

**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 September 30, 2022

☐ 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: 000-56160

AMERGENT HOSPITALITY GROUP INC.

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

84-4842958

(IRS Employer
Identification Number)

7529 Red Oak Lane

Charlotte, NC

(Address of Principal Executive Offices)

28226

(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 November 15, 2022, was 15,706,736 shares.

Amergent Hospitality Group Inc. and Subsidiaries

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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:

- We have a history of operating losses, and our estimates regarding the sufficiency of our cash resource and capital requirements and needs for additional financing raise substantial doubt about our ability to continue as a going concern;
- We may not be able to extend or repay our indebtedness owed to our secured lenders, which would have a material adverse effect on our financial condition and ability to continue as a going concern;
- We require additional financing to support our working capital and execute our operating plans for fiscal 2022 and 2023, which may not be available or may be costly and dilutive;
- Decline in global financial markets, inflation and economic downturn;
- Continuing impact of 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;
- The risks associated with leasing space subject to long-term non-cancelable leases;
- Breaches of security of confidential consumer information related to our electronic processing of credit and debit card transactions;
- Whether or not we will receive forgiveness of our second Paycheck Protection Program loans;
- We may be unable to reach agreements with various taxing authorities on payment plans to pay off back taxes;
- Difficulties as acquired restaurants are integrated into our operations and failure to realize anticipated synergies;
- 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; and
- Sale of common stock or derivative securities by us in private placements or public offerings as well as the conversion of existing debt securities could result in substantial dilution to our existing stockholders.

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
Unaudited Financial Statements
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Amergent Hospitality Group Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
(in thousands except share and per share data)	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 704	\$ 646
Restricted cash	—	1,672
Investments	13	50
Accounts and other receivables	861	865
Inventories	205	182
Prepaid expenses and other current assets	372	360
TOTAL CURRENT ASSETS	2,155	3,775
Property and equipment, net	3,222	3,115
Operating lease assets	7,630	8,021
Intangible assets, net	2,932	3,129
Goodwill	7,810	7,810
Investments	16	16
Deposits and other assets	355	352
TOTAL ASSETS	\$ 24,120	\$ 26,218
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,122	\$ 6,844
Current portion of long-term debt and notes payable (includes debt measured at fair value of \$893 and debt discounts of \$196 at September 30, 2022)	3,648	3,264
Current portion of operating lease liabilities	4,050	4,599
Deferred grant income	—	1,545
TOTAL CURRENT LIABILITIES	15,820	16,252
Operating lease liabilities, net of current portion	8,239	8,644
Contract liabilities	72	757
Deferred tax liabilities	150	150
Long-term debt and notes payable, net of current portion (includes debt measured at fair value of \$599 December 31, 2021)	7,745	6,593
TOTAL LIABILITIES	32,026	32,396
Commitments and contingencies (see Note 12)		
Convertible Preferred Stock: Series 2: \$1,000 stated value; authorized 1,500 shares; 100 issued and outstanding at both September 30, 2022 and December 31, 2021	58	58
Stockholders' Deficit:		
Common stock: \$0.0001 par value; authorized 50,000,000 shares; 15,706,736 shares issued and outstanding at both September 30, 2022 and December 31, 2021	2	2
Additional paid-in-capital	93,162	92,882
Accumulated deficit	(99,865)	(97,963)
Total Amergent Hospitality Group Inc. Stockholders' Deficit	(6,701)	(5,079)
Non-controlling interests	(1,263)	(1,157)
TOTAL STOCKHOLDERS' DEFICIT	(7,964)	(6,236)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	\$ 24,120	\$ 26,218

See accompanying notes to the condensed consolidated financial statements

Amergent Hospitality Group Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021 (Restated)	September 30, 2022	September 30, 2021 (Restated)
(in thousands except share and per share data)				
Revenue:				
Restaurant sales, net	\$ 5,176	\$ 5,627	\$ 15,257	\$ 15,288
Gaming income, net	109	136	357	304
Franchise income	116	116	1,013	315
Total revenue	5,401	5,879	16,627	15,907
Expenses:				
Restaurant cost of sales	1,675	1,850	4,868	4,783
Restaurant operating expenses	4,162	3,400	11,320	10,100
General and administrative expenses	1,206	1,381	4,348	3,756
Asset impairment charges	—	—	—	1,288
Depreciation and amortization	170	214	593	673
Employee retention credit and other grant income	(373)	(1,232)	(2,208)	(2,705)
Total expenses	6,840	5,613	18,921	17,895
Operating (loss) income	(1,439)	266	(2,294)	(1,988)
Other income (expense):				
Interest expense	(230)	(166)	(641)	(482)
Change in fair value of derivative liabilities	—	—	—	119
Change in fair value of investment	(22)	(100)	(38)	(221)
Change in fair value of convertible promissory note	35	—	206	—
Gain on extinguished/settled lease liabilities	—	67	256	385
Gain on extinguished trade payable	—	—	161	—
Other income	33	(9)	344	165
Total other income	(184)	(208)	288	(34)
(Loss) income before income taxes	(1,623)	58	(2,006)	(2,022)
Income tax expense	—	(45)	(2)	(45)
Consolidated net (loss) income	(1,623)	13	(2,008)	(2,067)
Less: Net (income) loss attributable to non-controlling interests	150	(5)	107	99
Net (loss) income attributable to Amergent Hospitality Group Inc.	\$ (1,473)	\$ 8	\$ (1,901)	\$ (1,968)
Net (loss) income attributable to Amergent Hospitality Group Inc. per common share, basic	\$ (0.09)	\$ 0.00	\$ (0.12)	\$ (0.13)
Net (loss) income attributable to Amergent Hospitality Group Inc. per common share, diluted	\$ (0.09)	\$ 0.00	\$ (0.12)	\$ (0.13)
Weighted average shares outstanding, basic	15,706,736	15,685,540	15,706,736	15,167,688
Weighted average shares outstanding, diluted	15,706,736	17,685,540	15,706,736	15,167,688

See accompanying notes to the condensed consolidated financial statements

Amergent Hospitality Group Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss (Unaudited)

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Restated)		(Restated)
(in thousands)				
Net (loss) income attributable to Amergent Hospitality Group Inc.	\$ (1,473)	\$ 8	\$ (1,901)	\$ (1,968)
Foreign currency translation loss	—	(34)	—	(19)
Comprehensive loss	\$ (1,473)	\$ (26)	\$ (1,901)	\$ (1,987)

See accompanying notes to the condensed consolidated financial statements

Amergent Hospitality Group Inc. and Subsidiaries
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit
Three and Nine months Ended September 30, 2022 and 2021 (Unaudited)

(in thousands except share data)	(Temporary equity) Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non- Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Interests	
Balance, January 1, 2022	100	\$ 58	15,706,736	\$ 2	\$ 92,882	\$ (97,963)	\$ —	\$ (1,157)	\$ (6,236)
Share-based compensation expense	—	—	—	—	6	—	—	—	6
Issuance of warrants	—	—	—	—	263	—	—	—	263
Net loss	—	—	—	—	—	(27)	—	(1)	(28)
Balance, March 31, 2022	100	58	15,706,736	2	93,151	(97,990)	\$ —	(1,158)	(5,995)
Share-based compensation expense	—	—	—	—	5	—	—	—	5
Net loss	—	—	—	—	—	(402)	—	45	(357)
Balance, June 30, 2022	100	\$ 58	15,706,736	\$ 2	\$ 93,156	\$ (98,392)	\$ —	\$ (1,113)	\$ (6,347)
Share-based compensation expense	—	—	—	—	6	—	—	—	6
Net loss	—	—	—	—	—	(1,473)	—	(150)	(1,623)
Balance, September 30, 2022	100	\$ 58	15,706,736	\$ 2	\$ 93,162	\$ (99,865)	\$ —	\$ (1,263)	\$ (7,964)

(in thousands except share data, restated)	(Temporary equity) Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Non- Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Interests	
Balance, January 1, 2021	787	\$ 460	14,282,736	\$ 1	\$ 92,433	\$ (94,587)	\$ (26)	\$ (970)	\$ (3,149)
Conversion of preferred stock into common stock	(125)	(73)	250,000	—	73	—	—	—	73
Foreign currency translation	—	—	—	—	—	—	9	—	9
Net loss	—	—	—	—	—	(2,412)	—	(165)	(2,577)
Balance, March 31, 2021	662	387	14,532,736	1	92,506	(96,999)	(17)	(1,135)	(5,644)
Conversion of preferred stock into common stock	(562)	(329)	1,124,000	1	328	—	—	—	329
Foreign currency translation	—	—	—	—	—	—	7	—	7
Net income	—	—	—	—	—	437	—	60	497
Balance, June 30, 2021	100	\$ 58	15,656,736	\$ 2	\$ 92,834	\$ (96,562)	\$ (10)	\$ (1,075)	\$ (4,811)
Issuance of common stock for services	—	—	50,000	—	27	—	—	—	27
Share-based compensation expense	—	—	—	—	15	—	—	—	15
Foreign currency translation	—	—	—	—	—	—	(34)	—	(34)
Non-controlling interest distributions	—	—	—	—	—	—	—	(45)	(45)
Net-income (loss)	—	—	—	—	—	8	—	5	13
Balance, September 30, 2021	100	\$ 58	15,706,736	\$ 2	\$ 92,876	\$ (96,554)	\$ (44)	\$ (1,115)	\$ (4,835)

