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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended July 2, 2019

OR

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

For the transition period from ________________ to ______
Commission file number 0-21423

BJ'S RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

California	**33-0485615**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7755 Center Avenue, Suite 300
Huntington Beach, California 92647

(714) 500-2400

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, No Par Value	BJRI	NASDAQ Global Select Market

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

☑ Large accelerated filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
☐ Emerging growth company	

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

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

As of August 2, 2019, there were 20,461,220 shares of Common Stock of the Registrant outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	July 2, 2019 (unaudited)	January 1, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 23,376	$ 29,224
Accounts and other receivables, net	17,714	31,190
Inventories, net	10,589	10,133
Prepaid expenses and other current assets	5,947	7,940
Total current assets	57,626	78,487
Property and equipment, net	581,605	582,754
Operating lease assets	377,352	—
Goodwill	4,673	4,673
Other assets, net	34,264	29,193
Total assets	$ 1,055,520	$ 695,107
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (1)	$ 33,114	$ 36,505
Accrued expenses	96,757	113,920
Current operating lease obligations	26,368	—
Total current liabilities	156,239	150,425
Long-term operating lease obligations	443,117	—
Deferred income taxes	20,869	15,977
Deferred rent	—	35,088
Deferred lease incentives	—	54,264
Long-term debt	100,000	95,000
Other liabilities	11,059	35,132
Total liabilities	731,284	385,886
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, no par value, 125,000 shares authorized and 20,510 and 21,058 shares issued and outstanding as of July 2, 2019 and January 1, 2019, respectively	—	—
Capital surplus	63,430	64,342
Retained earnings	260,806	244,879
Total shareholders' equity	324,236	309,221
Total liabilities and shareholders' equity	$ 1,055,520	$ 695,107

See accompanying notes to unaudited consolidated financial statements.

(1) Included in accounts payable as of July 2, 2019 and January 1, 2019 is $6,458 and $6,110, respectively, of related party trade payables. See Note 6 for further information.

BJ’S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Revenues	$ 301,090	$ 287,634	$ 591,644	$ 566,157
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales (1)	76,861	72,026	150,187	141,997
Labor and benefits	108,505	101,986	213,726	202,419
Occupancy and operating (1)	64,493	59,073	126,084	116,576
General and administrative	15,985	15,851	32,881	30,982
Depreciation and amortization	17,839	17,620	35,481	35,074
Restaurant opening	610	835	1,058	1,432
Loss on disposal of assets	1,042	1,123	2,687	2,184
Total costs and expenses	285,335	268,514	562,104	530,664
Income from operations	15,755	19,120	29,540	35,493
Other income (expense):				
Interest expense, net	(1,066)	(1,381)	(2,136)	(2,768)
Other income (expense), net	141	81	1,238	(19)
Total other expense	(925)	(1,300)	(898)	(2,787)
Income before income taxes	14,830	17,820	28,642	32,706
Income tax expense	638	875	1,586	1,097
Net income	$ 14,192	$ 16,945	$ 27,056	$ 31,609
Net income per share:				
Basic	$ 0.69	$ 0.81	$ 1.30	$ 1.52
Diluted	$ 0.68	$ 0.79	$ 1.27	$ 1.49
Weighted average number of shares outstanding:				
Basic	20,692	20,880	20,874	20,733
Diluted	20,999	21,477	21,232	21,282
Cash dividends declared per common share	$ 0.12	$ 0.11	$ 0.24	$ 0.22

See accompanying notes to unaudited consolidated financial statements.

(1) Related party costs included in cost of sales are $22,430 and $22,279 for the thirteen weeks ended July 2, 2019 and July 3, 2018, respectively and $44,192 and $43,581 for the twenty-six weeks ended July 2, 2019 and July 3, 2018, respectively. Related party costs included in occupancy and operating are $2,391 and $2,472 for the thirteen weeks ended July 2, 2019 and July 3, 2018, respectively and $4,818 and $4,934 for the twenty-six weeks ended July 2, 2019 and July 3, 2018. See Note 6 for further information.

BJ'S RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	For the Thirteen Weeks Ended				
	Common Stock		Capital	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance, April 3, 2018	20,669	$ —	$ 67,088	$ 201,699	$ 268,787
Exercise of stock options	335	13,786	(2,843)	—	10,943
Issuance of restricted stock units	15	491	(491)	—	—
Repurchase and retirement of common stock	(23)	(14,277)	—	13,152	(1,125)
Stock-based compensation	—	—	1,867	—	1,867
Dividends paid or payable, $0.11 per share	—	—	—	(2,369)	(2,369)
Net income	—	—	—	16,945	16,945
Balance, July 3, 2018	20,996	$ —	$ 65,621	$ 229,427	$ 295,048
Balance, April 2, 2019	20,909	$ —	$ 61,683	$ 267,585	$ 329,268
Exercise of stock options	5	261	(64)	—	197
Issuance of restricted stock units	18	562	(560)	—	2
Repurchase and retirement of common stock	(422)	(823)	—	(18,424)	(19,247)
Stock-based compensation	—	—	2,371	—	2,371
Dividends paid or payable, $0.12 per share	—	—	—	(2,547)	(2,547)
Net income	—	—	—	14,192	14,192
Balance, July 2, 2019	20,510	$ —	$ 63,430	$ 260,806	$ 324,236

	For the Twenty-Six Weeks Ended				
	Common Stock		Capital	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance, January 2, 2018	20,485	$ —	$ 68,904	$ 189,825	$ 258,729
Exercise of stock options	618	23,229	(6,386)	—	16,843
Issuance of restricted stock units	51	775	(1,140)	—	(365)
Repurchase and retirement of common stock	(158)	(24,004)	—	17,313	(6,691)
Stock-based compensation	—	—	4,243	—	4,243
Cumulative effect of adopting revenue recognition standard	—	—	—	(4,598)	(4,598)
Dividends paid or payable, $0.22 per share	—	—	—	(4,722)	(4,722)
Net income	—	—	—	31,609	31,609
Balance, July 3, 2018	20,996	$ —	$ 65,621	$ 229,427	$ 295,048
Balance, January 1, 2019	21,058	$ —	$ 64,342	$ 244,879	$ 309,221
Exercise of stock options	21	944	(233)	—	711
Issuance of restricted stock units	102	4,211	(5,212)	—	(1,001)
Repurchase and retirement of common stock	(671)	(5,155)	—	(25,986)	(31,141)
Stock-based compensation	—	—	4,533	—	4,533
Cumulative effect of adopting lease standard	—	—	—	19,963	19,963
Dividends paid or payable, $0.24 per share	—	—	—	(5,106)	(5,106)
Net income	—	—	—	27,056	27,056
Balance, July 2, 2019	20,510	$ —	$ 63,430	$ 260,806	$ 324,236

See accompanying notes to unaudited consolidated financial statements.

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

	For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018
Cash flows from operating activities:		
Net income	$ 27,056	$ 31,609
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,481	35,074
Non-cash lease expense	13,576	—
Deferred income taxes	(1,607)	(3,153)
Stock-based compensation expense	4,379	4,081
Loss on disposal of assets	2,687	2,184
Changes in assets and liabilities:		
Accounts and other receivables	15,401	829
Landlord contribution for tenant improvements	—	(3,257)
Inventories, net	(456)	367
Prepaid expenses and other current assets	1,805	1,434
Other assets, net	(5,873)	(1,272)
Accounts payable	(509)	(6,983)
Accrued expenses	(10,352)	8,208
Operating lease obligations	(20,179)	—
Deferred rent	—	1,279
Deferred lease incentives	—	2,329
Other liabilities	2,978	(636)
Net cash provided by operating activities	64,387	72,093
Cash flows from investing activities:		
Purchases of property and equipment	(38,757)	(28,752)
Net cash used in investing activities	(38,757)	(28,752)
Cash flows from financing activities:		
Borrowings on line of credit	516,500	670,500
Payments on line of credit	(511,500)	(724,000)
Taxes paid on vested stock units under employee plans	(1,002)	(365)
Proceeds from exercise of stock options	711	16,843
Cash dividends paid	(5,046)	(4,600)
Repurchases of common stock	(31,141)	(6,691)
Net cash used in financing activities	(31,478)	(48,313)
Net decrease in cash and cash equivalents	(5,848)	(4,972)
Cash and cash equivalents, beginning of period	29,224	24,335
Cash and cash equivalents, end of period	$ 23,376	$ 19,363
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 4,067	$ 6,726
Cash paid for interest, net of capitalized interest	$ 1,880	$ 2,464
Cash paid for operating lease obligations	$ 33,559	$ —
Supplemental disclosure of non-cash operating, investing and financing activities:		
Operating lease assets obtained in exchange for operating lease obligations	$ 13,893	$ —
Property and equipment acquired and included in accounts payable	$ 7,478	$ 3,871
Stock-based compensation capitalized	$ 154	$ 162

See accompanying notes to unaudited consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ's Restaurants, Inc. (referred to herein as the "Company," "we," "us" and "our") and our wholly owned subsidiaries. The consolidated financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of our financial condition, results of operations, changes in shareholders' equity and cash flows for the period. Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to the U.S. Securities and Exchange Commission ("SEC") rules.

