided by financing activities during 2021 resulted from proceeds from a $2.0 million PPP loan. The primary drivers of the cash provided by financing activities during 2020 were proceeds from the bridge preferred equity investment, the exercise of warrants, and the Merger Consideration received of $5.4 million.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity, Capital Resources and Going Concern

As of June 30, 2021, our cash balance was $2.5 million, of which $0.4 million was restricted cash, our working capital deficiency was $15.5 million and we had significant near-term commitments and contractual obligations. The level of additional cash needed to fund operations and our ability to conduct business for the next 12 months will be influenced primarily by the following factors:

- our ability to access the capital and debt markets to satisfy current obligations and operate the business;
- our ability to qualify for and access financial stimulus programs available through federal and state government programs;
- our ability to refinance or otherwise extend maturities of current debt obligations;
- our ability to manage our operating expenses and maintain gross margins;
- popularity of and demand for our fast-casual dining concepts; and
- general economic conditions and changes in consumer discretionary income.

We have typically funded our operating costs, acquisition activities, working capital requirements and capital expenditures with proceeds from the issuances of our common stock and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, and other forms of external financing.

On March 10, 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The COVID-19 outbreak in the United States has resulted in a significant impact throughout the hospitality industry that have continued through June 30, 2021. The Company has been impacted due to restrictions placed by state and local governments that caused temporary restaurant closures or significantly reduced the Company's ability to operate, restricting some of the Company's restaurants to take-out only. It is difficult to estimate the length or severity of this outbreak; however, the Company has made operational changes, as needed, to reduce the impact.

As Amergent executes its business plan over the next 12 months, it intends to carefully monitor the impact of its working capital needs and cash balances relative to the availability of cost-effective debt and equity financing. In the event that capital is not available, Amergent may then have to scale back or freeze its operations plans, sell assets on less than favorable terms, reduce expenses, and/or curtail future acquisition plans to manage its liquidity and capital resources.

The Company's current operating losses, combined with its working capital deficit and uncertainties regarding the impact of COVID-19, raise substantial doubt about our ability to continue as a going concern.

In addition, our business is subject to additional risks and uncertainties, including, but not limited to, those described in Item 1A. "Risk Factors."

The consolidated and combined financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We evaluated, under the supervision and with the participation of the principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act")) as of June 30, 2021, the end of the period covered by this Report. Based on this evaluation, our Chairman, President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer) have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level at June 30, 2021 because of the material weakness in the Company's internal control over financial reporting that existed at December 31, 2020 that has not been fully remediated by the end of the three month period ended June 30, 2021.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a 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. Controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Changes in Internal Control over Financial Reporting

Other than the material weakness and remediation activities discussed below, there were no changes in our internal control over financial reporting during the three months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Material Weakness in Internal Control over Financial Reporting

Material Weaknesses. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified the following deficiency in its internal control over financial reporting:

- We identified a deficiency related to our financial close process including maintaining a sufficient complement of personnel commensurate with our accounting and financial reporting requirements as well as development and extension of controls over the recording of journal entries and proper cut-off of accounts payable and accrued expenses at period end.

Management determined that the deficiency could potentially result in a material misstatement of the consolidated and combined financial statements in a future annual or interim period that would not be prevented or detected. Therefore, the deficiency constitutes a material weakness in internal control.

Remediation Plans

The Company is committed to remediating its material weaknesses as promptly as possible. Implementation of the Company's remediation plans has commenced and is being overseen by the audit committee. As part of its remediation efforts, the Company hired two third party accounting firms with technical accounting experience during 2020 to support management to ensure accurate reporting. Further, the Company is in the process of designing and implementing procedures for control over the segregation of duties for the preparation of, approval and recording of journal entries and procedure to obtain the proper cut-off of accounts payable and accrued expenses in a period. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Even effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock and we could fail to meet our financial reporting obligations.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

Various subsidiaries of Amergent are delinquent in payment of payroll taxes to taxing authorities. As of June 30, 2021, approximately $2.5 million of employee and employer taxes (including estimated penalties and interest) was accrued but not remitted in years prior to 2019 to certain taxing authorities by certain of these subsidiaries for cash compensation paid. As a result, these subsidiaries are liable for such payroll taxes. These subsidiaries have received warnings and demands from the taxing authorities and management is prioritizing and working with the taxing authorities to make these payments in order to avoid further penalties and interest. Failure to remit these payments promptly could result in increased penalty fees.