See accompanying notes to the condensed consolidated financial statements

Amergent Hospitality Group Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine months ended	
	September 30, 2022	September 30, 2021 (Restated)
(in thousands)		
Cash flows from operating activities:		
Net loss	\$ (2,008)	\$ (2,067)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	593	673
Amortization of operating lease assets	994	468
Asset impairment charges	—	1,288
Gain on extinguished/settled lease liabilities	(256)	(385)
Gain on extinguished trade payable	(161)	—
Share-based compensation	17	15
Change in fair value of investment	38	221
Change in fair value of convertible promissory note	(206)	—
Amortization of debt discount	245	134
Issuance of common stock for services	—	27
Change in fair value of derivative liabilities	—	(119)
Change in operating assets and liabilities:		
Accounts and other receivables	4	255
Inventories	(23)	38
Prepaid expenses and other assets	(15)	(4)
Accounts payable and accrued expenses	1,334	(2,283)
Deferred grant income	(1,545)	(51)
Deferred rent	—	(42)
Derivative liability	—	(66)
Operating lease liabilities	(1,557)	(861)
Contract liabilities	(685)	(54)
Net cash flows used in operating activities	<u>(3,231)</u>	<u>(2,814)</u>
Cash flows from investing activities:		
Cash and restricted acquired in connection with acquisition of PizzaRev	—	2,071
Purchase of property and equipment	(230)	(32)
Proceeds from sale of investments	—	118
Net cash flows used in investing activities	<u>(230)</u>	<u>2,157</u>
Cash flows from financing activities:		
Proceeds from long-term debt and notes payable	2,147	2,000
Payments of long-term debt and notes payable	(292)	(54)
Payment of financing cost	(8)	—
Distribution to non-controlling interest	—	(45)
Net cash flows provided by financing activities	<u>1,847</u>	<u>1,901</u>
Effect of exchange rate changes on cash	<u>—</u>	<u>(13)</u>
Net (decrease) increase in cash and restricted cash, including cash classified as current assets held for sale	<u>(1,614)</u>	<u>1,231</u>
Less: cash classified in current assets held for sale	<u>—</u>	<u>(111)</u>
Net increase in cash and restricted cash	<u>(1,614)</u>	<u>1,121</u>
Cash and restricted cash, beginning of period	<u>2,318</u>	<u>1,929</u>
Cash and restricted cash, end of period	<u>\$ 704</u>	<u>\$ 3,050</u>
Supplemental cash flow information:		
Cash paid for interest and income taxes		
Interest	\$ 494	\$ 321
Income taxes	<u>\$ 28</u>	<u>\$ —</u>
Non-cash operating, investing and financing activities:		
Conversion of Preferred Series 2 stock to common stock	\$ —	\$ 401
Change in operating lease assets and liabilities due to amended leases	\$ 607	\$ —
Issuance of warrants in connection with convertible promissory notes	\$ 263	\$ —
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 273	\$ —
Issuance of convertible promissory note as part of PizzaRev acquisition	—	1,194
Initial value of ROU asset and liability recorded at inception	—	131
Details of end of period cash and restricted cash:		
Cash	\$ 704	\$ 1,101
Restricted cash	—	1,949
Total cash and restricted cash	<u>\$ 704</u>	<u>\$ 3,050</u>

See accompanying notes to the condensed consolidated financial statements

Amergent Hospitality Group Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

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 Chanticleer’s completion of its merger transaction (the “Merger”) with Sonnet BioTherapeutics, Inc. (“Sonnet”). Amergent is in the business of owning, operating and franchising fast casual dining concepts.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Amergent and its subsidiaries (collectively “we,” “us,” “our,” or the “Company”). All intercompany and inter-entity balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States (“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”).

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 the valuation of options, warrants and convertible notes payable using Black-Scholes and Monte Carlo models, and 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.

Certain prior year amounts have been updated to conform to the current period presentation, (see Note 14). The Company has opted to present the financial information on the condensed consolidated balance sheets and condensed consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders’ deficit and cash flows in thousands.

General

The accompanying condensed consolidated 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 financial statements have not been audited. The condensed consolidated balance sheet as of December 31, 2021 has been derived from the audited consolidated financial statements as of December 31, 2021 and for the year then ended included in Amergent’s Annual Report on Form 10-K filed with the SEC on April 15, 2022. The results of operations for the three and nine-month periods ended September 30, 2022 are not necessarily indicative of the operating results for the full year ending December 31, 2022.

Certain information and footnote disclosures normally included in consolidated 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 financial statements and notes thereto included in Amergent’s Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 Form 10-K”) previously filed with the SEC.

There have been no changes to our significant accounting policies described in our 2021 Form 10-K that would have had a significant impact on these unaudited condensed consolidated financial statements and related notes.

Liquidity, Capital Resources and Going Concern

As of September 30, 2022, the Company's cash balance was \$0.7 million, its working capital deficiency was \$13.7 million, 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 and other financing arrangements, including convertible debt, lines of credit, notes payable, capital leases, government stimulus funds and other forms of external financing.

The Company expects to have to seek additional debt or equity funding to support operations and there can be no assurances that such funding would be available at commercially reasonable terms, if at all.

As Amergent executes its business plan over the next 12 months, it intends to carefully monitor 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 growth 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, raise substantial doubt about its ability to continue as a going concern. The accompanying condensed consolidated 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. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2021, the FASB issued ASU 2021-04, *Earnings per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges or Freestanding Equity-Classified Written Call Options*. The pronouncement outlines how an entity should account for modifications made to equity-classified written call options, including stock options and warrants to purchase the entity's own common stock. The guidance in the ASU requires an entity to treat a modification of an equity classified option that does not cause the option to become liability-classified as an exchange of the original option for a new option. This guidance applies whether the modification is structured as an amendment to the terms and conditions of the equity-classified written call option or as termination of the original option and issuance of a new option. The guidance is effective prospectively for fiscal years beginning after December 15, 2021. The Company adopted this guidance on January 1, 2022, and it did not have a material effect on the condensed consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic ASC 832): Disclosures by Business Entities about Government Assistance*. This standard requires disclosures about transactions with a government that have been accounted for by analogizing to a grant or contribution accounting model to increase transparency about the types of transactions, the accounting for the transactions, and the effect of the transactions on an entity's financial statements. The new standard is effective for annual periods beginning after December 15, 2021. The Company early adopted this guidance on January 1, 2022, and it did not have a material effect on the condensed consolidated financial statements.

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 financial statements.

3. EMPLOYEE RETENTION CREDIT AND RESTAURANT REVITALIZATION FUND

Employee Retention Credit

The Employee Retention Credit ("ERC") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") is a refundable tax credit which encouraged businesses to keep employees on the payroll during the COVID-19 pandemic. Although the program ended on January 1, 2022, the Company performed an analysis during the nine months ended September 30, 2022 and determined that it was eligible for additional credits related to 2021 wages. As of each of September 30, 2022 and December 31, 2021, approximately \$0.8 million of ERC is included in accounts and other receivables in the condensed consolidated balance sheets. For the three and nine months ended September 30, 2022 the Company recognized \$-0- and \$.7 million, and for the three and nine months ended September 30, 2021, the Company recognized \$1.2 million and \$2.7 million, respectively, of ERC as a contra-expense included in employee retention credit and other grant income in the condensed consolidated statements of operations.

In addition to the ERC, the Company received credits under other government/government agency programs of approximately \$-0- and \$128,000 for the three and nine months ended September 30, 2021, respectively, of which approximately \$-0- and \$41,000 and \$112,000 and \$44,000 were recorded as an offset to restaurant operating expenses and as other income, respectively, in the condensed consolidated statements of operations.