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual amounts could differ from these estimates.

A description of our accounting policies and other financial information is included in our audited consolidated financial statements filed with the SEC on Form 10-K for the year ended January 1, 2019. The disclosures included in our accompanying interim consolidated financial statements and footnotes should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K and our other reports filed from time to time with the Securities and Exchange Commission.

Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). This update clarifies the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 will be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. We will adopt ASU 2018-15 during the first quarter of fiscal 2020. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

Recently Adopted Accounting Standards

On January 2, 2019, the first day of fiscal 2019, we adopted ASU 2016-02, Leases (Topic 842), along with related clarifications and improvements. This pronouncement requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future lease payments, and a corresponding right-of-use asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements that is intended to give financial statement users the ability to assess the amount, timing, and potential uncertainty of cash flows related to leases. We elected the optional transition method to apply the standard as of the effective date and therefore, we have not applied the standard to the comparative periods presented on our consolidated financial statements.

Our practical expedient implications as of January 2, 2019 were as follows:

Practical expedient package	We have not reassessed whether any expired or existing contracts are, or contain, leases.
	We have not reassessed the lease classification for any expired or existing leases.
	We have not reassessed initial direct costs for any expired or existing leases.
Hindsight practical expedient	We have not elected the hindsight practical expedient, which permits the use of hindsight when determining lease term, including option periods, and impairment of operating lease assets.

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

Separation of lease and non-lease components	We elected to account for lease and non-lease components as a single component for office and beverage gas equipment.

Short-term policy	We have elected the short-term lease recognition exemption for all classes of underlying assets. Expense for short-term leases is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less and that do not include an option to purchase the underlying asset that we are reasonably certain to exercise are not recorded on the balance sheet.

The impact on our consolidated opening balance sheet was as follows:

	January 1, 2019	Topic 842 Adjustments (1)	January 2, 2019 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 29,224	$ —	$ 29,224
Accounts and other receivables, net	31,190	—	31,190
Inventories, net	10,133	—	10,133
Prepaid expenses and other current assets	7,940	—	7,940
Total current assets	78,487	—	78,487
Property and equipment, net	582,754	—	582,754
Operating lease assets	—	377,035	377,035
Goodwill	4,673	—	4,673
Other assets, net	29,193	—	29,193
Total assets	$ 695,107	$ 377,035	$ 1,072,142
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$ 36,505	$ —	$ 36,505
Accrued expenses	113,920	(6,869)	107,051
Current operating lease obligation	—	30,529	30,529
Total current liabilities	150,425	23,660	174,085
Long-term operating lease obligation	—	443,316	443,316
Deferred income taxes	15,977	6,499	22,476
Deferred rent	35,088	(35,088)	—
Deferred lease incentives	54,264	(54,264)	—
Long-term debt	95,000	—	95,000
Other liabilities	35,132	(27,051)	8,081
Total liabilities	385,886	357,072	742,958
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, 5,000 shares authorized, none issued or outstanding	—	—	—
Common stock, no par value, 125,000 shares authorized and 21,058 shares issued and outstanding as of January 1, 2019 and January 2, 2019	—	—	—
Capital surplus	64,342	—	64,342
Retained earnings	244,879	19,963 (2)	264,842
Total shareholders' equity	309,221	19,963	329,184
Total liabilities and shareholders' equity	$ 695,107	$ 377,035	$ 1,072,142

(1) Adjustments represent non-cash activities for Consolidated Statements of Cash Flow purposes.

(2) Primarily composed of an increase of $28.8 million for deferred sale-leaseback gains no longer amortizable, a decrease of $2.3 million to impair the right-of-use asset related to previously impaired properties and a $6.5 million decrease for the deferred tax impact of the cumulative effect adjustments.

2. REVENUE RECOGNITION

Our revenues are comprised of food and beverage sales at our restaurants. Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected from the credit card processor. We sell gift cards which do not have an expiration date and we do not deduct non-usage fees from outstanding gift card balances. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern. The estimated gift card breakage is based on when the likelihood of redemption becomes remote, which has typically been 24 months after the original gift card issuance date.

Our "BJ's Premier Rewards Plus" customer loyalty program enables participants to earn points for qualifying purchases that can be redeemed for food and beverages in the future. We allocate the transaction price between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points, less expected expirations, until such points are redeemed.

The liability related to our gift card and loyalty program, included in "Accrued expenses," on our Consolidated Balance Sheets is as follows (in thousands):

	July 2, 2019	January 1, 2019
Gift card liability	$ 12,409	$ 17,201
Deferred loyalty revenue (post-adoption of ASU 2016-10)	$ 9,819	$ 10,066

Revenue recognized on our Consolidated Statements of Income for the redemption of gift cards and loyalty rewards deferred at the beginning of each respective fiscal year is as follows (in thousands):

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Revenue recognized from gift card liability	$ 1,978	$ 1,754	$ 9,583	$ 7,686
Revenue recognized from customer loyalty program	$ 3,083	$ 2,722	$ 7,156	$ 5,053

3. LEASES

We determine if a contract contains a lease at inception. Our material operating leases consist of restaurant locations and office space. U.S. GAAP requires that our leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which we have the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option would result in an economic penalty. All of our restaurant leases and office space are classified as operating leases. As of July 2, 2019, we did not have any finance leases.

We disburse cash for leasehold improvements, furniture and fixtures and equipment to build out and equip our leased premises. Tenant improvement allowance incentives may be available to partially offset the cost of developing and opening the related restaurants, pursuant to agreed-upon terms in our leases. Tenant improvement allowances can take the form of cash payments upon the opening of the related restaurants, full or partial credits against minimum or percentage rents otherwise payable by us, or a combination thereof. All tenant improvement allowances received by us are recorded as a contra right-of-use asset and amortized over the term of the lease.

The lease term used for straight-line rent expense is calculated from the commencement date (the date the lessor makes the underlying asset available for use) through the lease termination date (including any options where exercise is reasonably certain and failure to exercise such option would result in an economic penalty). We expense rent from commencement date through restaurant open date as preopening expense. Once a restaurant opens for business, we record straight-line rent expense plus any additional variable contingent rent expense to the extent it is due under the lease agreement.

There is potential for variability in the rent holiday period, which begins on the commencement date and ends on the restaurant open date, during which no cash rent payments are typically due under the terms of the lease. Factors that may affect the length of the rent holiday period generally pertain to construction related delays. Extension of the rent holiday period due to delays in restaurant opening will result in greater preopening rent expense recognized during the rent holiday period and lesser occupancy expense during the rest of the lease term (post-opening).

We record total rent payable during the lease term, including rent escalations in which the amount of future rent is certain or fixed on the straight-line basis over the term of the lease (including the rent holiday period beginning upon our possession of the premises, and any fixed payments stated in the lease). A related lease liability is recorded on the balance sheet at the present value of future lease payments discounted at the estimated fully collateralized incremental borrowing rate (discount rate) corresponding with the lease term. In addition, a right-of-use asset is recorded as the initial amount of the lease liability, plus any lease payments made to the lessor before or at the lease commencement date and any initial direct costs incurred, less any lease incentives received. The difference between the minimum rents paid and the straight-line rent is reflected within the associated right-of-use asset. Certain leases contain provisions that require additional rent payments based upon restaurant sales volume ("variable lease cost"). Contingent rent is accrued each period as the liabilities are incurred, in addition to the straight-line rent expense noted above. This results in some variability in occupancy expense as a percentage of revenues over the term of the lease in restaurants where we pay contingent rent.

Management makes judgments regarding the reasonably certain lease term for each restaurant property lease, which can impact the classification and accounting for a lease as finance or operating, the rent holiday and/or escalations in payments that are taken into consideration when calculating straight-line rent, and the term over which leasehold improvements for each restaurant are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

To determine the incremental borrowing rates used to discount the lease payments, the Company estimated its synthetic credit rating. Upon the implementation date of January 2, 2019, the Company's estimated rates were applied based on the remaining lease term of each respective lease. Rates will be updated quarterly and applied to new leases entered into during the quarter.