During 2020 and 2021 the Company was in arrears on rent due on several of its leases as a result of the COVID-19 pandemic. As a result, the Company has pending litigation related to 10 sites of which 5 have permanently closed. The outcome of this litigation could result in the permanent closure of additional restaurant locations as well as the possibility of the Company being required to pay interest and damages, modify certain leases on unfavorable terms and could result in material impairments to the Company's assets.

The Company entered into a promissory note to repay a contractor for the build-out of a new Little Big Burger location. The note has a balance of $348,269, and a stated interest rate of 12% per year. In connection with and prior to the Merger and Spin-Off, on April 1, 2020, this note was assumed by Amergent. The Company is currently in default on this loan and a writ of garnishment was ordered against the Company in 2020 for approximately $445,000.

From time to time, the Company may be involved in other legal proceedings and claims that have arisen in the ordinary course of business are generally covered by insurance. As of June 30, 2021, the Company does not expect the amount of ultimate liability with respect to these matters to be material to the Company's financial condition, results of operations or cash flows.

ITEM 1A: RISK FACTORS

We have identified a material weakness in our internal control and procedures and internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. We have re-evaluated our internal control over financial reporting and our disclosure controls and procedures and concluded that they were not effective as of June 30, 2021, and we concluded there was a material weakness in the design of our internal control over financial reporting.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a deficiency related to our financial close process including maintaining a sufficient compliment of personnel commensurate with our accounting and financial reporting requirements, as well as development and extension of controls over the recording of journal entries and proper cutoff of accounts payable and accrued expenses at period end and in assessing agreements and the accounting treatment required to record the agreements correctly in the financial records.

Management determined that the deficiency could potentially result in a material misstatement of the consolidated and combined financial statements in a future annual or interim period that would not be prevented or detected. Therefore, the deficiency constitutes a material weakness in internal control.

Remediation Plans

We initiated several steps to evaluate and implement measures designed to improve our internal control over financial reporting in order to remediate the control deficiencies noted above, including recruitment of an accounting consultant and seeking outside advice from other third-party consultants to assist in improving the Company's internal control, simplify its reporting processes and reduced the risk of undetected errors. In June 2020, the Company hired an accounting consultant that has appropriate expertise in accounting and reporting under U.S. GAAP and SEC regulations and has allowed the Company to be better aligned with segregation of duties. With the hiring of this consultant, the Company will be instituting monthly and quarterly meetings to identify significant, infrequent and unusual transactions as well as ensure timely reporting. Additionally, in September 2020 the Company engaged a third-party accounting and advisory firm to assist with, among other areas, the analysis of complex, infrequent and unusual transactions as well as provide valuation services to the Company.

The Chief Financial Officer has initiated a preliminary assessment of management's internal control over financial reporting in accordance with the 2013 integrated framework, as prescribed by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO.

Inherent Limitations on Effectiveness of Controls

An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and, therefore, can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

We may not be entitled to forgiveness of our recently received Paycheck Protection Program Loans, and our application for the Paycheck Protection Program Loans could in the future be determined to have been impermissible.

On March 27, 2020, Congress passed "The Coronavirus Aid, Relief, and Economic Security Act" (CARES Act), which included the "Paycheck Protection Program" (PPP) for small businesses. On April 27, 2020, Amergent received a PPP loan of $2.1 million. Due to the Spin-Off and Merger, Amergent was not publicly traded at the time of the loan application or funding. The note bears interest at 1% per year, matures in April 2022, and requires monthly interest and principal payments of approximately $119,000 beginning in November 2020 and through maturity.

On February 25, 2021, the Company received a second loan of $2.0 million under the PPP. Amergent is not listed on a national securities exchange. The note bears interest at 1% per year, matures on February 25, 2026, and requires monthly principal and interest payments of approximately $44,660 beginning June 25, 2022, through maturity. The loan may be forgiven if certain criteria are met. The currently issued guidelines of the program allow for the loan proceeds to be forgiven if certain requirements are met. Any loan proceeds not forgiven will be repaid in full. Amergent applied for forgiveness of the first loan and the application is under review by the government agency administering the PPP. No assurance can be given as to the amount, if any, of forgiveness. The application for forgiveness allowed the Company to defer the timing of repayment until the forgiveness assessment is completed.