Restaurant Revitalization Fund

The American Rescue Plan Act established the Restaurant Revitalization Fund ("RRF") to provide funding to help restaurants and other eligible businesses keep their doors open. This program provided restaurants with funding equal to their pandemic-related revenue loss up to \$10.0 million per business and no more than \$5.0 million per physical location. Recipients are not required to repay the funding as long as funds are used for eligible uses no later than March 11, 2023. In 2021 and prior to its acquisition by the Company in August 2021, Pie Squared Holdings (see Note 9) received a grant under the U.S. Small Business Administration's ("U.S. SBA") RRF for approximately \$10.0 million. The proceeds received were mainly used to repay existing debt and to also pay operating expenses. The unused funds received under the RRF at closing of the acquisition were \$2.0 million, and these funds were placed into escrow for the benefit of the Company for working capital to be used solely in the operations of the acquired business. Restricted cash and a deferred grant income liability were recorded for the unused proceeds from the RRF, and grant income is being recognized as the Company expends the funds on eligible costs incurred under the RRF post acquisition. As of September 30, 2022 and December 31, 2021, the Company had restricted cash of nil and \$1.7 million, respectively, related to the unused proceeds from the RRF. For the three and nine months ended September 30, 2022, the Company recognized \$0.4 million and \$1.5 million, respectively, related to the RRF as a contra-expense included in employee retention credit and other grant income and in the condensed consolidated statements of operations. As of September 30, 2022 all RRF funds were utilized.

The Company periodically would submit to the escrow agent for the acquisition the planned uses of these funds, and the sellers had the right to review the planned uses to determine whether, in the sellers' opinion, the planned uses met the criteria of "eligible uses" under the RRF. If determined to not meet such criteria, then the escrow agent would not distribute that portion of the request. As the Company acquired all the outstanding membership interests in Pie Squared Holdings, the Company is now responsible that the grant proceeds were, in fact, properly obtained and disbursed for "eligible uses." If it is determined that Pie Squared Holdings obtained the grant improperly or that disbursements of such grant monies were not "eligible uses," then the Company would be responsible for the ramifications of such actions, including repayment of the approximately \$10.0 million of grant monies, among other items. Management completed its analysis of this contingency and concluded that, through the date at which the condensed consolidated financial statements were available to be issued, a liability does not need to be recorded for this contingency. In connection with the acquisition, the Company obtained an indemnification from the sellers which is inclusive of any matters related to the RRF.

4. REVENUE

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise license fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, as well as upfront development fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement once it is executed. The recognition of initial and renewal license fees is accelerated if the franchise or development agreement is terminated. During the nine months ended September 30, 2022, the Company recognized \$0.7 million of franchise income as a result of the cancellation of its international Master Franchise Agreements. There were no franchise or development agreement terminations during the three months ended September 30, 2022 and 2021 or the nine months ended September 30, 2021.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below reflects the level of the inputs used in the Company's fair value calculations:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
September 30, 2022				
Assets (Note 6)				
Common stock of Sonnet	\$ 16	\$ —	\$ —	\$ 16
Liabilities (Note 9)				
Convertible note payable	\$ —	\$ —	\$ 893	\$ 893
(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
December 31, 2021				
Assets (Note 6)				
Common stock of Sonnet	\$ 50	\$ —	\$ —	\$ 50
Liabilities (Note 9)				
Convertible note payable	\$ —	\$ —	\$ 1,099	\$ 1,099

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, restricted cash, accounts receivable, other receivables, accounts payable, other current liabilities, convertible notes payable (other than the convertible note payable discussed below) 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.

The Company evaluated the convertible note payable issued in connection with the acquisition of Pie Squared Holdings (see Note 9) in accordance with ASC Topic 815, *Derivatives and Hedging*, and determined that the conversion price discount creates a derivative. This derivative was not clearly and closely related to the debt host and was required to be separated and accounted for as a derivative instrument. The Company elected to initially and subsequently measure the convertible note payable at fair value, with changes in fair value recognized in operations.

The estimated fair value of the convertible note payable was determined using a Black-Scholes model and the following assumptions as of September 30, 2022:

Volatility	140.60%
Risk free rate	3.92%
Stock price	\$ 0.08
Credit spread	25.70%

The reconciliation of the convertible note payable measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

(in thousands)	Nine months ended September 30, 2022
Balance at January 1, 2022	\$ 1,099
Change in fair value	(206)
Balance at September 30, 2022	<u>\$ 893</u>

6. INVESTMENTS

Investments consist of the following:

(in thousands)	September 30, 2022	December 31, 2021
Common stock of Sonnet, at fair value ^(a)	\$ 13	\$ 50
Chanticleer Investors, LLC, at cost ^(b)	16	16
Total	<u>\$ 29</u>	<u>\$ 66</u>

(a) Represents the fair value of the common stock of Sonnet held by the Company after its exercise of warrants received in connection with the Merger. As of September 30, 2022, 8,718 shares of Sonnet were held.

(b) Represents the Company's investment in Chanticleer Investors, LLC, which holds an interest in Hooters of America, the operator and franchisor of the Hooters Brand worldwide. As of the dates presented, the Company's effective economic interest in Hooters of America was less than 1%. In March 2022, the Company received a dividend from its investment in Hooters of America of approximately \$0.1 million, which is included in other income for the nine months ended September 30, 2022 in our condensed consolidated statement of operations.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

(in thousands)	September 30, 2022	December 31, 2021
Leasehold improvements	\$ 5,772	\$ 5,511
Restaurant furniture and equipment	2,665	2,768
Construction in progress	—	20
Office and computer equipment	37	33
Office furniture and fixtures	—	57
	8,474	8,389
Accumulated depreciation and amortization	(5,252)	(5,274)
	<u>\$ 3,222</u>	<u>\$ 3,115</u>

Through September 30, 2021, we performed an analysis of the recoverability of the carrying value of our property and equipment. Based on the analysis, an impairment charge of approximately \$0.3 million was recorded for the nine months ended September 30, 2021, which is included in asset impairment charges in our condensed consolidated statements of operations. The impairment recognized during the nine months ended September 30, 2021 was primarily the result of the impact of the COVID-19 outbreak in the United States, which had a significant impact throughout the hospitality industry. The impact varied by state/geographical area within the United States at various intervals during the pandemic and, therefore, the operating results and cash flows at the store level varied significantly. There were no indicators of impairment related to our property and equipment during the nine months ended September 30, 2022.

We recognized depreciation expense of \$0.2 million and \$0.4 million during the three and nine months ended September 30, 2022, respectively, and \$0.3 million and \$0.8 million during the three and nine months ended September 30, 2021, respectively.

8. INTANGIBLE ASSETS, NET

Goodwill

A roll forward of goodwill is as follows:

(in thousands)	Nine months Ended September 30, 2022	Year Ended December 31, 2021
Beginning balance	\$ 7,810	\$ 8,591
Acquisition of Pie Squared Holdings	—	51
Sale of Hooters UK	—	(820)
Foreign currency translation loss	—	(12)
Ending balance	<u>\$ 7,810</u>	<u>\$ 7,810</u>

The Company performed a qualitative assessment at September 30, 2022 based on the best judgment of management for the future of the reporting unit and on information known at the time of the assessment and determined that it was more likely than not that the fair value of its reporting unit exceeded the carrying amount and, therefore, a quantitative assessment was not deemed necessary, and no impairment was recorded to goodwill.

Other Intangible Assets

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

(in thousands)			September 30, 2022	December 31, 2021
Trademark, Tradenames:				
American Roadside Burger	10 years	\$	561	\$ 561
BGR: The Burger Joint	Indefinite		739	739
Little Big Burger	Indefinite		1,550	1,550
PizzaRev	5 years		410	410
			3,260	3,260
Acquired Franchise Rights:				
BGR: The Burger Joint	7 years		828	828
PizzaRev	5 years		410	410
			1,238	1,238
Total intangibles at cost			4,498	4,498
Accumulated amortization			(1,566)	(1,369)
Intangible assets, net		\$	2,932	\$ 3,129

As of September 30, 2021, we performed an analysis of the recoverability of the carrying value of our intangible assets. Based on the analysis, an impairment charge of approximately \$0.3 million was recorded to trademark/tradenames for ABC: American Burger Company for the nine months ended September 30, 2021, and is included in asset impairment charges in our condensed consolidated statements of operations. There were no indicators of impairment related to our intangible assets during the nine months ended September 30, 2022.

We recognized amortization expense of \$0.1 million and \$0.2 million during the three and nine months ended September 30, 2022, respectively, and \$0.01 million and \$0.3 million during the three and nine months ended September 30, 2021, respectively.