Weighted-average lease terms and discount rates as of July 2, 2019 were as follows:

Weighted-average remaining lease term	12.8 Years
Weighted-average discount rate	5.7%

Lease costs included in "Occupancy & Operating" on the Consolidated Statements of Income consisted of the following (in thousands):

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Lease cost	$ 13,713	$ —	$ 26,953	$ —
Variable lease cost	971	—	1,826	—
Total lease costs	$ 14,684	$ —	$ 28,779	$ —

Operating lease obligation maturities as of July 2, 2019 were as follows (in thousands):

2019 (remainder of fiscal year)	$ 23,601
2020	57,644
2021	57,212
2022	56,733
2023	54,488
Thereafter	399,798
Total lease payments	649,476
Less: imputed interest	(179,991)
Present value of operating lease obligations	$ 469,485

4. LONG-TERM DEBT

Line of Credit

Our Credit Facility, which matures on November 18, 2021, provides us with revolving loan commitments totaling $250 million, of which $50 million may be used for the issuance of letters of credit. Availability under the Credit Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. Our obligations under the Credit Facility are unsecured. As of July 2, 2019, there were borrowings of $100.0 million and letters of credit totaling approximately $14.1 million outstanding under the Credit Facility. Available borrowings under the Credit Facility were $135.9 million as of July 2, 2019. The Credit Facility bears interest at our choice of LIBOR plus a percentage not to exceed 1.75%, or at a rate ranging from Bank of America's prime rate to 0.75% above Bank of America's prime rate, based on our level of lease and debt obligations as compared to EBITDA plus lease expenses. The weighted average interest rate during the twenty-six weeks ended July 2, 2019 was approximately 3.4%.

The Credit Facility contains provisions requiring us to maintain compliance with certain covenants, including a Fixed Charge Coverage Ratio and a Lease Adjusted Leverage Ratio. At July 2, 2019, we were in compliance with these covenants. Based on our Credit Facility agreement, adopting new accounting standards, such as ASU 2016-02, Leases (Topic 842), does not impact our compliance calculations.

Interest expense and commitment fees under the Credit Facility for the twenty-six weeks ended July 2, 2019 and July 3, 2018 were approximately $2.1 million and $2.8 million, respectively. We also capitalized approximately $0.1 million and $0.07 million of interest expense related to new restaurant construction during the twenty-six weeks ended July 2, 2019 and July 3, 2018, respectively.

5. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if in-the-money stock options issued by us to sell common stock at set prices were exercised and if restrictions on restricted stock units ("RSUs") issued by us were to lapse (collectively, equity awards) using the treasury stock method. Performance-based RSUs are considered contingent shares; therefore, at each reporting date we determine the probable number of shares that will vest and we include these contingently issuable shares in our diluted net income calculation. Once theses performance-based RSUs vest, they are included in our basic net income per share calculation.

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

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Numerator:				
Net income	$ 14,192	$ 16,945	$ 27,056	$ 31,609
Denominator:				
Weighted-average shares outstanding – basic	20,692	20,880	20,874	20,733
Dilutive effect of equity awards	307	597	358	549
Weighted-average shares outstanding – diluted	20,999	21,477	21,232	21,282
Net income per share:				
Basic	$ 0.69	$ 0.81	$ 1.30	$ 1.52
Diluted	$ 0.68	$ 0.79	$ 1.27	$ 1.49

For the thirteen weeks ended July 2, 2019 and July 3, 2018, there were approximately 0.3 million and 0.02 million shares of common stock equivalents, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive. For the twenty-six weeks ended July 2, 2019 and July 3, 2018, there were approximately 0.3 million shares of common stock equivalents, that were excluded from the calculation of diluted net income per share because they are anti-dilutive.

6. RELATED PARTY

James Dal Pozzo, the Chairman of the Board of the Jacmar Companies ("Jacmar"), is a member of our Board of Directors. Jacmar, through its affiliation with Distribution Market Advantage ("DMA"), a consortium of large, regional food distributors located throughout the United States, is currently our largest distributor of food, beverage, paper products and supplies. In 2006, we began using DMA to deliver the majority of our food products to our restaurants. In July 2017, after conducting a market evaluation, we entered into a new five-year agreement with DMA. The new agreement expires in June 2020 and automatically renews for two successive one-year periods (effectively expiring June 2022), unless either party provides a non-renewal notice 90 days prior to the end of each year.

Jacmar services our restaurants in California and Nevada, while other DMA distributors service our restaurants in all other states. Under the terms of our agreement with DMA, Jacmar is required to sell products to us at the same prices as the other DMA distributors. Jacmar does not provide us with any produce, liquor, wine or beer products, all of which are provided by other third party vendors and are included in "Cost of sales" on the Consolidated Statements of Income.

The cost of food, beverage, paper products and supplies provided by Jacmar included within restaurant operating costs consisted of the following (in thousands):

	For the Thirteen Weeks Ended				For the Twenty-Six Weeks Ended			
	July 2, 2019		July 3, 2018		July 2, 2019		July 3, 2018	
Cost of sales:								
Third party suppliers	$ 54,431	70.8%	$ 49,747	69.1%	$ 105,995	70.6%	$ 98,416	69.3%
Jacmar	22,430	29.2	22,279	30.9	44,192	29.4	43,581	30.7
Total cost of sales	$ 76,861	100.0%	$ 72,026	100.0%	$ 150,187	100.0%	$ 141,997	100.0%
Occupancy and operating:								
Third party suppliers	$ 62,102	96.3%	$ 56,601	95.8%	$ 121,266	96.2%	$ 111,642	95.8%
Jacmar	2,391	3.7	2,472	4.2	4,818	3.8	4,934	4.2
Total occupancy and operating	$ 64,493	100.0%	$ 59,073	100.0%	$ 126,084	100.0%	$ 116,576	100.0%

The amounts included in accounts payables related to Jacmar consisted of the following (in thousands):

	July 2, 2019	January 1, 2019
Third party suppliers	$ 26,656	$ 30,395
Jacmar	6,458	6,110
Total accounts payable	$ 33,114	$ 36,505

7. STOCK-BASED COMPENSATION

Our current shareholder approved stock-based compensation plan is the BJ's Restaurants, Inc. Equity Incentive Plan, formerly known as the 2005 Equity Incentive Plan (as amended from time to time, "the Plan"). Under the Plan, we may issue shares of our common stock to employees, officers, directors and consultants. We have granted incentive stock options, non-qualified stock options, and performance and time-based restricted stock units. Stock options and stock appreciation rights, if any, are charged against the Plan share reserve on the basis of one share for each share granted. Certain other types of grants, including RSUs, are currently charged against the Plan share reserve on the basis of 1.5 shares for each share granted. The Plan also contains other limits on the terms of incentive grants such as limits on the number that can be granted to an employee during any fiscal year. All options granted under the Plan expire within 10 years of their date of grant.

Under the Plan, we issue non-qualified stock options as well as time-based and performance-based RSUs to vice presidents and above. We issue time-based RSUs and/or non-qualified stock options to our other support employees, as well as to non-employee members of our Board of Directors. We also issue RSUs, and previously issued non-qualified stock options, in connection with the BJ's Gold Standard Stock Ownership Program (the "GSSOP"). The GSSOP is a long-term equity incentive program for our restaurant general managers, executive kitchen managers, directors of operations and directors of kitchen operations. GSSOP grants are dependent on the length of each participant's service with us and position. All GSSOP participants are required to remain in good standing during their vesting period.

The Plan permits our Board of Directors to set the vesting terms and exercise period for awards at its discretion. Stock options and time-based RSUs vest ratably over one, three or five years for non-GSSOP participants and either cliff vest at five years or cliff vest at

33% on the third anniversary and 67% on the fifth anniversary for GSSOP participants. Performance-based RSUs generally cliff vest on the third anniversary of the grant date in an amount from 0% to 150% of the grant quantity, dependent on the level of performance target achievement.

The following table presents the stock-based compensation recognized within our consolidated financial statements (in thousands):

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Labor and benefits	$ 556	$ 544	$ 1,014	$ 1,122
General and administrative	$ 1,739	$ 1,254	$ 3,365	$ 2,959
Capitalized (1)	$ 76	$ 69	$ 154	$ 162

(1) Capitalized stock-based compensation relates to our restaurant development personnel and is included in "Property and equipment, net" on the Consolidated Balance Sheets.