We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, and we cannot provide any assurance that we will be eligible for loan forgiveness, that we will apply for forgiveness, or that any amount of the PPP Loans will ultimately be forgiven by the SBA. In order to apply for the PPP Loans, we were required to certify, among other things, that the current economic uncertainty made the PPP Loans request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, the maintenance of our workforce, our need for additional funding to continue operations, and our ability to access alternative forms of capital in the current market environment to offset the effects of the COVID-19 pandemic. Following this analysis, we believe that we satisfied all eligibility criteria for the PPP Loans, and that our receipt of the PPP Loans is consistent with the broad objectives of the CARES Act. The certification described above is subject to interpretation. On April 23, 2020, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good-faith belief that given our circumstances we satisfied all eligible requirements for the PPP Loans, we are later determined to have not been in compliance with these requirements or it is otherwise determined that we were ineligible to receive the PPP Loans, we may be required to repay the PPP Loans in their entirety and/or be subject to additional penalties. Should we be audited or reviewed by federal or state regulatory authorities as a result of filing an application for forgiveness of the PPP Loans or otherwise, such audit or review could result in the diversion of management's time and attention and the incurrence of additional costs. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

Various subsidiaries of the Company are delinquent in payment of payroll taxes to taxing authorities prior to the previous year when previous management was in place, and a failure to remit these payments promptly or through settlements could have a material adverse effect on our business, financial condition and results of operations.

As of June 30, 2021, approximately $2.5 million of employee and employer taxes (including estimated penalties and interest) has been accrued but not remitted in years prior to 2019 to certain taxing authorities by certain subsidiaries of the Company for cash compensation paid. As a result, these subsidiaries of the Company are liable for such payroll taxes. These various subsidiaries of the Company have received warnings and demands from the taxing authorities and management is prioritizing and working with the taxing authorities to make these payments in order to avoid further penalties and interest. Failure to remit these payments promptly could result in increased penalty fees and have a material adverse effect on our business, financial condition, and results of operations.

Defaults and closures under restaurant leases as a result of the COVID-19 pandemic could result in material impairments to the Company's assets.

If an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations. These potential increased occupancy costs and closed restaurants could have a material adverse effect on our business, financial condition and results of operations.

We are not contractually obligated to guarantee leasing arrangements between franchisees and their landlords.

During 2020 and 2021 the Company was in arrears on rent due on several of its leases as a result of the COVID-19 pandemic. The Company had lease liabilities of approximately $2.8 million related to abandoned leases at June 30, 2021. As a result, the Company has pending litigation related to 10 sites of which 5 have permanently closed. The outcome of this litigation could result in the permanent closure of additional restaurant locations as well as the possibility of the Company being required to pay interest and damages, modify certain leases on unfavorable terms and could result in material impairments to the Company's assets.

During the six months ended June 30, 2021, $0.3 million of lease liabilities were derecognized due to the Company negotiating the cancellation of its obligations under certain lease agreements. The cancellations resulted from the COVID-19 pandemic.

Pandemics or disease outbreaks, such as the recent outbreak of the novel coronavirus (COVID-19 virus), have disrupted, and may continue to disrupt, our business, and have materially affected our operations and results of operations.