Amortization expense for the next five years is as follows (in thousands):

Year ending December 31:		
2022 (remaining three months)	\$	41
2023		164
2024		164
2025		164
2026		110
	\$	643

9. LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt and notes payable are summarized as follows:

(in thousands)	September 30, 2022	December 31, 2021
10% convertible debt (a)	\$ 4,038	\$ 4,038
8% convertible debt (b)	1,350	—
Convertible promissory note (measured at fair value) (c)	893	1,099
PPP loans (d)	4,109	4,109
EIDL loans (e)	300	300
Contractor note (f)	348	348
Notes payable (g)	545	—
Total Debt	11,583	9,894
Less: discount on convertible debt (a), (b)	(190)	(37)
Total Debt, net of discount	\$ 11,393	\$ 9,857
Current portion of long-term debt and notes payable	\$ 3,648	\$ 3,264
Long-term debt and notes payable, less current portion	\$ 7,745	\$ 6,593

- (a) In connection with and prior to the Spin-Off and Merger, on April 1, 2020, pursuant to an agreement among Chanticleer, Oz Rey, LLC (“Oz Rey”) and certain original holders of the 8% non-convertible debentures that were satisfied during 2020, the Company issued a 10% secured convertible debenture (the “10% Convertible Debt”) to Oz Rey in exchange for the 8% non-convertible debentures. The principal amount of the 10% Convertible Debt is \$4.0 million and is payable in full on April 1, 2024, 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. 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 10% Convertible Debt was previously amended to fix the conversion rate into common stock at \$0.10 per share. There is also a limitation on Oz Rey’s ability to convert the debenture into common stock such that only the portion of the balance for which the Company has sufficient available shares, considering all other outstanding instruments at the time of conversion on a fully diluted basis, can be converted. Oz Rey may, however, upon reasonable notice to the Company, require the Company to include in its proxy materials, for any annual meeting of stockholders being held by the Company, a proposal to amend the Company’s certificate of incorporation to increase the Company’s authorized shares to a number sufficient to allow for conversion of all shares underlying the debenture, on a fully diluted basis. Oz Rey also agreed that the Company would not be required under any circumstances to make a cash payment to settle the conversion feature not exercisable due to the authorized share cap or in an event that the Company was unable to deliver shares under the conversion feature. As of September 30, 2022, \$2.1 million of the 10% Convertible Debt was convertible into approximately 20,500,000 shares of common stock.

The Company recorded a debt discount of approximately \$0.4 million for the difference between the face value of the 10% Convertible Debt and the estimated fair value at the April 1, 2020 issuance date and amortized this discount over the two-year term of the notes.

In connection with the 8% Convertible Debt transaction described in (b) below, the maturity date of the 10% Convertible Debt was extended to April 1, 2024 and Oz Rey agreed to subordinate payment of its 10% Convertible Debt to payment of the 8% Convertible Debt, which has been accounted for as a loan modification. In addition, Oz Rey received a fee equal to 2.0% of the principal amount of the 8% Convertible Debt issued in the transaction, which has been recorded as a debt discount and is being amortized over the two-year term of the related debt.

- (b) In March 2022, the Company commenced a private placement of up to \$3.0 million of 8% senior unsecured convertible debentures (the “8% Convertible Debt”) and 3,000,000 common stock warrants. Pursuant to the Securities Purchase Agreement, the Company issued \$1.35 million of 8% Convertible Debt and warrants to purchase the number of shares of the Company’s common stock equal to the principal amount of 8% Convertible Debt issued.

The 8% Convertible Debt matures 18 months after issuance and is subject to acceleration in the event of customary events of default. Interest is payable quarterly in cash. The 8% Convertible Debt may be converted by the holders at any time at a fixed conversion price of \$0.40 per share, and each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.50 per share. Both the notes and the warrants include a beneficial ownership blocker of 4.99% and contain customary provisions preventing dilution and providing the holders rights in the event of fundamental transactions. Upon the earlier of the maturity date or the one-year anniversary of conversion of the 8% Convertible Debt, holders of 51% of the registerable securities may request the Company to file a registration statement for the securities. The warrants can be exercised on a cashless basis and expire five years from the issuance date. If the Company makes any distribution to the common stockholders, the holders of the warrants will be entitled to participate on an as-if-exercised basis. As of September 30, 2022, the 8% Convertible Debt was convertible into 3,375,000 shares of common stock.

The Company analyzed the 8% Convertible Debt and did not identify any embedded features that require bifurcation from the host and accounting as derivatives. However, as the convertible notes payable were issued with warrants, the net proceeds from the issuance were allocated to the 8% Convertible Debt and the warrants based on their relative fair values, resulting in an allocation of \$1.0 million to the 8% Convertible Debt and \$0.3 million to the warrants (see Note 11). The Company recorded a debt discount of approximately \$0.3 million for the difference between the face value of the 8% Convertible Debt and the amount allocated to the debt at the issuance date and is amortizing this discount over the 18-month term of the related debt.

- (c) On August 30, 2021, the Company purchased all of the outstanding membership interests in Pie Squared Holdings. The purchase price was funded through the issuance of an 8% secured, convertible promissory note with a face value of \$1.0 million and a fair value of \$1.2 million at the acquisition date. The note is convertible at any time, in whole or in part, at the holder’s option but includes a beneficial ownership blocker of 4.99%. The conversion price at any time is the volume weighted average price of the Company’s common stock the 30 trading days immediately prior to delivery of notice of conversion, less a discount of 15%; provided, however, that the conversion price has a floor of \$0.50 per share and a cap of \$2.00 per share. As of September 30, 2022, the note was convertible into 2,000,000 shares of common stock.

Interest on the convertible promissory note is due quarterly and \$0.5 million of principal is due on March 31, 2023. Any remaining unpaid/non-converted amount is due on August 30, 2023. The Company elected to measure the convertible promissory note at fair value, with changes in the fair value recorded within change in fair value of convertible promissory note in the condensed consolidated statements of operations. See Note 5 for additional information on the valuation of the convertible promissory note as of September 30, 2022.

- (d) On April 27, 2020, Amergent received a Paycheck Protection Program (“PPP”) loan in the amount of approximately \$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 bore interest at 1% per year, would have matured in April 2022, and required monthly interest and principal payments of approximately \$0.1 million beginning in November 2020 and through maturity. The currently issued guidelines of the program allowed for the loan proceeds to be forgiven if certain requirements were met. Any loan proceeds not forgiven would have been repaid in full. The Company’s initial application for loan forgiveness in the full amount of the loan was denied, however, in March 2022, the U.S. SBA reversed its initial decision. On November 15, 2022 the Company received notice from the SBA that this loan and accrued interest was forgiven in full.

On February 25, 2021, the Company received a second PPP loan in the amount of \$2.0 million. Amergent was not listed on a national securities exchange at the time of the loan application or funding. The note bears interest at 1% per year, matures on February 25, 2026, and requires monthly principal and interest payments of approximately \$45,000 beginning June 25, 2022 through maturity. During 2022, the Company applied for loan forgiveness in the full amount of the loan. 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.

- (e) On August 4, 2020, the Company obtained two loans under the Economic Injury Disaster Loan (“EIDL”) assistance program from the U.S. SBA in light of the impact of the COVID-19 pandemic on the Company’s business. The principal amount of the loans is \$0.3 million, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per year. Total installment payments of \$1,462, including principal and interest, are due monthly. 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 U.S. SBA on June 19, 2020, the EIDL loans are not required to be refinanced by the PPP loan. In March 2022, the U.S. SBA extended the deferral period for the EIDL payments for an additional 12 months. The Company’s installment payments will begin August 4, 2023.
- (f) The Company entered into a promissory note to repay a contractor for the build-out of a new Little Big Burger location. The note bears interest at 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 \$0.4 million. The additional \$0.1 million is included in accounts payable and accrued expenses at September 30, 2022 and December 31, 2021.
- (g) In February and March 2022, eight company-owned stores entered into notes payable to Toast Capital Loans. The terms of the notes require payment of 13.2% of daily credit card sales of the eight stores until the notes are paid in full. The terms of the notes are 270 days and the implied interest rate is approximately 15% per year.

In August 2022, the Company entered into a Future Revenue Sales Agreement with Sprout Funding which is being treated as a note payable. The Company received a net \$0.2 million and the terms of the note require 180 payments of \$1,359 for each working day of the week. The terms of the note are open ended until all amounts under the note are repaid with an expected maturity date of February 2024. The implied interest rate is 80%.

In August 2022, the Company received a loan from a related party of \$0.3 million. The lending entity is an entity in which the Company’s Chairman and Chief Executive Officer has an ownership interest and serves as the Chief Executive Officer. The terms of the note require payment at December 15, 2022 and 1% interest.