Stock Options

The fair value of each stock option was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018
Expected volatility	34.5%	33.6%
Risk free interest rate	2.5%	2.3%
Expected option life	5 years	5 years
Dividend yield	1.5%	1.5%
Fair value of options granted	$ 15.67	$ 10.77

U.S. GAAP requires us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, and dividend yield. These estimations and judgments are determined by us using assumptions that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility, dividend yield and risk free interest rate may significantly impact the fair value of future grants resulting in a significant impact to our financial results.

The exercise price of our stock options under our stock-based compensation plan is required to equal or exceed the fair value of our common stock at market close on the option grant date or the most recent trading day when grants take place on market holidays. The following table presents stock option activity:

	Options Outstanding		Options Exercisable	
	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at January 1, 2019	588	$ 38.14	189	$ 37.41
Granted	107	53.09		
Exercised	(21)	33.35		
Forfeited	(8)	45.72		
Outstanding at July 2, 2019	666	$ 40.60	347	$ 38.20

As of July 2, 2019, total unrecognized stock-based compensation expense related to non-vested stock options was approximately $2.8 million, which is generally expected to be recognized over the next five years.

Restricted Stock Units

Time-Based Restricted Stock Units

The following table presents time-based restricted stock unit activity:

	Shares (in thousands)	Weighted Average Fair Value
Outstanding at January 1, 2019	494	$ 40.99
Granted	112	51.33
Released	(93)	35.40
Forfeited	(29)	44.29
Outstanding at July 2, 2019	484	$ 44.26

The fair value of our time-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the most recent trading day when grants take place on market holidays. The fair value of each time-based RSU is expensed over the vesting period (e.g., one, three or five years). As of July 2, 2019, total unrecognized stock-based compensation expense related to non-vested RSUs was approximately $11.0 million, which is generally expected to be recognized over the next five years.

Performance-Based Restricted Stock Units

The following table presents performance-based restricted stock unit activity:

	Shares (in thousands)	Weighted Average Fair Value
Outstanding at January 1, 2019	105	$ 38.32
Granted	31	53.22
Released	(28)	42.41
Forfeited	(3)	43.13
Outstanding at July 2, 2019	105	$ 41.42

The fair value of our performance-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the most recent trading day when grants take place on market holidays. The fair value of each performance-based RSU is expensed based on management's current estimate of the level that the performance goal will be achieved. As of July 2, 2019, based on the target level of performance, the total unrecognized stock-based compensation expense related to non-vested performance-based RSUs was approximately $1.9 million, which is generally expected to be recognized over the next three years.

8. INCOME TAXES

We calculate our interim income tax provision in accordance with ASC Topic 270, "Interim Reporting" and ASC Topic 740, "Accounting for Income Taxes." At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary year-to-date earnings. The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including the expected operating income for the year, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated in the current fiscal year. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained or the tax environment changes.

As of July 2, 2019, we had unrecognized tax benefits of approximately $1.6 million, of which approximately $1.2 million, if reversed, would impact our effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is the following (in thousands):

	For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018
Gross unrecognized tax benefits at beginning of year	$ 1,532	$ 1,516
Decreases for tax positions taken in prior years	(7)	—
Increases for tax positions taken in the current year	49	44
Gross unrecognized tax benefits at end of year	$ 1,574	$ 1,560

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of July 2, 2019, the earliest tax year still subject to examination by the Internal Revenue Service is 2015. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2014.

9. LEGAL PROCEEDINGS

We are subject to lawsuits, administrative proceedings and demands that arise in the ordinary course of our business and which typically involve claims from customers, employees and others related to operational, employment, real estate and intellectual property issues common to the foodservice industry. A number of these claims may exist at any given time. We are self-insured for a portion of our general liability, our employee workers' compensation and our employment practice requirements. We maintain coverage with a third party insurer to limit our total exposure. We believe that most of our customer claims will be covered by our general liability insurance, subject to coverage limits and the portion of such claims that are self-insured. Punitive damages awards and employee unfair practice claims, however, are not covered by our general liability insurance. To date, we have not been ordered to pay punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims. We could be affected by adverse publicity resulting from allegations in lawsuits, claims and proceedings, regardless of whether these allegations are valid or whether we are ultimately determined to be liable. We currently believe that the final disposition of these types of lawsuits, proceedings and claims will not have a material adverse effect on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, proceedings or claims.

10. SHAREHOLDERS' EQUITY

Stock Repurchases

During the twenty-six weeks ended July 2, 2019, we repurchased and retired approximately 0.7 million shares of our common stock at an average price of $46.42 per share for a total of $31.1 million, which is recorded as a reduction in common stock, with any excess charged to retained earnings. In March 2019, our Board of Directors approved an expansion of our share repurchase program by $100 million. As of July 2, 2019, we have approximately $91.1 million remaining under the current $500 million share repurchase plan approved by our Board of Directors.

Cash Dividends

On April 22, 2019, our Board of Directors authorized and declared a quarterly cash dividend of $0.12 per share of common stock that was paid on May 27, 2019, to shareholders of record at the close of business on May 13, 2019. While we intend to pay quarterly cash dividends, any future decisions to pay, increase or decrease cash dividends will be reviewed quarterly and declared by the Board of Directors at its discretion. Debt instruments that we enter into in the future may contain covenants that place limitations on the amount of dividends we may pay.

11. SUBSEQUENT EVENTS

On July 22, 2019, our Board of Directors authorized and declared a quarterly cash dividend of $0.12 per share of common stock payable on August 26, 2019, to shareholders of record at the close of business on August 12, 2019.

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

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain information included in this Form 10-Q and other filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers may contain "forward-looking" statements about our current and expected performance trends, growth plans, business goals and other matters. Words or phrases such as "believe," "plan," "will likely result," "expect," "intend," "will continue," "is anticipated," "estimate," "project," "may," "could," "would," "should," and similar expressions are intended to identify "forward-looking" statements. These statements, and any other statements that are not historical facts, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities

Exchange Act of 1934, as amended from time to time (the "Act"). The cautionary statements made in this Form 10-Q should be read as being applicable to all related "forward-looking" statements wherever they appear in this Form 10-Q.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Form 10-Q, our Annual Report on Form 10-K for the fiscal year ended January 1, 2019, and our other reports filed from time to time with the Securities and Exchange Commission. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain "forward-looking" statements that involve known and unknown risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The risks described in this Form 10-Q, as well as the risks identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 1, 2019, are not the only risks we face. These statements reflect our current perspectives and outlook with respect to the Company's future expansion plans, key business initiatives, expected operating conditions and other factors. We operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. Additional risks and uncertainties that we are currently unaware of, or that we currently deem immaterial, also may become important factors that affect us. It is not possible for us to predict the impact of all of these factors on our business, financial condition or results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any "forward-looking" statements. Given the volatility of the operating environment and its associated risks and uncertainties, investors should not rely on "forward-looking" statements as any prediction or guarantee of actual results.

"Forward-looking" statements include, among others, statements concerning:

- our restaurant concept, its competitive advantages and our strategies for its continued evolution and expansion;
- the rate and scope of our future restaurant development;
- the total domestic capacity for our restaurants;
- dates on which we will commence or complete the development and opening of new restaurants;
- expectations for consumer spending on casual dining restaurant occasions;
- the availability and cost of key commodities and labor used in our restaurants and brewing operations;
- menu price increases and their effect, if any, on revenue and results of operations;
- the effectiveness of our planned operational, menu, marketing and capital expenditure initiatives;
- capital requirement expectations and actual or available borrowings on our line of credit;
- projected revenues, operating costs, including commodities, labor and other expenses;
- projected share repurchases or shareholder dividend frequency and amount; and
- other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

These "forward-looking" statements are subject to risks and uncertainties, including financial, regulatory, consumer behavior, demographic, industry growth and trend projections, that may cause actual events or results to differ materially from those expressed or implied by the statements. Significant factors that may prevent us from achieving our stated goals include, but are not limited to:

- Failure to maintain a favorable image, credibility and the value of the BJ's brand and our reputation for offering customers a higher quality more differentiated total dining experience at a good value may adversely affect our business.
- Any deterioration in general economic conditions may affect consumer spending and adversely affect our revenues, operating results and liquidity.
- Any deterioration in general economic conditions, which may have a material adverse impact on our landlords or on businesses neighboring our locations, may adversely affect our revenues and results of operations.
- Any inability or failure to successfully expand our restaurant operations may adversely affect our growth rate and results of operations.
- Any inability to open new restaurants on schedule in accordance with our targeted capacity growth or problems associated with securing suitable restaurant locations, leases and licenses, recruiting and training qualified managers and hourly employees and other factors, some of which are beyond our control and difficult to forecast accurately may adversely affect our operations.