Pandemics or disease outbreaks such as the novel coronavirus (COVID-19 virus) have and may continue to have a negative impact on customer traffic at our restaurants, may make it more difficult to staff our restaurants and, in more severe cases, may cause a temporary inability to obtain supplies and/or increase to commodity costs and have caused closures of affected restaurants, sometimes for prolonged periods of time. We have temporarily shifted to a "to-go" only operating model, suspending sit-down dining. We have also implemented closures, modified hours or reductions in onsite staff, resulting in cancelled shifts for some of our employees. COVID-19 may also materially adversely affect our ability to implement our growth plans, including delays in construction of new restaurants, or adversely impact our overall ability to successfully execute our plans to enter into new markets. These changes have negatively impacted our results of operations, and these and any additional changes may materially adversely affect our business or results of operations in the future, and may impact our liquidity or financial condition, particularly if these changes are in place for a significant amount of time. In addition, our operations could be further disrupted if any of our employees or employees of our business partners were suspected of having contracted COVID19 or other illnesses since this could require us or our business partners to quarantine some or all such employees or close and disinfect our impacted restaurant facilities. If a significant percentage of our workforce or the workforce of our business partners are unable to work, including because of illness or travel or government restrictions in connection with pandemics or disease outbreaks, our operations may be negatively impacted, potentially materially adversely affecting our business, liquidity, financial condition or results of operations. Furthermore, such viruses may be transmitted through human contact, and the risk of contracting viruses could continue to cause employees or guests to avoid gathering in public places, which has had, and could further have, adverse effects on our restaurant guest traffic or the ability to adequately staff restaurants, in addition to the measures we have already taken with respect to shifting to a "to-go" only operating model. We could also be adversely affected if government authorities continue to impose restrictions on public gatherings, human interactions, operations of restaurants or mandatory closures, seek voluntary closures, restrict hours of operations or impose curfews, restrict the import or export of products or if suppliers issue mass recalls of products. Additional regulation or requirements with respect to the compensation of our employees could also have an adverse effect on our business. Even if such measures are not implemented and a virus or other disease does not spread significantly within a specific area, the perceived risk of infection or health risk in such area may adversely affect our business, liquidity, financial condition and results of operations. The COVID-19 pandemic and mitigation measures have also had an adverse impact on global economic conditions, which could have an adverse effect on our business and financial condition. Our revenue and operating results may be affected by uncertain or changing economic and market conditions arising in connection with and in response to the COVID-19 pandemic, including prolonged periods of high unemployment, inflation, deflation, prolonged weak consumer demand, a decrease in consumer discretionary spending, political instability or other changes. The significance of the operational and financial impact to us will depend on how long and widespread the disruptions caused by COVID-19, and the corresponding response to contain the virus and treat those affected by it, prove to be. Currently, many states and municipalities in the U.S. and abroad have temporarily suspended the operation of restaurants in light of COVID-19.

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

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

Series 2 Preferred Stock

Amergent was required to pay the original holder an amount in cash equal to the dollar value of 125% of the stated value of the Series 2 Preferred Stock less the proceeds previously realized by the holder from the sale of all conversion and spin-off shares received by the original holder in Amergent, net of brokerage commissions and any other fees incurred by the holder in connection with the sale of any conversion shares or spin-off shares on April 1, 2021 (which period was extended). The True-Up Payment was settled in July 2021 with a payment of $66,136, and the cash account is no longer subject to restriction for this matter.

During the six months ended June 30, 2021, the investors converted 637 shares of the Series 2 Preferred Stock into 1,274,000 common shares and sold those common shares in the market. In addition, the investors sold their remaining 150 Series 2 Preferred Stock to other investors. The new investors converted 50 shares of Series 2 Preferred Stock into common stock during May 2021, and 100 Series 2 Preferred Stock remain outstanding at June 30, 2021.

ITEM 6: EXHIBITS

Exhibit No.	Description
4.1**	2021 Amergent Hospitality Group Inc. Inducement Plan, as amended, incorporated by reference to Exhibit 4.4 to Amergent's Registration Statement on Form S-8, File No. 333-258345, as filed August 2, 2021
10.1**	Amended and Restated Employment Agreement by and between Frederick L. Glick and Amergent Hospitality Group Inc. effective July 1, 2021, incorporated by reference to Amergent's Current Report on Form 8-K dated July 15, 2021
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), filed herewith.
32.1***	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b), filed herewith.
32.2***	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b), filed herewith.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

** Management Compensatory Contract or Arrangement

*** Furnished, not filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on August [ ], 2021.

AMERGENT HOSPITALITY GROUP INC.

Date: August 16, 2021

By: */s/ Michael D. Pruitt*

Michael D. Pruitt
Chief Executive Officer
(Principal Executive Officer)

/s/ Steven Hoelscher

Steven Hoelscher
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Pruitt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (“Report”) for the period ended June 30, 2021, of Amergent Hospitality Group 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 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 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: August 16, 2021

/s/ Michael D. Pruitt
Michael D. Pruitt
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Steven Hoelscher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q ("Report") for the period ended June 30, 2021, of Amergent Hospitality Group 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 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 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: August 16, 2021

/s/ Steven Hoelscher
Steven Hoelscher
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Amergent Hospitality Group Inc., a Delaware corporation (the "Company") for the period ending June 30, 2021 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), Michael D. Pruitt, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

August 16, 2021	*/s/ Michael D. Pruitt*
	Michael D. Pruitt Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Amergent Hospitality Group Inc., a Delaware corporation (the “Company”) for the period ending June 30, 2021 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), Steven Hoelscher, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

August 16, 2021

/s/ Steven Hoelscher

Steven Hoelscher
Chief Financial Officer
(Principal Financial Officer)