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. Oz Rey has provided a waiver of certain financial covenants through April 30, 2023.

Maturities of our debt as of September 30, 2022 are presented below (in thousands):

Year ending December 31:	
2022 (remaining three months)	\$ 1,204
2023	2,876
2024	4,572
2025	540
2026	90
Thereafter	300
Forgiven PPP Loan	2,109
Total debt maturities	11,691
Less: discount on convertible debt	(190)
Less: fair value adjustment	(107)
Total debt	\$ 11,393

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

(in thousands)	September 30, 2022	December 31, 2021
Accounts payable	\$ 3,340	\$ 2,544
Accrued expenses	2,140	1,955
Accrued taxes (VAT, sales, payroll, etc.)	2,292	2,149
Accrued interest	350	196
Accounts payable and accrued expenses, total	\$ 8,122	\$ 6,844

As of September 30, 2022 and December 31, 2021, approximately \$2.1 million and \$2.0 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. The Company will record an additional accrual for such payroll taxes upon receipt of notice from a relevant taxing authority. During the three and nine months ended September 30, 2022, the Company increased its accrual for payroll taxes by \$0.1 million. Upon the advice of our tax professionals, we are paying the trust fund portion of the outstanding tax accruals which represents the portion of taxes withheld from our employees but not remitted to the taxing authorities. For our locations that have permanently closed, our tax liability after paying the trust fund balance is approximately \$0.8 million and is recorded within accrued taxes on our condensed consolidated balance sheet as of September 30, 2022. The taxing authorities have indicated that we are still liable for these amounts, however, since the locations are permanently closed and have no assets, they will stop active collection procedures on these amounts.

As of September 30, 2022, and December 31, 2021, the Company had no accrued interest or penalties relating to any income tax obligations.

11. STOCKHOLDERS' 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") to an institutional investor. In March 2020, an aggregate of 713 shares of Series 2 Preferred were converted into shares of common stock. In connection with the Merger, all remaining outstanding shares of the Series 2 Preferred 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.

During the year ended December 31, 2021, the investors converted 637 shares of the Series 2 Preferred 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 to other investors. The shares sold to the investors no longer contain the True-Up Payment provision discussed below. The new investors converted 50 shares of Series 2 Preferred into 100,000 shares of common stock during May 2021, and 100 shares of Series 2 Preferred remain outstanding at December 31, 2021 and September 30, 2022.

The Series 2 Preferred is classified in the accompanying condensed consolidated balance sheets 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:

Stated value: Each share of Series 2 Preferred 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 less the proceeds previously realized by the holder from the sale of all conversion and spin-off shares received by 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). This True-Up Payment was settled in July 2021 with a payment of \$0.1 million, and the cash previously held in escrow for repayment is no longer subject to restriction for this matter.

The Company determined that the True-Up Payment constituted a "make-whole" provision as defined by U.S. GAAP that was required to be settled in cash and, as such, was bifurcated from the host instrument, the Series 2 Preferred. It was accounted for as a derivative liability prior to settlement, with changes in fair value recorded in change in fair value of derivative liabilities in the condensed consolidated statement of operations. A \$0.1 million increase in fair value was recorded for the three months ended September 30, 2021 and a \$0.1 million decrease in fair value was recorded for the nine months ended September 30, 2021.

Redemption: There are triggering events, as defined, that can cause the Series 2 Preferred to be redeemable at the option of the holder, some of which are outside the control of the Company.

Conversion at option of holder/ beneficial ownership limitation: The Series 2 Preferred 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.

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 before any distribution or payment to the holders of common stock.

Voting rights: The holder of Series 2 Preferred 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. In addition, without the approval of the holder, the Company is required to obtain the approval of Series 2 Preferred, as is customary, for certain events and transactions not contemplated by the Merger.

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

Anti-dilution: The Series 2 Preferred provides for customary adjustments in the event of dividends or stock splits and anti-dilution protection.

Warrants

At September 30, 2022, 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
March 15, 2022	250,000	\$ 0.500	March 15, 2027
March 21, 2022	250,000	\$ 0.500	March 21, 2027
March 22, 2022	250,000	\$ 0.500	March 22, 2027
March 24, 2022	600,000	\$ 0.500	March 24, 2027
	4,759,200		

A summary of the warrant activity during the nine months ended September 30, 2022 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at January 1, 2022	3,409,200	\$ 0.34	7.2
Granted	1,350,000	\$ 0.50	4.5
Outstanding at September 30, 2022	4,759,200	\$ 0.38	6.1
Exercisable at September 30, 2022	4,759,200	\$ 0.38	6.1

As discussed in Note 9, 1,350,000 warrants were granted in March 2022 in connection with the issuance of 8% Convertible Debt and are equity-classified in the condensed consolidated financial statements. The net proceeds from the issuance were allocated to the 8% Convertible Debt and the warrants based on their relative fair values at the issuance date, resulting in an allocation of approximately \$0.3 million to the warrants. Assumptions used in calculating the fair value of the warrants at the issuance date include the following:

Stock price per share	\$ 0.37 – 0.40
Term	5.0 years
Expected volatility	90.00%
Divided yield	—
Risk-free interest rate	2.10% – 2.39%

Options

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. As of September 30, 2022, 50,000 shares remained available for future grants.

In November 2021, the Company adopted the 2021 Equity Incentive Plan (the "Incentive Plan"). Under the 2021 Incentive Plan, the Company can grant stock options and stock awards. The stockholders of the Company approved the Incentive Plan on December 30, 2021. There are 2,000,000 shares of common stock reserved for issuance under the Incentive Plan. As of September 30, 2022, 2,000,000 shares remained available for future grants.

Share-based awards generally vest over a period of three years, and share-based awards that lapse or are forfeited are available to be granted again. The contractual life of all share-based awards is five years. The expiration date of the outstanding share-based awards is August 2026.

During the three and nine months ended September 30, 2022, the Company recorded share-based compensation expense of approximately \$6,000 and \$17,000, respectively, in general and administrative expenses.

The following table summarizes the share-based awards as of September 30, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at September 30, 2022	450,000	\$ 1.38	3.8
Exercisable at September 30, 2022	250,000	\$ 1.72	3.8

12. COMMITMENTS AND CONTINGENCIES

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. The Indemnification Agreement expires on March 25, 2026.

In addition, pursuant to the 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”). No claims have arisen to date, and the Company does not anticipate that any potential liability would exceed the insured amount.

Legal Proceedings

Litigation related to leased properties

During 2021 and the three and nine months ended September 30, 2022, the Company was in arrears on rent due on several of its leases. As a result, the Company has pending litigation related to four sites, all of which 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. See *Leases* section below for discussion of past due rent on abandoned locations.

No amounts in addition to contracted rent that is due have been accrued as of September 30, 2022 or December 31, 2021 in the accompanying condensed consolidated 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 September 30, 2022, the Company does not expect the amount of ultimate liability with respect to these matters to be material to the Company’s consolidated financial condition, results of operations or cash flows.

Leases

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

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:

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 the Company is reasonably certain to exercise, are not recorded on the balance sheet.

Supplemental balance sheet information related to leases was as follows (in thousands):

Operating Leases	Classification	September 30, 2022	December 31, 2021
Right-of-use assets	Operating lease assets	\$ 7,630	\$ 8,021
Current lease liabilities	Current operating lease liabilities	\$ 4,050	\$ 4,599
Non-current lease liabilities	Long-term operating lease liabilities	8,239	8,644
		\$ 12,289	\$ 13,243

Lease term and discount rate were as follows:

	September 30, 2022	December 31, 2021
Weighted average remaining lease term (years)	6.2	6.7
Weighted average discount rate	7.8%	8.1%

As of September 30, 2021, we performed an analysis of the recoverability of our right-of-use assets. Based on the analysis, we recorded an impairment of approximately \$0.7 million for the nine months ended September 30, 2021, which is included in asset impairment charges in our condensed consolidated statements of operations. The impairment recognized during the nine months ended September 30, 2021 was primarily the result of the impact of the COVID-19 outbreak in the United States, which had a significant impact throughout the hospitality industry. Negative impacts to the operating results and cash flows varied significantly at the store level, where some stores operated at a reduced capacity and several stores were permanently closed. There were no indicators of impairment related to our right-of-use assets during the nine months ended September 30, 2022. However, as discussed in Note 13, certain store locations were closed in the subsequent fourth quarter of 2022 and management expects to record impairments on certain right-of-use assets during that period.