- Any inability to access sources of capital and or to raise capital in the future may adversely affect our business.
- Any failure of our existing or new restaurants to achieve expected results may have a negative impact on our consolidated financial results.
- Any strain on our infrastructure and resources due to growth, which may slow our development of new restaurants may adversely affect our ability to manage our existing restaurants.
- Any decision to either reduce or accelerate the pace of openings may positively or adversely affect our comparative financial performance.
- Expenditures required to open new restaurants may adversely affect our future operating results.
- Our corporate office is located in California and a significant number of our restaurants are located in California, Texas and Florida which makes us particularly sensitive to economic, regulatory, weather and other risk factors and conditions that are more prevalent in those states.
- Any negative publicity about us, our restaurants, other restaurants, or others across the food supply chain, due to food borne illness or other reasons, whether or not accurate may adversely affect the reputation and popularity of our restaurants and our results of operations.
- Any adverse changes in the supply of food, labor, brewing, energy and other expenses, including those resulting from climate change, may adversely affect our operating results.
- Any inability of our internal or independent third party brewers to timely supply our beer may adversely affect our operating results.
- Periodic reviews and audits of our internal brewing, independent third party brewing and beer distribution arrangements by various federal, state and local governmental and regulatory agencies may adversely affect our operations and our operating results.
- Government laws and regulations affecting the operation of our restaurants, including but not limited to those that apply to the acquisition and maintenance of our brewing and retail liquor licenses, minimum wages, federal or state exemption rules, health insurance coverage, or other employment benefits such as paid time off, consumer health and safety, nutritional disclosures, and employment eligibility-related documentation requirements may cause disruptions to our operations, adversely affect our operating costs and restrict our growth.
- Heavy dependence of our operations, including credit card processing and our loyalty and employee engagement programs, on information technology may adversely affect our revenues and impair our ability to efficiently operate our business if there is a material failure of such technology.
- Unsolicited takeover proposals, governance change proposals, proxy contests and certain proposals/actions by activist investors may create additional risks and uncertainties with respect to the Company's financial position, operations, strategies and management, and may adversely affect our ability to attract and retain key employees. Any perceived uncertainties may affect the market price and volatility of our securities.
- Any suspension of or failure to pay regular dividends or to repurchase the Company's stock up to the maximum amounts permitted under our previously announced repurchase program, either of which may negatively impact investor perceptions of us and may affect the market price and volatility of our stock.

For a more detailed description of these risk factors and other considerations, see Part II, Item 1A – "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 1, 2019.

GENERAL

As of August 5, 2019, we owned and operated 206 restaurants located in the 28 states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia and Washington. Our proprietary craft beer is produced at several of our locations, our Temple, Texas brewpub locations and by independent third party brewers using our proprietary recipes.

The first BJ's restaurant, which opened in 1978 in Orange County, California, was a small sit down pizzeria that featured Chicago style deep-dish pizza with a unique California twist. Our goal then and still today is to be the best casual dining concept ever by focusing on high quality menu options at a compelling value, a dining experience that exceeds customers' expectations for service, hospitality and enjoyment, and an atmosphere that is always welcoming and approachable.

In 1996, we introduced our initial proprietary craft beers and expanded the BJ's concept from its beginnings as a small pizzeria to a full-service, high energy casual dining restaurant when we opened our first large format restaurant featuring an operating brewery in Brea, California. Today our restaurants feature over 140 menu offerings including: slow roasted entrees, such as, prime rib; EnLIGHTened Entrees® such as our Cherry Chipotle Glazed Salmon; our original signature deep-dish pizza; the often imitated, but never replicated world-famous Pizookie® dessert; and our award-winning BJ's proprietary craft beers.

Our revenues are comprised of food and beverage sales at our restaurants. Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern. The estimated gift card breakage is based on when the likelihood of redemption becomes remote, which has typically been 24 months after the original gift card issuance date. For our customer loyalty program, we allocate the transaction price between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points until such points are redeemed.

All of our restaurants are Company-owned. In calculating comparable restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months. Customer traffic for our restaurants is estimated based on customer checks.

Cost of sales is comprised of food and beverage costs, including the cost to produce and distribute our proprietary craft beer, soda and ciders. The components of cost of sales are variable and typically fluctuate directly with sales volumes, but may be impacted by changes in commodity prices, a shift in sales mix to higher cost proteins or other higher cost items, or varying levels of promotional activities.

Labor and benefit costs include direct hourly and management wages, bonuses, payroll taxes, fringe benefits and stock-based compensation and workers' compensation expense that is directly related to restaurant level employees.

Occupancy and operating expenses include restaurant supplies, credit card fees, third party delivery company commissions, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related restaurant costs.

General and administrative costs include all corporate, field supervision and administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include corporate management, field supervision and corporate hourly staff salaries and related employee benefits (including stock-based compensation expense and cash-based incentive compensation), travel and relocation costs, information systems, the cost to recruit and train new restaurant management employees, corporate rent, certain brand marketing-related expenses and legal, professional and consulting fees.

Depreciation and amortization are composed primarily of depreciation of capital expenditures for restaurant and brewing equipment and leasehold improvements.

Restaurant opening expenses, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stock of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

While we currently expect to pursue the renewal of substantially all of our expiring restaurant leases, there is no guarantee that we can obtain a new lease that is satisfactory to our landlord and us or that, if renewed, rents will not increase substantially.

RESULTS OF OPERATIONS

The following table provides, for the periods indicated, our unaudited Consolidated Statements of Income expressed as percentages of total revenues. The results of operations for the thirteen and twenty-six weeks ended July 2, 2019 and July 3, 2018, are not necessarily indicative of the results to be expected for the full fiscal year. Percentages below may not reconcile due to rounding.

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018	July 2, 2019	July 3, 2018
Revenues	100.0%	100.0%	100.0%	100.0%
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	25.5	25.0	25.4	25.1
Labor and benefits	36.0	35.5	36.1	35.8
Occupancy and operating	21.4	20.5	21.3	20.6
General and administrative	5.3	5.5	5.6	5.5
Depreciation and amortization	5.9	6.1	6.0	6.2
Restaurant opening	0.2	0.3	0.2	0.3
Loss on disposal of assets	0.3	0.4	0.5	0.4
Total costs and expenses	94.8	93.4	95.0	93.7
Income from operations	5.2	6.6	5.0	6.3
Other income (expense):				
Interest expense, net	(0.4)	(0.5)	(0.4)	(0.5)
Other income, net	—	—	0.2	—
Total other expense	(0.3)	(0.5)	(0.2)	(0.5)
Income before income taxes	4.9	6.2	4.8	5.8
Income tax expense	0.2	0.3	0.3	0.2
Net income	4.7%	5.9%	4.6%	5.6%

Thirteen Weeks Ended July 2, 2019 Compared to Thirteen Weeks Ended July 3, 2018

Revenues. Total revenues increased by $13.5 million, or 4.7%, to $301.1 million during the thirteen weeks ended July 2, 2019, from $287.6 million during the comparable thirteen week period of 2018. The increase in revenues primarily consisted of a $7.4 million increase in sales from new restaurants not yet in our comparable restaurant sales base, a 2.0%, or $5.8 million, increase in comparable restaurant sales. The increase in comparable restaurant sales resulted from an increase in average check of approximately 3.0%, partially offset by a decrease in customer traffic of approximately 1.0%.

Cost of Sales. Cost of sales increased by $4.8 million, or 6.7%, to $76.9 million during the thirteen weeks ended July 2, 2019, from $72.0 million during the comparable thirteen week period of 2018. This increase was primarily due to the opening of five new restaurants since the thirteen weeks ended July 3, 2018. As a percentage of revenues, cost of sales increased to 25.5% for the current thirteen week period from 25.0% for the prior year comparable period. This percentage increase is primarily due to higher produce costs related to avocados and unfavorable menu mix related to the roll out of our new slow roasted tri-tip sirloin.