During each of the nine months ended September 30, 2022 and 2021, approximately \$0.3 million of lease liabilities were derecognized due to the Company negotiating the cancellation of its obligations under certain lease agreements, which is included in gain on extinguished/settled lease liabilities in our condensed consolidated statements of operations. The cancellations resulted from the COVID-19 pandemic. The Company had lease liabilities of \$2.7 million related to abandoned leases as of September 30, 2022. These lease liabilities are included in current operating lease liabilities in our condensed consolidated balance sheets.

During the nine months ended September 30, 2022, the Company amended certain leases and changed its assumptions regarding the exercise of a renewal option, which have been accounted for as lease modifications. The operating lease assets and liabilities were remeasured at the modification dates, resulting in an increase of \$0.6 million during the nine months ended September 30, 2022 to both the right-of-use assets and lease liabilities. There were no lease modifications during the nine months ended September 30, 2021.

Rent expense of approximately \$0.6 million and \$1.7 million was incurred during the three and nine months ended September 30, 2022, respectively. Rent expense of approximately \$0.6 million and \$1.8 million was incurred during the three and nine months ended September 30, 2021, respectively, of which approximately \$0.1 million was variable.

Maturities of our operating lease liabilities as of September 30, 2022 are presented below (in thousands):

Year ending December 31:	
2022 (remaining three months)	\$ 689
2023	2,645
2024	2,654
2025	2,501
2026	2,097
Thereafter	5,162
Total remaining lease payments	15,748
Less: imputed interest	(3,459)
Total lease liabilities	<u>\$ 12,289</u>

PPP Loan

As discussed in Note 9, the Company received two PPP loans totaling \$4.1 million, which were established under the CARES Act and administered by the U.S. SBA. On November 15, 2022, the Company received notice from the SBA that the first PPP loan in the amount of \$2.1 million had been fully forgiven with accrued interest. The second PPP loan in the amount of \$2.0 million is being reviewed by the SBA. The application for the PPP loans requires the Company to, in good faith, certify that the current economic uncertainty made the loan requests necessary to support the ongoing operations 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 U.S. 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 U.S. SBA determines that the PPP loans were not properly obtained and/or expenditures supporting forgiveness were not appropriate, the Company would 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.

RRF

As discussed in Note 3, Pie Squared Holdings received an approximately \$10.0 million grant under the RRF and the Company assumed the risks and rewards related to the grant through the acquisition of Pie Squared Holdings. If it is determined that Pie Squared Holdings obtained the grant improperly or the disbursement of such grant monies was not for "eligible uses," then the Company would be responsible for the ramifications of such actions including the repayment of the \$10.0 million of grant monies, among other items.

13. SUBSEQUENT EVENTS

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

In October and November 2022, the Company received related party advances in the aggregate of \$0.3 million from an entity in which the Chief Financial Officer serves as an officer but has no ownership interest.

In November 2022, the Company received related party advances in the aggregate of \$0.2 million from an entity in which our Chairman and Chief Executive Officer has an ownership interest and serves as the Chief Executive Officer. This note and the previous note received in August 2022 have a maturity date of December 15, 2022.

At the end of October and through November 30, 2022, the Company closed five stores.

- A PizzaRev store was closed at the expiration of the lease.
- A LBB store in Portland Oregon was closed due to operational and safety concerns. This store was reopened in June but the situation in the area the store is located does not allow for the store to operate safely at nighttime.
- A LBB store located in Seattle Washington, an ABC store located in New York and a PizzeRev store located in California were closed due to the stores not being cashflow positive.

During the fourth quarter of 2022, the Company will review for impairment the right-of-use assets and fixed assets in these stores. The right-of-use assets and fixed assets for these locations at September 30, 2022 was \$2.8 million.

The Board of Directors of the Company have set December 30, 2022, for the annual meeting of stockholders.

14. RESTATEMENT OF PREVIOUSLY ISSUED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company, while undergoing the audit of its consolidated financial statements as of December 31, 2021 and for the year then ended, determined that it had over-depreciated certain assets from January 1, 2021 through September 30, 2021 and had incorrectly stated the UK subsidiary's balances as of and for the three and nine month periods ended September 30, 2021. This impacted the previously reported amounts for cash, property and equipment, intangible assets, accounts payable and accrued expenses, restaurant sales, restaurant cost of sales, restaurant operating expenses, and depreciation and amortization, among other line items, in the condensed consolidated interim financial statements.

The following tables set forth the effects of the adjustment on affected items within the Company's previously reported Condensed Consolidated Statements of Operations:

(in thousands, except per share data)	Three months ended September 30, 2021			
	As reported	Adjustment	As restated	
Restaurant sales, net	\$ 6,106	\$ (479)	\$ 5,627	
Restaurant cost of sales	\$ 2,032	\$ (182)	\$ 1,850	
Restaurant operating expenses	\$ 3,675	\$ (275)	\$ 3,400	
General and administrative expenses	\$ 1,395	\$ (14)	\$ 1,381	
Depreciation and amortization	\$ 351	\$ (137)	\$ 214	
Operating income	\$ 137	\$ 129	\$ 266	
Other income	\$ 18	\$ (27)	\$ (9)	
Consolidated net income	\$ (89)	\$ 102	\$ 13	
Net income attributable to Amergent Hospitality Group, Inc.	\$ (94)	\$ 102	\$ 8	
Net income attributable to Amergent Hospitality Group Inc. per common share, basic	\$ (0.01)	\$ 0.01	\$ 0.00	

(in thousands, except per share data)	Nine months ended September 30, 2021			
	As reported	Adjustment	As restated	
Depreciation and amortization	\$ 1,081	\$ (408)	\$ 673	
Operating (loss) income	\$ (2,397)	\$ 408	\$ (1,988)	
Consolidated net (loss) income	\$ (2,475)	\$ 408	\$ (2,067)	
Net (loss) income attributable to Amergent Hospitality Group Inc.	\$ (2,376)	\$ 408	\$ (1,968)	
Net (loss) income attributable to Amergent Hospitality Group Inc. per common share, basic and diluted	\$ (0.16)	\$ 0.03	\$ (0.13)	

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 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 September 30, 2022, we operate and franchise a system-wide total of 40 fast casual restaurants, of which 27 are company-owned and 13 are owned and operated by franchisees under franchise agreements.

American Burger Company ("ABC") is a fast-casual dining chain consisting of two company-owned 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.

The Burger Joint ("BGR") consists of six company-owned locations and seven franchisee-operated locations in the United States.

Little Big Burger ("LBB") consists of 16 company-owned locations in the Portland, Oregon, Seattle, Washington, and Charlotte, North Carolina areas. One location was temporarily closed until it re-opened at the end of June 2022 due to lack of available employees. Of the company-owned restaurants, eight of those locations are operated under partnership agreements with investors where we control the management and operations of the stores, and the partners supply the capital to open the stores in exchange for a non-controlling interest.

Pie Squared Holdings ("PIE") was acquired in August 2021. PIE, directly and through its four wholly-owned subsidiaries, owns, operates and franchises pizza restaurants operating under the tradename PizzaRev. The PizzaRev stores consist of three company-owned locations, one of which opened on January 4, 2022, and nine franchised locations. Three of these franchised locations were not open at the time of purchase and are not included in our total store count. One additional franchise location is planned to open in 2022.

The Jantzen Beach, Oregon gaming location was a former Hooters of America location and is only open for online gaming sales, drinks and a limited food menu. Our Jaybee's location was opened October 8, 2022.

Recent developments

In March 2022, we commenced a private placement of up to \$3.0 million of 8% senior unsecured convertible debentures (the "8% Convertible Debt") and 3,000,000 common stock warrants. Pursuant to the Securities Purchase Agreement, we issued \$1.35 million of 8% Convertible Debt and warrants to purchase the number of shares of our common stock equal to the principal amount of 8% Convertible Debt issued. The 8% Convertible Debt matures 18 months after issuance and is subject to acceleration in the event of customary events of default. Interest is payable quarterly in cash. The 8% Convertible Debt may be converted by the holders at any time at a fixed conversion price of \$0.40 per share, and each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.50 per share. Both the notes and the warrants include a beneficial ownership blocker of 4.99% and contain customary provisions preventing dilution and providing the holders rights in the event of fundamental transactions. Upon the earlier of the maturity date or the one-year anniversary of conversion of the 8% Convertible Debt, holders of 51% of the registrable securities may request the Company to file a registration statement for the securities. The warrants can be exercised on a cashless basis and expire five years from the issuance date. If the Company makes any distribution to the common stockholders, the holders of the warrants will be entitled to participate on an as-if-exercised basis.

In connection with the issuance of the 8% Convertible Debt, the maturity date of the existing 10% secured convertible debenture ("10% Convertible Debt") was extended to April 1, 2024, and the holder of the existing 10% Convertible Debt agreed to subordinate payment of its 10% Convertible Debt to payment of the 8% Convertible Debt.