Labor and Benefits. Labor and benefit costs for our restaurants increased by $6.5 million, or 6.4%, to $108.5 million during the thirteen weeks ended July 2, 2019, from $102.0 million during the comparable thirteen week period of 2018. This increase was primarily due to the opening of five new restaurants since the thirteen weeks ended July 3, 2018. As a percentage of revenues, labor and benefit costs increased to 36.0% for the current thirteen week period from 35.5% for the prior year comparable period. This percentage increase is primarily due to higher hourly labor rates coupled with increased labor hours related to the roll out of our new slow roasted tri-tip sirloin and Gold Standard Kitchen Systems, partially offset by lower incentive compensation and lower taxes and benefits. Included in labor and benefits for the thirteen weeks ended July 2, 2019 and July 3, 2018, was approximately $0.6 million and $0.5 million, respectively, or 0.2% of revenues, of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by $5.4 million, or 9.2%, to $64.5 million during the thirteen weeks ended July 2, 2019, from $59.1 million during the comparable thirteen week period of 2018. This increase was primarily due to the opening of five new restaurants since the thirteen weeks ended July 3, 2018 and increased marketing expenses. As a percentage of revenues, occupancy and operating expenses increased to 21.4% for the current thirteen week period from 20.5% for the prior year comparable period. This percentage increase was primarily due to increased marketing and commissions to third party delivery companies and higher maintenance costs related to our handheld server tablets, coupled with the impact of the adoption of Topic 842 related to deferred sales-leaseback gains which are no longer being offset against rent expense over the term of the lease. As a result of adopting Topic 842, we currently expect to recognize higher rent expense by approximately $2.5 million during fiscal 2019.

General and Administrative. General and administrative expenses increased by $0.1 million, or 0.8%, to $16.0 million during the thirteen weeks ended July 2, 2019, from $15.9 million during the comparable thirteen week period of 2018. Also included in general and administrative costs for the thirteen weeks ended July 2, 2019 and July 3, 2018, was approximately $1.7 million and $1.3 million, or 0.6% and 0.4% of revenues, of stock-based compensation expense, respectively. As a percentage of revenues, general and administrative expenses decreased to 5.3% for the current thirteen week period from 5.5% for the prior year comparable period. This percentage decrease was primarily due to lower incentive compensation expense based on our performance to date coupled with our ability to leverage the fixed component of these expenses over a higher revenue base from new restaurants and our comparable restaurant sales increase.

Depreciation and Amortization. Depreciation and amortization increased by $0.2 million, or 1.2%, to $17.8 million during the thirteen weeks ended July 2, 2019, compared to $17.6 million during the comparable thirteen week period of 2018. This increase was primarily due to depreciation expense related to the five new restaurants opened since the thirteen weeks ended July 3, 2018. As a percentage of revenues, depreciation and amortization decreased to 5.9% for the current thirteen week period from 6.1% for the prior year comparable period. This percentage decrease was primarily due to our ability to leverage the fixed component of these expenses over a higher revenue base from new restaurants and our comparable restaurant sales increase.

Restaurant Opening. Restaurant opening expense decreased by $0.2 million, or 26.9%, to $0.6 million during the thirteen weeks ended July 2, 2019, compared to $0.8 million during the comparable thirteen week period of 2018. This decrease is primarily due to the timing of openings.

Loss on Disposal of Assets. Loss on disposal of assets decreased by $0.1 million, or 7.2%, to $1.0 million during the thirteen weeks ended July 2, 2019, compared to $1.1 million during the comparable thirteen week period of 2018. These costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date.

Interest Expense, Net. Interest expense, net, decreased by $0.3 million to $1.1 million during the thirteen weeks ended July 2, 2019, compared to $1.4 million during the comparable thirteen week period of 2018. This decrease was due to a lower average debt balance during the thirteen weeks ended July 2, 2019, compared to the comparable thirteen week period of 2018.

Other Income (Expense), Net. Other income, net, was $0.1 million during the thirteen weeks ended July 2, 2019, and the comparable thirteen week period of 2018.

Income Tax Benefit. Our effective income tax rate for the thirteen weeks ended July 2, 2019, was 4.3% compared to 4.9% for the comparable thirteen week period of 2018. The effective income tax rate for the thirteen weeks ended July 2, 2019, differed from the statutory income tax rate primarily due to tax credits and stock based compensation tax benefits.

Twenty-Six Weeks Ended July 2, 2019 Compared to Twenty-Six Weeks Ended July 3, 2018

Revenues. Total revenues increased by $25.5 million, or 4.5% to $591.6 million during the twenty-six weeks ended July 2, 2019, from $566.2 million during the comparable twenty-six week period of 2018. The increase in revenues primarily consisted of a $13.3 million increase in sales from new restaurants not yet in our comparable restaurant sales base, and a 2.0%, or $11.3 million, increase in comparable restaurant sales. The increase in comparable restaurant sales resulted from an increase in average check of approximately 2.2%, partially offset by a decrease in customer traffic of approximately 0.2%.

Cost of Sales. Cost of sales increased by $8.2 million, or 5.8%, to $150.2 million during the twenty-six weeks ended July 2, 2019, from $142.0 million during the comparable twenty-six week period of 2018. This increase was primarily due to the opening of five new restaurants since the twenty-six weeks ended July 3, 2018. As a percentage of revenues, cost of sales increased to 25.4% for the current twenty-six week period from 25.1% for the prior year comparable period. This percentage increase is primarily due to greater discounting coupled with commodity cost increases and unfavorable menu mix related to the roll out of our new slow roasted tri-tip sirloin.

Labor and Benefits. Labor and benefit costs for our restaurants increased by $11.3 million, or 5.6%, to $213.7 million during the twenty-six weeks ended July 2, 2019, from $202.4 million during the comparable twenty-six week period of 2018. This increase was primarily due to the opening of five new restaurants since the twenty-six weeks ended July 3, 2018. As a percentage of revenues, labor and benefit costs increased to 36.1% for the current twenty-six week period from 35.8% for the prior year comparable period. This percentage increase is primarily due to higher hourly labor rates coupled with increased labor hours related to the roll out of our new slow roasted tri-tip sirloin and Gold Standard Kitchen Systems, partially offset by lower incentive compensation and lower taxes and benefits. Included in labor and benefits for the twenty-six weeks ended July 2, 2019 and July 3, 2018, was approximately $1.0 million and $1.1 million, respectively, or 0.2% of revenues, of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by $9.5 million, or 8.2%, to $126.1 million during the twenty-six weeks ended July 2, 2019, from $116.6 million during the comparable twenty-six week period of 2018. This increase was primarily due to the opening of five new restaurants since the twenty-six weeks ended July 3, 2018, and increased marketing expenses. As a percentage of revenues, occupancy and operating expenses increased to 21.3% for the current twenty-six week period from 20.6% for the prior year comparable period. This percentage increase was primarily due to increased marketing and commissions to third party delivery companies and higher maintenance costs related to our handheld server tablets, coupled with the impact of the adoption of Topic 842 related to deferred sales-leaseback gains which are no longer being offset against rent expense over the term of the lease. As a result of adopting Topic 842, we currently expect to recognize higher rent expense by approximately $2.5 million during fiscal 2019.

General and Administrative. General and administrative expenses increased by $1.9 million, or 6.1%, to $32.9 million during the twenty-six weeks ended July 2, 2019, from $31.0 million during the comparable twenty-six week period of 2018. Also included in general and administrative costs for the twenty-six weeks ended July 2, 2019 and July 3, 2018, was approximately $3.4 million and $3.0 million, or 0.6% and 0.5% of revenues, of stock-based compensation expense, respectively. As a percentage of revenues, general and administrative expenses increased to 5.6% for the current twenty-six week period from 5.5% for the prior year comparable period. This percentage increase was primarily due to an increase in our deferred compensation plan, partially offset by lower incentive compensation expense based on our performance to date coupled with our ability to leverage the fixed component of these expenses over a higher revenue base from new restaurants and our comparable restaurant sales increase. The incentive compensation expense is offset by the related investment gain included in “Other income, net” on our Consolidated Statements of Income.

Depreciation and Amortization. Depreciation and amortization increased by $0.4 million, or 1.2%, to $35.5 million during the twenty-six weeks ended July 2, 2019, compared to $35.1 million during the comparable twenty-six week period of 2018. This increase was primarily due to depreciation expense related to the five new restaurants opened since the twenty-six weeks ended July 3, 2018. As a percentage of revenues, depreciation and amortization decreased to 6.0% for the current twenty-six week period from 6.2% for the prior year comparable period. This percentage decrease was primarily due to our ability to leverage the fixed component of these expenses over a higher revenue base from new restaurants and our comparable restaurant sales increase.

Restaurant Opening. Restaurant opening expense decreased by $0.4 million, or 26.1%, to $1.1 million during the twenty-six weeks ended July 2, 2019, compared to $1.4 million during the comparable twenty-six week period of 2018. This decrease is primarily due to the timing of openings.

Loss on Disposal of Assets. Loss on disposal of assets increased by $0.5 million, or 23.0%, to $2.7 million during the twenty-six weeks ended July 2, 2019, compared to $2.2 million during the comparable twenty-six week period of 2018. These costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date.

Interest Expense, Net. Interest expense, net, decreased by $0.6 million to $2.1 million during the twenty-six weeks ended July 2, 2019, compared to $2.8 million during the comparable twenty-six week period of 2018. This decrease was due to a lower average debt balance during the twenty-six weeks ended July 2, 2019, compared to the comparable twenty-six week period of 2018.

Other Income (Expense), Net. Other income, net, increased by $1.3 million to $1.2 million during the twenty-six weeks ended July 2, 2019, compared to other expense of $20,000 during the comparable twenty-six week period of 2018. This increase was primarily due to an increase in the cash surrender value of certain life insurance programs under our deferred compensation plan. This increase offsets the related deferred compensation expense included in “General and administrative” expenses on our Consolidated Statements of Income.

Income Tax Benefit. Our effective income tax rate for the twenty-six weeks ended July 2, 2019, was 5.5% compared to 3.4% for the comparable twenty-six week period of 2018. The effective income tax rate for the twenty-six weeks ended July 2, 2019, differed from the statutory income tax rate primarily due to tax credits and stock based compensation tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

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

	July 2, 2019		January 1, 2019	
Cash and cash equivalents	$	23,376	$	29,224
Net working capital	$	(98,613)	$	(71,938)
Current ratio		0.4:1.0		0.5:1.0

Our capital requirements are driven by our fundamental financial objective to improve total shareholder return through a balanced approach of new restaurant expansion plans, enhancements and initiatives on existing restaurants, and return of capital to our shareholders through our share repurchase program and dividends. In addition, we want to maintain a flexible balance sheet to provide the financial resources necessary to manage the risks and uncertainties of conducting our business operations in a mature segment of the restaurant industry. In order to achieve these objectives, we use a combination of operating cash flows, funded debt, landlord allowances and proceeds from stock option exercises.

We currently estimate the total domestic capacity for BJ's restaurants to be at least 425, given the size of our current restaurant prototype and the current structure of the BJ's concept and menu. We expect to fund our growth plans using cash from our ongoing operations, our cash balance on hand, proceeds from employee stock option exercises, tenant improvement allowances from our landlords and our $250 million Credit Facility. Depending on the expected level of new restaurant development, tenant improvement allowances that we receive from our landlords, other planned capital investments including ongoing maintenance capital expenditures, and results from our ongoing operations, we may not generate enough cash flow from operations to completely fund our plans. In addition, share repurchases and our quarterly cash dividend or any significant increases in such repurchases or dividends may impact our available capital resources. Accordingly, we continue to actively monitor overall conditions in the capital and credit markets with respect to the potential sources and the timing of additional financing in order to enhance total shareholder return. However, there can be no assurance that such financing will be available if required or available on terms acceptable to us. If we are unable to secure additional capital resources, when needed, we may be required to reduce our planned rate of expansion, share repurchases, quarterly cash dividends or other shareholder return initiatives.

Similar to many restaurant chains, we typically utilize operating lease arrangements (principally ground leases) for the majority of our restaurant locations. We believe our operating lease arrangements provide appropriate leverage for our capital structure in a financially efficient manner. However, we are not limited to the use of lease arrangements as our only method of opening new restaurants and from time to time have purchased the underlying land for new restaurants. We typically lease our restaurant locations for periods of 10 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). Many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. However, there can be no assurance that such allowances will be available to us on each project. From time to time, we may also decide to purchase the underlying land for a new restaurant if that is the only way to secure a highly desirable site. Currently, we own the underlying land for two of our existing restaurants, one of our restaurants that will be open later this year and our Texas brewpub locations. We also own two parcels of land adjacent to two of our restaurants. It is not our current strategy to own a large number of land parcels that underlie our restaurants. Therefore, in many cases we have subsequently entered into sale-leaseback arrangements for land parcels that we previously purchased. We disburse cash for certain site-related work, buildings, leasehold improvements, furnishings, fixtures and equipment to build our leased and owned premises. We own substantially all of the equipment, furniture and trade fixtures in our restaurants and currently plan to do so in the future.

We also require capital resources to evolve, maintain and increase the productive capacity of our existing base of restaurants and brewing operations and to further expand and strengthen the capabilities of our corporate and information technology infrastructures. Our requirement for working capital is not significant since our restaurant customers pay for their food and beverage purchases in cash or credit cards at the time of the sale. Thus, we are able to sell many of our inventory items before we are required to pay our suppliers for such items.

CASH FLOWS

The following tables set forth, for the periods indicated, our cash flows from operating, investing, and financing activities (in thousands):

	For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018
Net cash provided by operating activities	$ 64,387	$ 72,093
Net cash used in investing activities	(38,757)	(28,752)
Net cash used in financing activities	(31,478)	(48,313)
Net decrease in cash and cash equivalents	$ (5,848)	$ (4,972)

Operating Cash Flows

Net cash provided by operating activities was $64.4 million during the twenty-six weeks ended July 2, 2019, representing a $7.7 million decrease from the $72.1 million provided during the twenty-six weeks ended July 3, 2018. The decrease over the prior year is primarily due to the timing of accrued expenses, partially offset by the timing of accounts and other receivable collections and accounts payable payments.

Investing Cash Flows

Net cash used in investing activities was $38.8 million during the twenty-six weeks ended July 2, 2019, representing a $10.0 million increase from the $28.8 million used during the twenty-six weeks ended July 3, 2018. The increase over prior year is primarily due to the timing of new restaurant openings.

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

	For the Twenty-Six Weeks Ended	
	July 2, 2019	July 3, 2018
New restaurants	$ 25,547	$ 16,812
Restaurant maintenance and key productivity initiatives	12,637	11,748
Restaurant and corporate systems	573	192
Total capital expenditures	$ 38,757	$ 28,752

We expect to open seven restaurants in fiscal 2019, and we have entered into signed leases, land purchase agreements or letters of intent for all of our 2019 new restaurant locations. Our new restaurant unit economics continue to warrant an appropriate allocation of our available capital, and we will continue to balance new restaurant growth with our commitment to drive shareholder returns through our share repurchase program and quarterly cash dividends.

We currently anticipate our total capital expenditures for fiscal 2019, including all expenditure categories, to be approximately $80 million to $85 million, including a new human capital management system, as well as increased construction and development costs for our restaurant openings as a result of higher tariffs and labor costs. We expect to fund our anticipated capital expenditures for fiscal 2019 with our current cash balance on hand, expected cash flows from operations, expected tenant improvement allowances and our line of credit. Our future cash requirements will depend on many factors, including the pace of our expansion, conditions in the retail property development market, construction costs, the nature of the specific sites selected for new restaurants, and the nature of the specific leases and associated tenant improvement allowances available, if any, as negotiated with landlords.

Financing Cash Flows

Net cash used in financing activities was $31.5 million during the twenty-six weeks ended July 2, 2019, representing a $16.8 million decrease from the $48.3 million used during the twenty-six weeks ended July 3, 2018. The decrease in cash used over prior year is primarily due to decreased net line of credit payments, partially offset by an increase in shares repurchased and a reduction in proceeds from exercises of stock options.

We have a $250 million unsecured revolving line of credit that expires on November 18, 2021, and may be used for working capital and other general corporate purposes. We utilize the Credit Facility principally for letters of credit that are required to support certain of our self-insurance programs, to fund a portion of our share repurchase program and quarterly cash dividend and working capital and construction requirements. While we intend to pay regular quarterly cash dividends in the future, any decisions to pay, increase or decrease cash dividends will be reviewed quarterly and declared by the Board of Directors at its discretion. Debt instruments that we enter into in the future may contain covenants that place limitations on the amount of dividends we may pay.

As of July 2, 2019, we have cumulatively repurchased shares valued at approximately $408.9 million in accordance with our approved share repurchase plan. We repurchased shares valued at approximately $31.1 million during the twenty-six weeks ended July 2, 2019. The share repurchases were executed through open market purchases, and future share repurchases may be completed through the combination of individually negotiated transactions, accelerated share buyback, and/or open market purchases. As of July 2, 2019, we have approximately $91.1 million available under our share repurchase plan. Our Credit Facility does not contain any restrictions on the amount of borrowings that can be used to make share repurchases, or on the amount of dividends we pay, as long as we are in compliance with our financial and non-financial covenants.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities ("VIEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of July 2, 2019, we are not involved in any off-balance sheet arrangements.

IMPACT OF INFLATION

Inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations. Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the cost of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant customers. While we have taken steps to enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather or other market conditions outside of our control. We are currently unable to contract for certain commodities, such as fluid dairy, fresh seafood and most fresh produce items for long periods of time. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations.