In October and November 2022, the Company received related party advances in the aggregate of \$0.3 million from an entity in which the Chief Financial Officer serves as an officer but has no ownership interest.

In November 2022, the Company received related party advances in the aggregate of \$0.2 million from an entity in which our Chairman and Chief Executive Officer has an ownership interest and serves as the Chief Executive Officer. The total debt to this entity is now \$0.5 million.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Our results of operations are summarized below:

(in thousands)	Three months ended				
	September 30, 2022		September 30, 2021 (Restated)		% Change
	Amount	% of Revenue*	Amount	% of Revenue*	
Revenue:					
Restaurant sales, net	\$ 5,176	95.9%	\$ 5,627	95.7%	(8.0)%
Gaming income, net	109	2.0%	136	2.3%	(19.9)%
Franchise income	116	2.1%	116	2.0%	0.1%
Total revenue	5,401		5,879		
Expenses:					
Restaurant cost of sales	1,675	32.4%	1,850	32.9%	(9.5)%
Restaurant operating expenses	4,162	80.4%	3,400	60.4%	22.4%
General and administrative expenses	1,206	22.3%	1,381	23.5%	(12.7)%
Depreciation and amortization	170	3.1%	214	3.6%	(20.6)%
Employee retention credit and other grant income	(373)	(6.9)%	(1,232)	(21.0)%	(69.7)%
Total expenses	6,840		5,613		
Operating (loss) income	(1,439)		266		
Other income (expense):					
Interest expense	(230)	(4.3)%	(166)	(3.1)%	38.6%
Change in fair value of derivative liabilities	—	—%	—	—%	—%
Change in fair value of investment	(22)	(0.4)%	(100)	(1.9)%	(78.0)%
Change in fair value of convertible promissory note	35	0.6%	—	100.0%	—%
Gain on extinguished/settled lease liabilities	—	—%	67	1.2%	(100.0)%
Other income	33	0.6%	(9)	(0.2)%	(466.7)%
Total other income	(184)		(208)		
(Loss) income before income taxes	(1,623)		58		
Income tax expense	—	—%	(45)	(0.8)%	(100.0)%
Consolidated net (loss) income	\$ (1,623)		\$ 13		

(in thousands)	Nine months ended				
	September 30, 2022		September 30, 2021 (Restated)		% Change
	Amount	% of Revenue*	Amount	% of Revenue*	
Revenue:					
Restaurant sales, net	\$ 15,257	91.8%	\$ 15,288	96.1%	(0.2)%
Gaming income, net	357	2.1%	304	1.9%	17.4%
Franchise income	1,013	6.1%	315	2.0%	221.6%
Total revenue	16,627		15,907		
Expenses:					
Restaurant cost of sales	4,868	31.9%	4,783	31.3%	1.8%
Restaurant operating expenses	11,320	74.2%	10,100	66.1%	12.1%
General and administrative expenses	4,348	26.2%	3,756	23.6%	15.8%
Asset impairment charges	—	—%	1,288	8.1%	(100.0)%
Depreciation and amortization	673	3.6%	673	4.2%	(11.9)%
Employee retention credit and other grant income	(2,208)	(13.3)%	(2,705)	(17.0)%	(18.4)%
Total expenses	18,921		17,895		
Operating loss	(2,294)		(1,988)		
Other income (expense):					
Interest expense	(641)	(3.9)%	(482)	(3.0)%	33.0%
Change in fair value of derivative liabilities	—	—%	119	0.7%	(100.0)%
Change in fair value of investment	(38)	(0.2)%	(221)	(1.4)%	(82.8)%
Change in fair value of convertible promissory note	206	1.2%	—	—%	100.0%
Gain on extinguished/settled lease liabilities	256	1.5%	385	2.4%	(33.5)%
Gain on extinguished trade payable	161	1.0%	—	—%	100.0%
Other income	344	2.1%	165	1.0%	108.5%
Total other income	288		(34)		
Loss before income taxes	(2,006)		(2,022)		
Income tax expense	(2)	—%	(45)	(0.3)%	99.4%
Consolidated net loss	\$ (2,008)		\$ (2,067)		

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

Revenue

Total revenue decreased \$(0.5) million or (8.5)% and increased \$0.7 million or 4.5% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021.

	Three months ended September 30, 2022		Three months ended September 30, 2021 (Restated)	
	Amount	% of Revenue	Amount	% of Revenue
(in thousands)				
Restaurant sales, net	\$ 5,176	95.9%	\$ 5,627	95.7%
Gaming income, net	109	2.0%	136	2.3%
Franchise income	116	2.1%	116	2.0%
Total revenue	\$ 5,401	100.0%	\$ 5,879	100.0%

	Nine months ended September 30, 2022		Nine months ended September 30, 2021 (Restated)	
	Amount	% of Revenue	Amount	% of Revenue
(in thousands)				
Restaurant sales, net	\$ 15,257	97.8%	\$ 15,288	96.1%
Gaming income, net	357	2.1%	304	1.9%
Franchise income	1,013	6.1%	315	2.0%
Total revenue	\$ 16,627	100.0%	\$ 15,907	100.0%

- Revenue from restaurant sales decreased \$(0.4) million or (7.0)% and \$(0.0) million or (0.2)% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021 primarily due to a net decrease of three company owned stores. As of September 30, 2022 and 2021, the Company had 27 and 30 company owned stores, respectively.
- Franchise income increased \$nil or 0.0% and \$0.7 million or 221.6% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021. The increase during the nine -month period was primarily due to \$0.7 million of franchise income recognized in March 2022 as a result of the Company terminating its international Master Franchise Agreements as the requirements in the agreement had not been met and all international stores had been closed. The Master Franchisee notified the Company that it would not be reopening these stores. In addition, contract liabilities decreased \$0.7 million as a result of the termination of the international Master Franchise Agreements.

Expenses

Restaurant cost of sales

Restaurant cost of sales decreased \$0.2 million or 9.5% and increased \$0.1 million or 1.8% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021 primarily due to the 8.0% and 0.0% decreases in restaurant revenue. Restaurant cost of sales as a percentage of restaurant sales have stayed consistent. Restaurant cost of sales decreased to 31.9% for the three and nine months ended September 30, 2022, respectively, compared to an increase of 32.9% and 31.3% for the three and nine months ended September 30, 2021, respectively.

Restaurant operating expenses

Restaurant operating expenses increased \$0.8 million or 22.4% and \$1.2 million or 12.1% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021. The increases were primarily due to the overall increase in payroll cost with cost of living increase across the board for our employees.

General and administrative expense ("G&A")

G&A expenses decreased \$(0.2) million or (13.5)% and increased \$0.6 million or 15.8% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in 2021 primarily due to the net effect of (i) increases in salary and benefits of \$0.0 million and \$0.5 million, respectively, primarily due to the addition of two senior management personnel and an increase in our employee headcount from September 30, 2021 to September 30, 2022 and (ii) increases in advertising, insurance and other expenses of \$0.0 million and \$0.3 million, respectively, primarily due to increases in advertising spending as we begin to recover from the COVID-19 pandemic.

Significant components of G&A are summarized as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
(in thousands)		(Restated)		(Restated)
Audit, legal and other professional services	\$ 418	\$ 641	\$ 1,621	\$ 1,864
Salary and benefits	588	587	2,088	1,575
Advertising, insurance and other	183	128	556	259
Stockholder services and fees	7	3	24	11
Travel and entertainment	10	22	59	47
Total G&A expenses	<u>\$ 1,206</u>	<u>\$ 1,381</u>	<u>\$ 4,348</u>	<u>\$ 3,756</u>

Asset impairment charges

We did not record any asset impairment charges during the three and nine months ended September 30, 2022.

Asset impairment charges of \$1.3 million were recorded during the nine months ended September 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 cash flow implications resulting from the ongoing COVID-19 pandemic.

Employee retention credit and other grant income

Employee Retention Credit ("ERC"). For each of the three and nine months ended September 30, 2022 and 2021, the Company recognized \$0.0 million and \$1.5 million, respectively, of ERC as a contra-expense included in employee retention credit and grant income in the condensed consolidated statements of operations. Although the program ended on January 1, 2022, the Company performed an analysis during the current period and determined that it was eligible for additional credits related to 2021 wages.

Restaurant Revitalization Fund ("RRF"). Pie Squared Holdings, which we acquired during August 2021, received a grant under the RRF and \$2.0 million of unused funds at the closing of the acquisition were placed into escrow for our benefit. For the three and nine months ended September 30, 2022, the Company recognized \$0.4 million and \$1.5 million, respectively, related to the RRF as a contra-expense included in employee retention credit and other grant income in the condensed consolidated statements of operations. As of September 30, 2022, there was no remaining available for future recognition under the RRF.