A general shortage in the availability of qualified restaurant managers and hourly workers in certain geographic areas in which we operate has caused increases in the costs of recruiting and compensating such employees. Many of our restaurant employees are paid hourly rates subject to the federal, state or local minimum wage requirements. Numerous state and local governments have their own regulatory requirements and minimum wage requirements for employees that are generally greater than the federal minimum wage and are subject to annual increases based on changes in their local consumer price indices. Additionally, certain operating and other costs, including health benefits in compliance with the Patient Protection and Affordable Care Act, taxes, insurance and other outside services continue to increase with the general level of inflation and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices of our menu items, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions will limit our menu pricing flexibility. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. There can be no assurance that all of our future cost increases can be offset by higher menu prices or that higher menu prices will be accepted by our restaurant customers without any resulting changes in their visit frequencies or purchasing patterns. Many of the leases for our restaurants provide for contingent rent obligations based on a percentage of sales. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

SEASONALITY AND ADVERSE WEATHER

Our business is impacted by weather and other seasonal factors that typically impact other restaurant operations. Holidays (and shifts in the holiday calendar) and severe weather including hurricanes, tornados, thunderstorms and similar conditions may impact restaurant sales volumes in some of the markets where we operate. Many of our restaurants are located in or near shopping centers and malls that typically experience seasonal fluctuations in sales. Quarterly results have been and will continue to be significantly impacted by the timing of new restaurant openings and their associated restaurant opening expenses. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

For the twenty-six weeks ended July 2, 2019, we utilized several critical accounting estimates to adopt ASU 2016-02, Leases. We are required to discount our lease payments using a fully collateralized incremental borrowing rate over the probable lease term for each lease. To estimate the fully collateralized incremental borrowing rate for each lease term, we utilized an estimated (synthetic) credit rating for the Company and publicly available trading data for debt instruments. We estimate each probable lease term at lease commencement which is used in the discounted cash flow calculation and as one factor to determine the classification of our leases as finance or operating. For further information see Note 1, Recently Adopted Accounting Standards, and Note 3, Leases, in the Notes to Unaudited Consolidated Financial Statements.

A summary of our other critical accounting policies included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 1, 2019. During the twenty-six weeks ended July 2, 2019, there were no significant changes in our critical accounting policies, other than those related to the adoption of ASU 2016-02 as discussed above and in Note 1, Recently Adopted Accounting Standards, and Note 3, Leases, in the Notes to Unaudited Consolidated Financial Statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of market risks contains "forward-looking" statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

Interest Rate Risk

We have a $250 million unsecured Credit Facility of which $100.0 million is currently outstanding that carries interest at a floating rate. We utilize the Credit Facility principally for letters of credit that are required to support our self-insurance programs, to fund a portion of our announced share repurchase program and for working capital and construction requirements, as needed. We are exposed to interest rate risk through fluctuations in interest rates on our obligations under the Credit Facility. Based on our current outstanding balance, a hypothetical 1% change in the interest rates under our Credit Facility would have an approximate $0.8 million annual impact on our net income.

Food and Commodity Price Risks

We purchase food and other commodities for use in our operations based upon market prices established with our suppliers. Many of the commodities purchased by us can be subject to volatility due to market supply and demand factors outside of our control, whether contracted for or not. Costs can also fluctuate due to government regulation. To manage this risk in part, we attempt to enter into fixed-price purchase commitments, with terms typically up to one year, for some of our commodity requirements. However, it may not be possible for us to enter into fixed-price contracts for certain commodities or we may choose not to enter into fixed-price contracts for certain commodities. We believe that substantially all of our food and supplies are available from several sources, which helps to diversify our overall commodity cost risk. We also believe that we have some flexibility and ability to increase certain menu prices, or vary certain menu items offered or promoted, in response to food commodity price increases. Some of our commodity purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. We do not use financial instruments to hedge commodity prices, since our purchase arrangements with suppliers, to the extent that we can enter into such arrangements, help control the ultimate cost that we pay.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 2, 2019, our disclosure controls and procedures are designed and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our second fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

To facilitate the adoption of the new lease accounting standard (Topic 842), effective as of January 2, 2019, and to properly account for its impact on our leases, we established implementation controls to ensure our contracts have been properly evaluated and that the impact of the new lease accounting standard has been properly assessed and disclosed on our consolidated financial statements for the twenty-six weeks ended July, 2, 2019.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 9 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a summary of legal proceedings.

Item 1A. RISK FACTORS

A discussion of the significant risks associated with investments in our securities, as well as other matters, is set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 1, 2019. A summary of these risks and certain related information is included under "Statement Regarding Forward-Looking Disclosure" in Part I, Item 2 of this Form 10-Q and is incorporated herein by this reference. These cautionary statements are to be used as a reference in connection with any "forward-looking" statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a "forward-looking" statement or contained in any of our subsequent filings with the SEC. The risks described in this Form 10-Q and in our Annual Report on Form 10-K are not the only risks we face. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. There may be other risks and uncertainties that are not currently known or that are currently deemed by us to be immaterial; however, they may ultimately adversely affect our business, financial condition and/or operating results.

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

As of July 2, 2019, we have cumulatively repurchased shares valued at approximately $408.9 million in accordance with our approved share repurchase plan. We repurchased shares valued at approximately $31.1 million during the twenty-six weeks ended July 2, 2019. The share repurchases were executed through open market purchases, and future share repurchases may be completed through the combination of individually negotiated transactions, accelerated share buyback, and/or open market purchases. As of July 2, 2019, we have approximately $91.1 million available under our share repurchase plan. Our Credit Facility does not contain any restrictions on the amount of borrowings that can be used to make share repurchases or on the amount of dividends we pay, as long as we are in compliance with our financial and non-financial covenants.

The following table sets forth information with respect to the repurchase of common shares during the twenty-six weeks ended July 2, 2019:

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
01/02/19 – 01/29/19	41,667	$ 52.39	41,667	$ —	$ 20,028,995
01/30/19 – 02/26/19	—	$ —	—	$ —	$ 20,028,995
02/27/19 – 04/02/19	207,274	$ 46.85	207,274	$ 100,000,000	$ 110,318,234
04/03/19 – 04/30/19	184,254	$ 46.13	184,254	$ —	$ 101,819,048
05/01/19 – 05/28/19	97,713	$ 48.59	97,713	$ —	$ 97,070,846
05/29/19 – 07/02/19	139,912	$ 42.88	139,912	$ —	$ 91,071,382
Total	670,820	$ 46.42	670,820		

(1) Period information is presented in accordance with our fiscal months during the twenty-six weeks ended July 2, 2019.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K for fiscal 2017.
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibits 3.1 of the Form 8-K filed on June 4, 2007.
3.3	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.3 of the Annual Report on Form 10-K for fiscal 2004.
3.4	Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.4 of the Annual Report on Form 10-K for fiscal 2010.
4.1	Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form SB-2A filed with the Securities and Exchange Commission on August 22, 1996 (File No. 3335182-LA).
10.1	Equity Incentive Plan, as amended (incorporated by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 24, 2019).
31	Section 302 Certification of Chief Executive Officer and Chief Financial Officer.
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

BJ'S RESTAURANTS, INC.
(Registrant)

August 5, 2019	By:	/s/ GREGORY A. TROJAN Gregory A. Trojan Chief Executive Officer (Principal Executive Officer)
	By:	/s/ GREGORY S. LEVIN Gregory S. Levin President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)

Exhibit 31

BJ’S RESTAURANTS, INC.

Certification of Chief Executive Officer

I, Gregory A. Trojan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ’s Restaurants, Inc. (the “registrant”);

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and,

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

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

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

Date: August 5, 2019

By: /s/ GREGORY A. TROJAN
Gregory A. Trojan
Chief Executive Officer
(Principal Executive Officer)

BJ’S RESTAURANTS, INC.

Certification of Chief Financial Officer

I, Gregory S. Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ’s Restaurants, Inc. (the “registrant”);

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and,

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

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

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

Date: August 5, 2019

By: /s/ GREGORY S. LEVIN
Gregory S. Levin
President, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32

BJ'S RESTAURANTS, INC.
CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Gregory A. Trojan, Chief Executive Officer of the Company, and Gregory S. Levin, Chief Financial Officer of the Company, certify to their knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the quarter ended July 2, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

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

In Witness Whereof, each of the undersigned has signed this Certification as of this August 5, 2019.

/s/ GREGORY A. TROJAN	/s/ GREGORY S. LEVIN
Gregory A. Trojan	Gregory S. Levin
Chief Executive Officer	President, Chief Financial Officer and Secretary
(Principal Executive Officer)	(Principal Financial and Accounting Officer)