For additional information, see Note 3 to the condensed consolidated financial statements.

Other Income (Expense)

Change in fair value of derivative liabilities

There were no derivative liabilities recorded during the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, the change in fair value of derivative liabilities was a gain of \$-0- and \$0.1 million, respectively, related to the True-Up Payment derivative. Derivative liabilities were marked to market on a quarterly basis and fluctuations in value are reflective of the fair market value at the point in time at which the instruments were measured. The True-Up Payment derivative was settled in July 2021 with a cash payment of \$0.1 million.

Change in fair value of investment

Our investment represents the fair value of the common stock of Sonnet held by the Company after its exercise of warrants received in connection with the Merger, as defined and described in Note 1 to the condensed consolidated financial statements. We recognized a loss in fair value of \$22,000 and \$0.1 million during the three months ended September 30, 2022 and 2021, respectively, and \$38,000 and \$0.2 million during the nine months ended September 30, 2022, respectively, as a result of decreases in Sonnet's common stock price.

Change in fair value of convertible promissory note

In August 2021, we issued an 8% secured, convertible promissory note as consideration for the acquisition of Pie Squared Holdings. We have elected to measure the convertible promissory note at fair value, with changes in fair value recognized in operations. We recognized a change in fair value of \$35,000 and \$0.2 million during the three and nine months ended September 30, 2022, respectively. There were no similar transactions during the three and nine months ended September 30, 2021.

Gain on extinguished/settled lease liabilities

During the three and nine months ended September 30, 2022, we recognized a gain on extinguished/settled lease liabilities \$-0- and \$0.3 million, respectively, due to settlements of outstanding lease liabilities. During the three and nine months ended September 30, 2021, we recognized a gain on extinguished/settled lease liabilities \$-0- and \$0.4 million, respectively.

Gain on extinguished trade payable

During the three and nine months ended September 30, 2022, we recognized a gain on extinguished trade payable of nil and \$0.2 million, respectively, due to the settlement of outstanding amounts with a supplier. There were no such settlements during the three and nine months ended September 30, 2021.

Other income

Other income increased (decreased) \$0.03 million or 288.9% and \$0.2 million or 99.4% for the three and nine months ended September 30, 2022, respectively, compared to the corresponding periods in 2021 primarily due to (i) a gain recognized during the second quarter of 2022 of \$0.1 million as a result of a franchise-related litigation settlement and (ii) a dividend received during the first quarter of 2022 from our investment in Hooters of America of approximately \$0.1 million.

STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(in thousands)	Nine months ended	
	September 30, 2022	September 30, 2021 (Restated)
Net cash flows used in operating activities	\$ (3,231)	\$ (2,814)
Net cash flows used in investing activities	(230)	2,157
Net cash flows provided by financing activities	1,847	1,901
Effect of exchange rate changes on cash	—	(13)
Less: Cash classified in current assets held for sale	—	(111)
Net (decrease) increase in cash and restricted cash	\$ (1,614)	\$ 1,121

Operating activities

Cash used in operating activities for the nine months ended September 30, 2022 was primarily attributable to the net loss of \$2.0 million and non-cash income of \$0.3 million for a gain on extinguished/settled lease liabilities, \$0.2 million for a fair value adjustment to a convertible promissory note and \$0.2 million for a gain on extinguished trade payable, offset by non-cash charges to operations of \$1.6 million for depreciation and amortization. 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 \$2.8 million for the nine months ended September 30, 2021. The use of cash in the nine months ended September 30, 2021 was primarily attributable to the net loss of \$2.5 million and non-cash income of \$0.4 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 \$1.5 million for depreciation and amortization. Additionally, the Company recognized a loss on investments of \$0.2 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.

Investing activities

Cash used in investing activities for the nine months ended September 30, 2022 and 2021 was primarily attributable to expenditures on property and equipment.

Financing activities

Cash provided by financing activities for the nine months ended September 30, 2022 was primarily attributable to proceeds of \$1.4 million related to the issuance of 8% senior unsecured convertible debentures and proceeds of \$0.8 million related to the issuance of notes payable. Cash provided by financing activities for the nine months ended September 30, 2021 was primarily attributable to proceeds from a \$2.0 million Payment Protection Program ("PPP") loan.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

As of September 30, 2022, our cash balance was \$0.70 million, our working capital deficiency was \$13.7 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, government stimulus funds and other forms of external financing.

Our current operating losses combined with our working capital deficit 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 condensed consolidated 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 we 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 September 30, 2022, 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 September 30, 2022 because of the material weakness in the Company’s internal control over financial reporting that existed at December 31, 2021 that has not been fully remediated by the end of the nine month period ended September 30, 2022.

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 September 30, 2022 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 closing journal entries, accounting for business combinations, contingencies 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 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, simplifying its reporting processes and reducing 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. However, there can be no assurance as to when this material weakness 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 September 30, 2021, approximately \$2.1 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 2021 and the three and nine months ended September 30, 2022, 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 four sites, all of which 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.

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 September 30, 2022, the Company does not expect the amount of ultimate liability with respect to these matters to be material to the Company's consolidated financial condition, results of operations or cash flows.

ITEM 1A: RISK FACTORS

In addition to the updates set forth below and other information set forth in this Report, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K (our "Form 10-K") for the year ended December 31, 2021 and any subsequent filings with the Securities and Exchange Commission ("SEC") made prior to the date hereof, which could materially affect our business, financial condition, results of operations or future results. These risks and uncertainties discussed in our Form 10-K and in any subsequent filings with the SEC made prior to the date hereof are not the only ones facing our business. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially adversely affect our business, cash flows, financial condition and/or results of operations. Please also read the section entitled Cautionary Notice Regarding Forward-Looking Statements included in this Report.

We have not fully remediated the material weakness in our internal control over financial reporting that existed at December 31, 2021.

The material weakness in the Company's internal control over financial reporting that existed at December 31, 2021 has not been fully remediated by the end of the nine month period ended September 30, 2022.

We received full forgiveness of one of our Small Business Administration Paycheck Protection Program loans.

On November 15, 2022, we received full forgiveness of our Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan originally disbursed through lender Towne Bank on April 27, 2020 in the aggregate principal amount of \$2,109,400. The principal amount and accrued interest in the amount of \$54,610.02 were forgiven in full.

There is substantial doubt about our ability to continue as a going concern.

As of September 30, 2022, the Company's cash balance was \$0.7 million, its working capital deficiency was \$13.7 million, and it had significant near-term commitments and contractual obligations.

Our financial statements as of December 31, 2021 were prepared under the assumption that we will continue as a going concern for the next twelve months from the date of issuance of these financial statements. In addition the Company's independent registered public accounting firm, in their report on the Company's December 31, 2021, audited financial statements, raised substantial doubt about the Company's ability to continue as a going concern.

Our ability to continue as a going concern is dependent upon our ability to obtain additional financing, drive further operating efficiencies, reduce expenditures and ultimately, create profitable operations. We may not be able to obtain additional capital on reasonable terms. Our financial statements do not include adjustments that would result from the outcome of this uncertainty.

We have significant obligations under payables and debt obligations. Our ability to operate as a going concern are contingent upon successfully obtaining additional financing. Failure to do so would adversely affect our ability to continue operations.

If capital is not available, we may then need to scale back or freeze our organic growth plans, sell our business under unfavorable terms, and reduce expenses to manage our liquidity and capital resources. We may not be able to extend or repay our current obligations, which could impact our ability to continue to operate as a going concern.

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

None.

ITEM 6: EXHIBITS

Exhibit No.	Description
31.1	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), filed herewith.</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), filed herewith.</u>
32.1***	<u>Certification of Principal Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b), filed herewith.</u>
32.2***	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b), filed herewith.</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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 December 13, 2022.

AMERGENT HOSPITALITY GROUP INC.

Date: December 13, 2022

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

Date: December 13, 2022

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

**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 September 30, 2022 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: December 13, 2022

/s/ Michael D. Pruitt

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

**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, Stephen Hoelscher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q ("Report") for the period ended September 30, 2022 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: December 13, 2022

/s/ Stephen Hoelscher

Stephen Hoelscher
Chief Financial Officer
(Principal Financial Officer)

**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 September 30, 2022 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.

December 13, 2022

/s/ Michael D. Pruitt

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

**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 September 30, 2022 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), Stephen 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.

December 13, 2022

/s/ Stephen Hoelscher

Stephen Hoelscher
Chief Financial Officer
(Principal Financial Officer)
